IC 26

TITLE 26. COMMERCIAL LAW

IC 26-1

ARTICLE 1. UNIFORM COMMERCIAL CODE

IC 26-1-1

Chapter 1. General Provisions

IC 26-1-1-0.2

Transactions entered into after July 1, 1964, and before January 1, 1986; status of certain perfected security interests

Sec. 0.2. A transaction validly entered into after July 1, 1964, and before January 1, 1986, which:

(1) was subject to this article, as effective on December 31, 1985; and

(2) would be subject to P.L.93-1985 if it had been entered into after December 31, 1985;

and the rights, duties, and interests flowing from such a transaction remain valid after December 31, 1985, and may be terminated, completed, consummated, or enforced as required or permitted by P.L.93-1985. Security interests arising out of such a transaction that are perfected as of January 1, 1986, shall remain perfected until they lapse as provided by sections 0.4 and 0.5 of this chapter and may be continued as permitted by P.L.93-1985 except as stated in section 0.3 of this chapter.

As added by P.L.220-2011, SEC.412.

IC 26-1-1-0.3

Certain security interests considered perfected

Sec. 0.3. A security interest, for the perfection of which filing or the taking of possession was required under this article, as effective on December 31, 1985, and which attached before January 1, 1986, but was not perfected, is considered perfected on January 1, 1986, if P.L.93-1985 permits perfection without filing or authorizes filing in the office or offices where a prior ineffective filing was made.

As added by P.L.220-2011, SEC.413.

IC 26-1-1-0.4

Status of certain financing statements and continuation statements; effectiveness of certain financing statements; requirement for new financing statements; status of records of certain real estate mortgages

Sec. 0.4. (a) A financing statement or continuation statement filed before January 1, 1986, that has not lapsed before January 1, 1986, remains effective for the period provided in this article, as effective on December 31, 1985, but not less than five (5) years after the filing.

(b) With respect to any collateral acquired by the debtor after December 31, 1985, any effective financing statement or continuation statement described in this section applies only if the filing or filings are in the office or offices that would be appropriate to perfect the security interests in the new collateral under P.L.93-1985.

(c) The effectiveness of any financing statement or continuation statement filed before January 1, 1986, may be continued by a continuation statement as permitted by P.L.93-1985 except that if P.L.93-1985 requires a filing in an office where there was no previous financing statement, a new financing statement conforming to section 0.5 of this chapter must be filed in that office.

(d) If the record of a mortgage of real estate would have been effective as a fixture filing of goods described in the mortgage if P.L.93-1985 had been in effect on the date of recording the mortgage, the mortgage is considered effective as a fixture filing as to such goods under IC 26-1-9-402(6), as amended by P.L.93-1985 and before its repeal, on January 1, 1986.

As added by P.L.220-2011, SEC.414.

IC 26-1-1-0.5

Status of certain security interests; conditions; lapsing of perfection; filing of financing statements

Sec. 0.5. (a) If a security interest is perfected or has priority as of December 31, 1985, as to all persons or as to certain persons without any filing or recording, and if the filing of a financing statement would be required for the perfection or priority of the security interest against those persons under P.L.93-1985, the perfection and priority rights of the security interest continue until December 31, 1988. The perfection will then lapse unless a financing statement is filed as provided in subsection (d) or unless the security interest is perfected otherwise than by filing.

(b) If a security interest is perfected as of December 31, 1985, under a law other than this article, as effective on December 31, 1985, which requires no further filing, refiling, or recording to continue its perfection, perfection continues until and will lapse on December 31, 1988, unless:

(1) a financing statement is filed as provided in subsection (d);
(2) the security interest is perfected otherwise than by filing; or
(3) under IC 26-1-9-302(3), as amended by P.L.93-1985 and before its repeal, the other law continues to govern filing.

(c) If a security interest is perfected by a filing, refiling, or recording under a law repealed by P.L.93-1985, which required further filing, refiling, or recording to continue its perfection, perfection continues and will lapse on the date provided by the repealed law for the further filing, refiling, or recording unless a financing statement is filed as provided in subsection (d) or unless the security interest is perfected otherwise than by filing.

(d) A financing statement may be filed within six (6) months before the perfection of a security interest would otherwise lapse. Any such financing statement may be signed by either the debtor or the secured party. The financing statement must identify the security agreement, statement, or notice (however denominated in any statute or other law repealed or modified by P.L.93-1985), state the office where and the date when the last filing, refiling, or recording, if any, was made with respect to the security agreement, statement, or notice and the filing number, if any, or book and page, if any, of recording, and further state that the security agreement, statement, or notice, however denominated, in another filing office under this article, as amended by P.L.93-1985, or under any statute or other law repealed or modified by P.L.93-1985 is still effective. IC 26-1-9-401 and IC 26-1-9-103, as amended by P.L.93-1985 and before their repeal, determine the proper place to file such a financing statement. Except as specified in this subsection, the provisions of IC 26-1-9-403(3), as amended by P.L.93-1985 and before its repeal, for continuation statements apply to such a financing statement.
As added by P.L.220-2011, SEC.415.

IC 26-1-1-0.6
Application of article to certain questions of priority; exceptions

Sec. 0.6. Except as otherwise provided in sections 0.2, 0.3, 0.4, and 0.5 of this chapter, this article, as effective on December 31, 1985, applies to any questions of priority if the positions of the parties were fixed before January 1, 1986. In other cases, questions of priority shall be determined by this article.
As added by P.L.220-2011, SEC.416.

IC 26-1-1-101
Short title; application

Sec. 101. (1) IC 26-1 shall be known and may be cited as Uniform Commercial Code.

(2) IC 26-1 applies to a transaction to the extent that it is governed by another article of the Uniform Commercial Code.
(Formerly: Acts 1963, c.317, s.1-101.) As amended by P.L.152-1986, SEC.110; P.L.143-2007, SEC.1.

IC 26-1-1-102
Purposes; rules of construction; variation by agreement

Sec. 102. (1) IC 26-1 shall be liberally construed and applied to promote its underlying purposes and policies.

(2) Underlying purposes and policies of IC 26-1 are:

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

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

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

(3) The effect of provisions of IC 26-1 may be varied by agreement, except as otherwise provided in IC 26-1 and except that the obligations of good faith, diligence, reasonableness, and care prescribed by IC 26-1 may not be disclaimed by agreement, but the parties may by agreement determine the standards by which the performance of such obligations is to be measured, if such standards are not manifestly unreasonable.

(4) The presence in certain provisions of IC 26-1 of the words "unless otherwise agreed" or words of similar import does not imply that the effect of other provisions may not be varied by agreement under subsection (3).

(5) In IC 26-1, unless the context otherwise requires:

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

(b) words of the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender may refer to any gender.

(Formerly: Acts 1963, c.317, s.1-102.) As amended by P.L.152-1986, SEC.111.

IC 26-1-1-103

Supplementary general principles of law applicable

Sec. 103. Unless displaced by the particular provisions of IC 26-1, the principles of law and equity, including the law merchant and the law relative to capacity to contract, principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake, bankruptcy, or other validating or invalidating cause, shall supplement the provisions of IC 26-1.

(Formerly: Acts 1963, c.317, s.1-103.) As amended by P.L.152-1986, SEC.112.

IC 26-1-1-104

Construction against implicit repeal

Sec. 104. IC 26-1 being a general statute intended as a unified coverage of its subject matter, no part of it shall be deemed to be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.

(Formerly: Acts 1963, c.317, s.1-104.) As amended by P.L.152-1986, SEC.113.

IC 26-1-1-105

Repealed

(Formerly: Acts 1963, c.317, s.1-105. As amended by P.L.93-1985,
SEC.2; P.L.189-1991, SEC.1; P.L.247-1995, SEC.1; P.L.183-1996, SEC.1; P.L.144-1997, SEC.2; P.L.57-2000, SEC.11. Repealed by P.L.143-2007, SEC.78.)

IC 26-1-1-106
Remedies to be liberally administered

Sec. 106. (1) The remedies provided by IC 26-1 shall be liberally administered to the end that the aggrieved party may be put in as good a position as if the other party had fully performed, but neither consequential or special nor penal damages may be had except as specifically provided in IC 26-1 or by other rule of law.

(2) Any right or obligation declared by IC 26-1 is enforceable by action unless the provision declaring it specifies a different and limited effect.

(Formerly: Acts 1963, c.317, s.1-106.) As amended by P.L.152-1986, SEC.114.

IC 26-1-1-107
Waiver or renunciation of claim or right after breach

Sec. 107. Any claim or right arising out of an alleged breach can be discharged in whole or in part without consideration by a written waiver or renunciation signed and delivered by the aggrieved party.

(Formerly: Acts 1963, c.317, s.1-107.)

IC 26-1-1-108
Severability

Sec. 108. The provisions of IC 26-1 are severable in the manner provided by IC 1-1-1-8(b).

(Formerly: Acts 1963, c.317, s.1-108.) As amended by P.L.152-1986, SEC.115.

IC 26-1-1-108.1
Powers of secretary of state; filing; acceptance of payment for fees

Sec. 108.1. (a) The secretary of state may provide that a document required to be filed under this article with the secretary of state may be filed by telecopy, facsimile, or other form of electronic transmission meeting the requirements established by the secretary of state.

(b) The secretary of state may accept payment of a filing fee for a document filed by electronic transmission by credit card, debit card, charge card, or similar method. However, if the filing fee is paid by credit card, debit card, charge card, or similar method, the liability is not finally discharged until the secretary of state receives payment or credit from the institution responsible for making the payment or credit.

(c) The secretary of state may contract with a bank or credit card vendor for acceptance of bank or credit cards. However, if there is a vendor transaction charge or discount fee, whether billed to the secretary of state or charged directly to the secretary of state's account, the secretary of state or the credit card vendor may collect from the person using the bank or credit card a fee that may not exceed the highest transaction charge or discount fee charged to the

secretary of state by the bank or credit card vendor during the most recent collection period. The fee may be collected regardless of any agreement between the bank and a credit card vendor or regardless of any internal policy of the credit card vendor that may prohibit this type of fee. The fee is a permitted additional charge under IC 24-4.5-3-202.
As added by P.L.11-1996, SEC.33.

IC 26-1-1-108.2
Effect on Electronic Signatures in Global and National Commerce Act

Sec. 108.2. This article modifies, limits, and supersedes the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 et seq.).
However, this article does not:

(a) modify, limit, or supersede 15 U.S.C. 7001(c); or
(b) authorize the electronic delivery of a notice described in 15 U.S.C. 7003(b).

As added by P.L.143-2007, SEC.2.

IC 26-1-1-109
Repealed

(Repealed by P.L.16-1983, SEC.23(a).)

IC 26-1-1-201
General definitions

Sec. 201. Subject to additional definitions contained in IC 26-1-2 through IC 26-1-10 which are applicable to specific provisions, and unless the context otherwise requires, in IC 26-1:

(1) "Action" in the sense of a judicial proceeding includes recoupment, counterclaim, setoff, suit in equity, and any other proceedings in which rights are determined.
(2) "Aggrieved party" means a party entitled to resort to a remedy.
(3) "Agreement" means the bargain of the parties in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance as provided in IC 26-1-1-205. Whether an agreement has legal consequences is determined by the provisions of IC 26-1, if applicable; otherwise by the law of contracts (IC 26-1-1-103). (Compare "Contract".)
(4) "Bank" means a person engaged in the business of banking and includes a savings bank, savings and loan association, credit union, and trust company.
(5) "Bearer" means the person:
(A) in control of a negotiable electronic document of title; or
(B) in possession of a negotiable instrument, a negotiable tangible document of title, or a certificated security payable

to bearer or endorsed in blank.

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

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

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

(9) "Buyer in ordinary course of business" means a person that buys goods in good faith without knowledge that the sale violates the rights of another person in the goods, and in the ordinary course from a person, other than a pawnbroker, in the business of selling goods of that kind. A person buys goods in the ordinary course of business if the sale to the person comports with the usual or customary practices in the kind of business in which the seller is engaged or with the seller's own usual or customary practices. A person that sells oil, gas, or other minerals at the wellhead or minehead is a person in the business of selling goods of that kind. A buyer in ordinary course of business may buy for cash, by exchange of other property, or on secured or unsecured credit, and may require goods or documents of title under a preexisting contract for sale. Only a buyer that takes possession of the goods or has a right to recover the goods from that seller under IC 26-1-2 may be a buyer in ordinary course of business. A person that acquires goods in a transfer in bulk or as security for or total or partial satisfaction of a money debt is not a buyer in ordinary course of business.

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

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

(12) "Creditor" includes a general creditor, a secured creditor, a lien creditor and any representative of creditors, including an assignee for the benefit of creditors, a trustee in bankruptcy, a

receiver in equity, and an executor or administrator of an insolvent debtor's or assignor's estate.

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

(14) "Delivery" means the following:

(A) With respect to an electronic document of title, voluntary transfer of control.

(B) With respect to instruments, tangible documents of title, chattel paper, or certificated securities, voluntary transfer of possession.

(15) "Document of title" means a record that:

(A) in the regular course of business or financing, is treated as adequately evidencing that the person in possession or control of the record is entitled to receive, control, hold, and dispose of the record and the goods it covers; and

(B) purports to be issued by or addressed to a bailee and purports to cover goods in the bailee's possession which are either identified or are fungible portions of an identified mass.

The term includes a bill of lading, transport document, dock warrant, dock receipt, warehouse receipt, or order for delivery of goods. An electronic document of title means a document of title evidenced by a record consisting of information stored in an electronic medium. A tangible document of title means a document of title evidenced by a record consisting of information that is inscribed on a tangible medium.

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

(17) "Fungible" with respect to goods or securities means goods or securities of which any unit is, by nature or usage of trade, the equivalent of any other like unit. Goods which are not fungible shall be deemed fungible for the purposes of IC 26-1 to the extent that under a particular agreement or document unlike units are treated as equivalents.

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

(19) "Good faith", except as otherwise provided by IC 26-1-4 or IC 26-1-5.1, means honesty in fact and the observance of reasonable commercial standards of fair dealing.

(20) "Holder" means:

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

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

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

(21) To "honor" is to pay or to accept and pay or where a credit so engages to purchase or discount a draft complying with the

terms of the credit.
(22) "Insolvency proceedings" includes any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate the estate of the person involved.
(23) A person is "insolvent" who either has ceased to pay the person's debts in the ordinary course of business or cannot pay the person's debts as they become due or is insolvent within the meaning of the federal bankruptcy law.
(24) "Money" means a medium of exchange authorized or adopted by a domestic or foreign government and includes a monetary unit of account established by an intergovernmental organization or by agreement between two (2) or more nations.
(25) A person has "notice" of a fact when:
(a) the person has actual knowledge of it;
(b) the person has received a notice or notification of it; or
(c) from all the facts and circumstances known to the person at the time in question, the person has reason to know that it exists.

A person "knows" or has "knowledge" of a fact when the person has actual knowledge of it. "Discover" or "learn" or a word or phrase of similar import refers to knowledge rather than to reason to know. The time and circumstances under which a notice or notification may cease to be effective are not determined by IC 26-1.
(26) A person "notifies" or "gives" a notice or notification to another by taking such steps as may be reasonably required to inform the other in ordinary course whether or not such other actually comes to know of it. A person "receives" a notice or notification when:
(a) it comes to the person's attention; or
(b) it is duly delivered at the place of business through which the contract was made or at any other place held out by the person as the place for receipt of such communications.
(27) Notice, knowledge, or a notice of notification received by an organization is effective for a particular transaction from the time when it is brought to the attention of the individual conducting that transaction and, in any event, from the time when it would have been brought to the person's attention if the organization had exercised due diligence. An organization exercises due diligence if it maintains reasonable routines for communicating significant information to the person conducting the transaction and there is reasonable compliance with the routines. Due diligence does not require an individual acting for the organization to communicate information unless such communication is part of the person's regular duties or unless the person has reason to know of the transaction and that the transaction would be materially affected by the information.
(28) "Organization" includes a corporation, government or

governmental subdivision or agency, business trust, estate, trust, partnership or association, two (2) or more persons having a joint or common interest, or any other legal or commercial entity.

(29) "Party", as distinct from "third party", means a person who has engaged in a transaction or made an agreement within IC 26-1.

(30) "Person" includes an individual or an organization. (See IC 26-1-1-102.)

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

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

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

(33a) "Registered mail" includes certified mail.

(33b) "Record", except as used in IC 26-1-2.1-309, means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

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

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

(36) "Rights" includes remedies.

(37) "Security interest" means an interest in personal property or fixtures which secures payment or performance of an obligation. The term also includes any interest of a consignor and a buyer of accounts, chattel paper, a payment intangible, or a promissory note in a transaction that is subject to IC 26-1-9.1. The special property interest of a buyer of goods on identification of such goods to a contract for sale under IC 26-1-2-401 is not a security interest, but a buyer may also acquire a security interest by complying with IC 26-1-9.1. Except as otherwise provided in IC 26-1-2-505, the right of a seller or lessor of goods under IC 26-1-2 or IC 26-1-2.1 to retain or acquire possession of the goods is not a "security interest", but a seller or lessor may also acquire a "security interest" by complying with IC 26-1-9.1. The retention or reservation of title by a seller of goods notwithstanding shipment or delivery to the buyer (IC 26-1-2-401) is limited in effect to a reservation of a "security interest". Whether a transaction creates a lease or security interest is determined by the facts of each case. However, a transaction creates a security interest if the

consideration the lessee is to pay the lessor for the right to possession and use of the goods is an obligation for the term of the lease not subject to termination by the lessee and:

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

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

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

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

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

(a) the present value of the consideration the lessee is obligated to pay the lessor for the right to 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 lease is entered into;

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

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

(d) the lessee has an option to renew the lease for a fixed rent that is equal to or greater than the 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 performed; or

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

For purposes of this subsection:

(x) Additional consideration is not nominal if:

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

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

Additional consideration is nominal if it is less than the lessee's reasonably predictable cost of performing under the

lease agreement if the option is not exercised.

(y) "Reasonably predictable" and "remaining economic life of the goods" are to be determined with reference to the facts and circumstances at the time the transaction is entered into.

(z) "Present value" means the amount as of a date certain of one (1) or more sums payable in the future, discounted to the date certain. The discount is determined by the interest rate specified by the parties if the rate is not manifestly unreasonable at the time the transaction is entered into. Otherwise, the discount is determined by a commercially reasonable rate that takes into account the facts and circumstances of each case at the time the transaction was entered into.

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

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

(40) "Surety" includes guarantor.

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

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

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

(44) "Value". Except as otherwise provided with respect to negotiable instruments and bank collections (IC 26-1-3.1-303, IC 26-1-4-208, and IC 26-1-4-209) a person gives value for rights if the person acquires them:

(a) in return for a binding commitment to extend credit or for the extension of immediately available credit whether or not drawn upon and whether or not a chargeback is provided for in the event of difficulties in collection;

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

(c) by accepting delivery pursuant to a preexisting contract for purchase; or

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

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

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

(Formerly: Acts 1963, c.317, s.1-201.) As amended by P.L.93-1985, SEC.3; P.L.120-1987, SEC.46; P.L.3-1990, SEC.93; P.L.189-1991, SEC.2; P.L.222-1993, SEC.1; P.L.57-2000, SEC.12; P.L.143-2007, SEC.3; P.L.135-2009, SEC.1; P.L.54-2011, SEC.1.

IC 26-1-1-202

Prima facie evidence by third party documents

Sec. 202. A document in due form purporting to be a bill of lading, policy or certificate of insurance, official weigher's or inspector's certificate, consular invoice, or any other document authorized or required by the contract to be issued by a third party shall be prima facie evidence of its own authenticity and genuineness and of the facts stated in the document by the third party.

(Formerly: Acts 1963, c.317, s.1-202.)

IC 26-1-1-203

Obligation of good faith

Sec. 203. Every contract or duty within IC 26-1 imposes an obligation of good faith in its performance or enforcement.

(Formerly: Acts 1963, c.317, s.1-203.) As amended by P.L.152-1986, SEC.116.

IC 26-1-1-204

Time; reasonable time; "seasonably"

Sec. 204. (1) Whenever IC 26-1 requires any action to be taken within a reasonable time, any time which is not manifestly unreasonable may be fixed by agreement.

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

(3) An action is taken "seasonably" when it is taken at or within the time agreed or, if no time is agreed, at or within a reasonable time.

(Formerly: Acts 1963, c.317, s.1-204.) As amended by P.L.152-1986, SEC.117.

IC 26-1-1-205

Course of dealing, course of performance, and usage of trade

Sec. 205. (1) A course of dealing is a sequence of previous conduct between the parties to a particular transaction which is fairly to be regarded as establishing a common basis of understanding for interpreting their expressions and other conduct.

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

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

(b) other party, with knowledge of the nature of the

performance and opportunity for objection to it, accepts the performance or acquiesces in it without objection.

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

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

(5) Except as provided in subsection (8), the express terms of an agreement and an applicable course of dealing, course of performance, or usage of trade shall be construed wherever reasonable as consistent with each other. If such a construction is unreasonable:

(a) express terms prevail over course of dealing and course of performance;

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

(c) course of dealing prevails over usage of trade.

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

(7) Evidence of a relevant usage of trade offered by one party is not admissible unless and until the party has given the other party such notice as the court finds sufficient to prevent unfair surprise to the latter.

(8) Subject to IC 26-1-2-209, a course of performance is relevant to show a waiver or modification of any term inconsistent with the course of performance.

(Formerly: Acts 1963, c.317, s.1-205.) As amended by P.L.143-2007, SEC.4.

IC 26-1-1-206

Statute of frauds for kinds of personal property not otherwise covered

Sec. 206. (1) Except in the cases described in subsection (2), a contract for the sale of personal property is not enforceable by way of action or defense beyond five thousand dollars ($5,000) in amount or value of remedy unless there is some writing which indicates that a contract for sale has been made between the parties at a defined or stated price, reasonably identifies the subject matter, and is signed by the party against whom enforcement is sought or by his authorized agent.

(2) Subsection (1) does not apply to contracts for the sale of goods

(IC 26-1-2-201) nor to security agreements (IC 26-1-9.1-201).
(Formerly: Acts 1963, c.317, s.1-206.) As amended by P.L.152-1986, SEC.118; P.L.247-1995, SEC.2; P.L.57-2000, SEC.13.

IC 26-1-1-207
Performance or acceptance under reservation of rights

Sec. 207. (1) A party who, with explicit reservation of rights, performs or promises performance or assents to performance in a manner demanded or offered by the other party does not thereby prejudice the rights reserved. Such words as "without prejudice", "under protest" or the like are sufficient.

(2) Subsection (1) does not apply to an accord and satisfaction.
(Formerly: Acts 1963, c.317, s.1-207.) As amended by P.L.222-1993, SEC.2.

IC 26-1-1-208
Option to accelerate at will

Sec. 208. A term providing that one party or his successor in interest may accelerate payment or performance or require collateral or additional collateral "at will" or "when he deems himself insecure" or in words of similar import shall be construed to mean that he shall have power to do so only if he in good faith believes that the prospect of payment or performance is impaired. The burden of establishing lack of good faith is on the party against whom the power has been exercised.
(Formerly: Acts 1963, c.317, s.1-208.)

IC 26-1-1-301
Choice of law

Sec. 301. (1) Except as otherwise provided in this section, if a transaction bears a reasonable relation to Indiana and also to another state or nation, the parties may agree that the law either of Indiana or of the other state or nation shall govern their rights and duties.

(2) In the absence of an agreement under subsection (1), and except as provided in subsection (3), IC 26-1 applies to transactions bearing an appropriate relation to Indiana.

(3) If any of the following provisions specifies the applicable law, that provision governs, and a contrary agreement is effective only to the extent permitted by the law so specified:

(a) IC 26-1-2-402.
(b) IC 26-1-2.1-105 and IC 26-1-2.1-106.
(c) IC 26-1-4-102.
(d) IC 26-1-4.1-507.
(e) IC 26-1-5.1-116.
(f) IC 26-1-8.1-110.
(g) IC 26-1-9.1-301 through IC 26-1-9.1-307.

As added by P.L.143-2007, SEC.5.

IC 26-1-1-302
Subordination

Sec. 302. (1) An obligation may be issued as subordinated to performance of another obligation of the person obligated, or a creditor may subordinate the creditor's right to performance of an obligation by agreement with either the person obligated or another creditor of the person obligated.

(2) Subordination does not create a security interest as against either the common debtor or a subordinated creditor.

As added by P.L.143-2007, SEC.6.

IC 26-1-1.5
Chapter 1.5. UCC Forms

IC 26-1-1.5-1
Use of forms

Sec. 1. The forms in IC 26-1-9.1-521 may be used for filings under IC 26-1.

As added by P.L.57-2000, SEC.14. Amended by P.L.54-2011, SEC.2.

IC 26-1-1.5-2
Repealed

(As added by P.L.57-2000, SEC.14. Repealed by P.L.54-2011, SEC.28.)

IC 26-1-2
Chapter 2. Sales

IC 26-1-2-101
Short title

Sec. 101. IC 26-1-2 shall be known and may be cited as Uniform Commercial Code – Sales.

(Formerly: Acts 1963, c.317, s.2-101.) As amended by P.L.152-1986, SEC.119.

IC 26-1-2-102
Scope; certain security and other transactions excluded from this chapter

Sec. 102. Unless the context otherwise requires, IC 26-1-2 applies to transactions in goods. It does not apply to any transaction which although in the form of an unconditional contract to sell or present sale is intended to operate only as a security transaction, nor does IC 26-1-2 impair or repeal any statute regulating sales to consumers, farmers, or other specified classes of buyers. IC 26-1-2 does not impair or repeal IC 9-14, IC 9-17, or IC 9-22-5.

(Formerly: Acts 1963, c.317, s.2-102.) As amended by P.L.152-1986, SEC.120; P.L.2-1991, SEC.86.

IC 26-1-2-103
Definitions and index of definitions

Sec. 103. (1) In IC 26-1-2, unless the context otherwise requires:

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

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

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

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

(2) Other definitions applying to IC 26-1-2, or to specified parts thereof, and the sections in which they appear are:

"Acceptance". IC 26-1-2-606.
"Banker's credit". IC 26-1-2-325.
"Between merchants". IC 26-1-2-104.
"Cancellation". IC 26-1-2-106(4).
"Commercial unit". IC 26-1-2-105.
"Confirmed credit". IC 26-1-2-325.
"Conforming to contract". IC 26-1-2-106.
"Contract for sale". IC 26-1-2-106.
"Cover". IC 26-1-2-712.
"Entrusting". IC 26-1-2-403.
"Financing agency". IC 26-1-2-104.
"Future goods". IC 26-1-2-105.
"Goods". IC 26-1-2-105.

"Identification". IC 26-1-2-501.
"Installment contract". IC 26-1-2-612.
"Letter of credit". IC 26-1-2-325.
"Lot". IC 26-1-2-105.
"Merchant". IC 26-1-2-104.
"Overseas". IC 26-1-2-323.
"Person in the position of seller". IC 26-1-2-707.
"Present sale". IC 26-1-2-106.
"Sale". IC 26-1-2-106.
"Sale on approval". IC 26-1-2-326.
"Sale or return". IC 26-1-2-326.
"Termination". IC 26-1-2-106.

(3) "Control" as provided in IC 26-1-7-106 and the following definitions apply to IC 26-1-2:

"Check". IC 26-1-3.1-104.
"Consignee". IC 26-1-7-102.
"Consignor". IC 26-1-7-102.
"Consumer goods". IC 26-1-9.1-102.
"Dishonor". IC 26-1-3.1-502.
"Draft". IC 26-1-3.1-104.

(4) In addition, IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout IC 26-1-2.

(Formerly: Acts 1963, c.317, s.2-103.) As amended by P.L.152-1986, SEC.121; P.L.222-1993, SEC.3; P.L.57-2000, SEC.15; P.L.143-2007, SEC.7.

IC 26-1-2-104
"Merchant"; "between merchants"; "financing agency"

Sec. 104. (1) "Merchant" means a person who deals in goods of the kind or otherwise by his occupation holds himself out as having knowledge or skill peculiar to the practices or goods involved in the transaction or to whom such knowledge or skill may be attributed by his employment of an agent or broker or other intermediary who by his occupation holds himself out as having such knowledge or skill.

(2) "Financing agency" means a bank, finance company, or other person who in the ordinary course of business makes advances against goods or documents of title or who by arrangement with either the seller or the buyer intervenes in ordinary course to make or collect payment due or claimed under the contract for sale, as by purchasing or paying the seller's draft or making advances against it or by merely taking it for collection whether or not documents of title accompany or are associated with the draft. "Financing agency" includes also a bank or other person who similarly intervenes between persons who are in the position of seller and buyer in respect to the goods (IC 26-1-2-707).

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

merchants.
(Formerly: Acts 1963, c.317, s.2-104.) As amended by P.L.152-1986, SEC.122; P.L.143-2007, SEC.8.

IC 26-1-2-105
Transferability; "goods"; "future" goods; "lot"; "commercial unit"

Sec. 105. (1) "Goods" means all things (including specially manufactured goods) which are movable at the time of identification to the contract for sale, other than the money in which the price is to be paid, investment securities (IC 26-1-8.1), and things in action. "Goods" also includes the unborn young of animals and growing crops and other identified things attached to realty as described in the section on goods to be severed from realty (IC 26-1-2-107).

(2) Goods must be both existing and identified before any interest in them can pass. Goods which are not both existing and identified are "future" goods. A purported present sale of future goods or of any interest therein operates as a contract to sell.

(3) There may be a sale of a part interest in existing identified goods.

(4) An undivided share in an identified bulk of fungible goods is sufficiently identified to be sold although the quantity of the bulk is not determined. Any agreed proportion of such a bulk or any quantity thereof agreed upon by number, weight, or other measure may, to the extent of the seller's interest in the bulk, be sold to the buyer who then becomes an owner in common.

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

(6) "Commercial unit" means such a unit of goods as by commercial usage is a single whole for purposes of sale and division of which materially impairs its character or value on the market or in use. A commercial unit may be a single article (as a machine) or a set of articles (as a suite of furniture or an assortment of sizes) or a quantity (as a bale, gross, or carload) or any other unit treated in use or in the relevant market as a single whole.
(Formerly: Acts 1963, c.317, s.2-105.) As amended by P.L.152-1986, SEC.123; P.L.247-1995, SEC.3.

IC 26-1-2-106
"Contract"; "agreement"; "contract for sale"; "sale"; "present sale"; "conforming" to contract; "termination"; "cancellation"

Sec. 106. (1) In IC 26-1-2, unless the context otherwise requires, "contract" and "agreement" are limited to those relating to the present or future sale of goods. "Contract for sale" includes both a present sale of goods and a contract to sell goods at a future time. A "sale" consists in the passing of title from the seller to the buyer for a price (IC 26-1-2-401). A "present sale" means a sale which is

accomplished by the making of the contract.

(2) Goods or conduct including any part of a performance are "conforming" or conform to the contract when they are in accordance with the obligations under the contract.

(3) "Termination" occurs when either party pursuant to a power created by agreement or law puts an end to the contract otherwise than for its breach. On "termination" all obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

(4) "Cancellation" occurs when either party puts an end to the contract for breach by the other, and its effect is the same as that of "termination" except that the cancelling party also retains any remedy for breach of the whole contract or of any unperformed balance.

(Formerly: Acts 1963, c.317, s.2-106.) As amended by P.L.152-1986, SEC.124.

IC 26-1-2-107

Goods to be severed from realty; recording

Sec. 107. (1) A contract for the sale of minerals or the like (including oil and gas) or a structure or its materials to be removed from realty is a contract for the sale of goods within IC 26-1-2 if they are to be severed by the seller but until severance a purported present sale thereof which is not effective as a transfer of an interest in land is effective only as a contract to sell.

(2) A contract for the sale apart from the land of growing crops or other things attached to realty and capable of severance without material harm thereto but not described in subsection (1) or of timber to be cut is a contract for the sale of goods within IC 26-1-2 whether the subject matter is to be severed by the buyer or by the seller even though it forms part of the realty at the time of contracting, and the parties can by identification effect a present sale before severance.

(3) The provisions of this section are subject to any third party rights provided by the law relating to realty records, and the contract for sale may be executed and recorded as a document transferring an interest in land and shall then constitute notice to third parties of the buyer's rights under the contract for sale.

(Formerly: Acts 1963, c.317, s.2-107.) As amended by P.L.93-1985, SEC.4.

IC 26-1-2-201

Formal requirements; statute of frauds

Sec. 201. (1) Except as otherwise provided in this section, a contract for the sale of goods for the price of five hundred dollars ($500) or more is not enforceable by way of action or defense unless there is some writing sufficient to indicate that a contract for sale has been made between the parties and signed by the party against whom enforcement is sought or by his authorized agent or broker. A writing

is not insufficient because it omits or incorrectly states a term agreed upon, but the contract is not enforceable under this paragraph beyond the quantity of goods shown in such writing.

(2) Between merchants, if within a reasonable time a writing in confirmation of the contract and sufficiently against the sender is received and the party receiving it has reason to know its contents, it satisfies the requirements of subsection (1) against such party unless written notice of objection to its contents is given within ten (10) days after it is received.

(3) A contract which does not satisfy the requirements of subsection (1) but which is valid in other respects is enforceable:

(a) if the goods are to be specially manufactured for the buyer and are not suitable for sale to others in the ordinary course of the seller's business and the seller, before notice of repudiation is received and under circumstances which reasonably indicate that the goods are for the buyer, has made either a substantial beginning of their manufacture or commitments for their procurement; or

(b) if the party against whom enforcement is sought admits in his pleading, testimony, or otherwise in court that a contract for sale was made, but the contract is not enforceable under this provision beyond the quantity of goods admitted; or

(c) with respect to goods for which payment has been made and accepted or which have been received and accepted (IC 26-1-2-606).

(Formerly: Acts 1963, c.317, s.2-201.) As amended by P.L.152-1986, SEC.125.

IC 26-1-2-202

Final written expression; parol or extrinsic evidence

Sec. 202. Terms with respect to which the confirmatory memoranda of the parties agree or which are otherwise set forth in a writing intended by the parties as a final expression of their agreement with respect to such terms as are included therein may not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement but may be explained or supplemented:

(a) by course of dealing or usage of trade (IC 26-1-1-205) or by course of performance (IC 26-1-1-205); and

(b) by evidence of consistent additional terms, unless the court finds the writing to have been intended also as a complete and exclusive statement of the terms of the agreement.

(Formerly: Acts 1963, c.317, s.2-202.) As amended by P.L.152-1986, SEC.126; P.L.143-2007, SEC.9.

IC 26-1-2-203

Seals inoperative

Sec. 203. The affixing of a seal to a writing evidencing a contract

for sale or an offer to buy or sell goods does not constitute the writing a sealed instrument and the law with respect to sealed instruments does not apply to such a contract or offer.
(Formerly: Acts 1963, c.317, s.2-203.)

IC 26-1-2-204
Formation in general

Sec. 204. (1) A contract for sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract.

(2) An agreement sufficient to constitute a contract for sale may be found even though the moment of its making is undetermined.

(3) Even though one or more terms are left open a contract for sale does not fail for indefiniteness if the parties have intended to make a contract and there is a reasonably certain basis for giving an appropriate remedy.
(Formerly: Acts 1963, c.317, s.2-204.)

IC 26-1-2-205
Firm offers

Sec. 205. An offer by a merchant to buy or sell goods in a signed writing which by its terms gives assurance that it will be held open is not revocable, for lack of consideration, during the time stated or if no time is stated for a reasonable time, but in no event may such period of irrevocability exceed three (3) months; but any such term of assurance on a form supplied by the offeree must be separately signed by the offeror.
(Formerly: Acts 1963, c.317, s.2-205.)

IC 26-1-2-206
Offer and acceptance in formation of contract

Sec. 206. (1) Unless otherwise unambiguously indicated by the language or circumstances

(a) an offer to make a contract shall be construed as inviting acceptance in any manner and by any medium reasonable in the circumstances;

(b) an order or other offer to buy goods for prompt or current shipment shall be construed as inviting acceptance either by a prompt promise to ship or by the prompt or current shipment of conforming or non-conforming goods, but such a shipment of non-conforming goods does not constitute an acceptance if the seller seasonably notifies the buyer that the shipment is offered only as an accommodation to the buyer.

(2) Where the beginning of a requested performance is a reasonable mode of acceptance an offeror who is not notified of acceptance within a reasonable time may treat the offer as having lapsed before acceptance.
(Formerly: Acts 1963, c.317, s.2-206.)

IC 26-1-2-207
Additional terms in acceptance or confirmation

Sec. 207. (1) A definite and seasonable expression of acceptance or a written confirmation which is sent within a reasonable time operates as an acceptance even though it states terms additional to or different from those offered or agreed upon, unless acceptance is expressly made conditional on assent to the additional or different terms.

(2) The additional terms are to be construed as proposals for addition to the contract. Between merchants such terms become part of the contract unless:

(a) the offer expressly limits acceptance to the terms of the offer;

(b) they materially alter it; or

(c) notification of objection to them has already been given or is given within a reasonable time after notice of them is received.

(3) Conduct by both parties which recognizes the existence of a contract is sufficient to establish a contract for sale although the writings of the parties do not otherwise establish a contract. In such case the terms of the particular contract consist of those terms on which the writings of the parties agree, together with any supplementary terms incorporated under any other provisions of this Act.

(Formerly: Acts 1963, c.317, s.2-207.)

IC 26-1-2-208
Repealed

(Formerly: Acts 1963, c.317, s.2-208.) As amended by P.L.152-1986, SEC.127. Repealed by P.L.143-2007, SEC.78.)

IC 26-1-2-209
Modification, rescission, and waiver

Sec. 209. (1) An agreement modifying a contract within IC 26-1-2 needs no consideration to be binding.

(2) A signed agreement which excludes modification or rescission, except by a signed writing, cannot be otherwise modified or rescinded, but except as between merchants such a requirement on a form supplied by the merchant must be separately signed by the other party.

(3) The requirements of the statute of frauds section (IC 26-1-2-201) must be satisfied if the contract as modified is within its provisions.

(4) Although an attempt at modification or rescission does not satisfy the requirements of subsection (2) or (3), it can operate as a waiver.

(5) A party who has made a waiver affecting an executory portion of the contract may retract the waiver by reasonable notification received by the other party that strict performance will be required of any term waived, unless the retraction would be unjust in view of

a material change of position in reliance on the waiver.
(Formerly: Acts 1963, c.317, s.2-209.) As amended by P.L.152-1986, SEC.128.

IC 26-1-2-210
Delegation of performance; assignment of rights

Sec. 210. (1) A party may perform his duty through a delegate, unless otherwise agreed, or unless the other party has a substantial interest in having his original promisor perform or control the acts required by the contract. No delegation of performance relieves the party delegating of any duty to perform or any liability for breach.

(2) Unless otherwise agreed, all rights of either seller or buyer can be assigned except where the assignment would materially change the duty of the other party, or increase materially the burden or risk imposed on him by his contract, or impair materially his chance of obtaining return performance. A right to damages for breach of the whole contract or a right arising out of the assignor's due performance of his entire obligation can be assigned despite agreement otherwise.

(3) The creation, attachment, perfection, or enforcement of a security interest in the seller's interest under a contract is not a transfer that materially changes the duty of or increases materially the burden or risk imposed on the buyer or impairs materially the buyer's chance of obtaining return performance within the purview of subsection (2) unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the seller. Even in that event, the creation, attachment, perfection, and enforcement of the security interest remain effective, but (i) the seller is liable to the buyer for damages caused by the delegation to the extent that the damages could not reasonably be prevented by the buyer, and (ii) a court having jurisdiction may grant other appropriate relief, including cancellation of the contract for sale or an injunction against enforcement of the security interest or consummation of the enforcement.

(4) Unless the circumstances indicate the contrary, a prohibition of assignment of "the contract" is to be construed as barring only the delegation to the assignee of the assignor's performance.

(5) An assignment of "the contract" or of "all my rights under the contract" or an assignment in similar general terms is an assignment of rights, and unless the language or the circumstances (as in an assignment for security) indicate the contrary, it is a delegation of performance of the duties of the assignor, and its acceptance by the assignee constitutes a promise by him to perform those duties. This promise is enforceable by either the assignor or the other party to the original contract.

(6) The other party may treat any assignment which delegates performance as creating reasonable grounds for insecurity and may, without prejudice to his rights against the assignor, demand

assurances from the assignee (IC 26-1-2-609).
(Formerly: Acts 1963, c.317, s.2-210.) As amended by P.L.152-1986, SEC.129; P.L.57-2000, SEC.16.

IC 26-1-2-301
General obligations of parties

Sec. 301. The obligation of the seller is to transfer and deliver and that of the buyer is to accept and pay in accordance with the contract.
(Formerly: Acts 1963, c.317, s.2-301.)

IC 26-1-2-302
Unconscionable contract or clause

Sec. 302. (1) If the court as a matter of law finds the contract or any clause of the contract to have been unconscionable at the time it was made the court may refuse to enforce the contract, or it may enforce the remainder of the contract without the unconscionable clause, or it may so limit the application of any unconscionable clause as to avoid any unconscionable result.

(2) When it is claimed or appears to the court that the contract or any clause thereof may be unconscionable the parties shall be afforded a reasonable opportunity to present evidence as to its commercial setting, purpose and effect to aid the court in making the determination.
(Formerly: Acts 1963, c.317, s.2-302.)

IC 26-1-2-303
Allocation or division of risks

Sec. 303. Where IC 26-1-2 allocates a risk or a burden as between the parties "unless otherwise agreed," the agreement may not only shift the allocation but may also divide the risk or burden.
(Formerly: Acts 1963, c.317, s.2-303.) As amended by P.L.152-1986, SEC.130.

IC 26-1-2-304
Price payable in money, goods, realty, or otherwise

Sec. 304. (1) The price can be made payable in money or otherwise. If it is payable in whole or in part in goods, each party is a seller of the goods which he is to transfer.

(2) Even though all or part of the price is payable in an interest in realty, the transfer of the goods and the seller's obligations with reference to them are subject to IC 26-1-2, but not the transfer of the interest in realty or the transferor's obligations in connection therewith.
(Formerly: Acts 1963, c.317, s.2-304.) As amended by P.L.152-1986, SEC.131.

IC 26-1-2-305
Open price term

Sec. 305. (1) The parties if they so intend can conclude a contract for sale even though the price is not settled. In such a case the price is a reasonable price at the time for delivery if

(a) nothing is said as to price; or

(b) the price is left to be agreed by the parties and they fail to agree; or

(c) the price is to be fixed in terms of some agreed market or other standard as set or recorded by a third person or agency and it is not so set or recorded.

(2) A price to be fixed by the seller or by the buyer means a price for him to fix in good faith.

(3) When a price left to be fixed otherwise than by agreement of the parties fails to be fixed through fault of one (1) party the other may at his option treat the contract as canceled or himself fix a reasonable price.

(4) Where, however, the parties intend not to be bound unless the price be fixed or agreed and it is not fixed or agreed there is no contract. In such a case the buyer must return any goods already received or if unable so to do must pay their reasonable value at the time of delivery and the seller must return any portion of the price paid on account.

(Formerly: Acts 1963, c.317, s.2-305.)

IC 26-1-2-306

Output, requirements, and exclusive dealings

Sec. 306. (1) A term which measures the quantity by the output of the seller or the requirements of the buyer means such actual output or requirements as may occur in good faith, except that no quantity unreasonably disproportionate to any stated estimate or in the absence of a stated estimate to any normal or otherwise comparable prior output or requirements may be tendered or demanded.

(2) A lawful agreement by either the seller or the buyer for exclusive dealing in the kind of goods concerned imposes unless otherwise agreed an obligation by the seller to use best efforts to supply the goods and by the buyer to use best efforts to promote their sale.

(Formerly: Acts 1963, c.317, s.2-306.)

IC 26-1-2-307

Delivery in single lot or several lots

Sec. 307. Unless otherwise agreed all goods called for by a contract for sale must be tendered in a single delivery and payment is due only on such tender but where the circumstances give either party the right to make or demand delivery in lots the price if it can be apportioned may be demanded for each lot.

(Formerly: Acts 1963, c.317, s.2-307.)

IC 26-1-2-308

Absence of specified place for delivery

Sec. 308. Unless otherwise agreed:

(a) the place for delivery of goods is the seller's place of business or if he has none his residence; but

(b) in a contract for sale of identified goods which to the knowledge of the parties at the time of contracting are in some other place, that place is the place for their delivery; and

(c) documents of title may be delivered through customary banking channels.

(Formerly: Acts 1963, c.317, s.2-308.) As amended by P.L.3-1989, SEC.149.

IC 26-1-2-309

Absence of specific time provisions; notice of termination

Sec. 309. (1) The time for shipment or delivery or any other action under a contract, if not provided in IC 26-1-2 or agreed upon, shall be a reasonable time.

(2) Where the contract provides for successive performances but is indefinite in duration, it is valid for a reasonable time but unless otherwise agreed may be terminated at any time by either party.

(3) Termination of a contract by one (1) party, except on the happening of an agreed event, requires that reasonable notification be received by the other party, and an agreement dispensing with notification is invalid if its operation would be unconscionable.

(Formerly: Acts 1963, c.317, s.2-309.) As amended by P.L.152-1986, SEC.132.

IC 26-1-2-310

Open time for payment or running of credit; authority to ship under reservation

Sec. 310. Unless otherwise agreed:

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

(b) if the seller is authorized to send the goods, he may ship them under reservation and may tender the documents of title, but the buyer may inspect the goods after their arrival before payment is due, unless such inspection is inconsistent with the terms of the contract (IC 26-1-2-513); and

(c) if delivery is authorized and made by way of documents of title otherwise than by subdivision (b), then payment is due, regardless of where the goods are to be received:

(i) at the time and place at which the buyer is to receive delivery of the tangible documents; or

(ii) at the time the buyer is to receive delivery of the electronic documents and at the seller's place of business or, if none, the seller's residence; and

(d) where the seller is required or authorized to ship the goods

on credit, the credit period runs from the time of shipment, but postdating the invoice or delaying its dispatch will correspondingly delay the starting of the credit period.

(Formerly: Acts 1963, c.317, s.2-310.) As amended by P.L.152-1986, SEC.133; P.L.143-2007, SEC.10.

IC 26-1-2-311

Options and cooperation respecting performance

Sec. 311. (1) An agreement for sale which is otherwise sufficiently definite (IC 26-1-2-204(3)) to be a contract is not made invalid by the fact that it leaves particulars of performance to be specified by one (1) of the parties. Any such specification must be made in good faith and within limits set by commercial reasonableness.

(2) Unless otherwise agreed, specifications relating to assortment of goods are at the buyer's option, and except as otherwise provided in IC 26-1-2-319(1)(c) and IC 26-1-2-319(3), specifications or arrangements relating to shipment are at the seller's option.

(3) Where such specification would materially affect the other party's performance but is not seasonably made, or where one (1) party's cooperation is necessary to the agreed performance of the other but is not seasonably forthcoming, the other party in addition to all other remedies:

(a) is excused for any resulting delay in his own performance; and

(b) may also either proceed to perform in any reasonable manner, or after the time for a material part of his own performance, treat the failure to specify or to cooperate as a breach by failure to deliver or accept the goods.

(Formerly: Acts 1963, c.317, s.2-311.) As amended by P.L.152-1986, SEC.134.

IC 26-1-2-312

Warranty of title and against infringement; buyer's obligation against infringement

Sec. 312. (1) Subject to subsection (2) there is in a contract for sale a warranty by the seller that

(a) the title conveyed shall be good, and its transfer rightful; and

(b) the goods shall be delivered free from any security interest or other lien or encumbrance of which the buyer at the time of contracting has no knowledge.

(2) A warranty under subsection (1) will be excluded or modified only by specific language or by circumstances which give the buyer reason to know that the person selling does not claim title in himself or that he is purporting to sell only such right or title as he or a third person may have.

(3) Unless otherwise agreed a seller who is a merchant regularly dealing in goods of the kind warrants that the goods shall be

delivered free of the rightful claim of any third person by way of infringement or the like but a buyer who furnishes specifications to the seller must hold the seller harmless against any such claim which arises out of compliance with the specifications.
(Formerly: Acts 1963, c.317, s.2-312.)

IC 26-1-2-313
Express warranties by affirmation, promise, description, and sample

Sec. 313. (1) Express warranties by the seller are created as follows:

(a) any affirmation of fact or promise made by the seller to the buyer which relates to the goods and becomes part of the basis of the bargain creates an express warranty that the goods shall conform to the affirmation or promise.

(b) any description of the goods which is made part of the basis of the bargain creates an express warranty that the goods shall conform to the description.

(c) any sample or model which is made part of the basis of the bargain creates an express warranty that the whole of the goods shall conform to the sample or model.

(2) It is not necessary to the creation of an express warranty that the seller use formal words such as "warrant" or "guarantee" or that he have a specific intention to make a warranty, but an affirmation merely of the value of the goods or a statement purporting to be merely the seller's opinion or commendation of the goods does not create a warranty.
(Formerly: Acts 1963, c.317, s.2-313.)

IC 26-1-2-314
Implied warranty; merchantability; usage of trade

Sec. 314. (1) Unless excluded or modified (IC 26-1-2-316), a warranty that the goods shall be merchantable is implied in a contract for their sale if the seller is a merchant with respect to goods of that kind. Under this section the serving for value of food or drink to be consumed either on the premises or elsewhere is a sale.

(2) Goods to be merchantable must at least be such as:

(a) pass without objection in the trade under the contract description; and

(b) in the case of fungible goods, are of fair, average quality within the description; and

(c) are fit for the ordinary purposes for which such goods are used; and

(d) run, within the variations permitted by the agreement, of even kind, quality, and quantity within each unit and among all units involved; and

(e) are adequately contained, packaged, and labeled as the agreement may require; and

(f) conform to the promises or affirmations of fact made on the container or label if any.

(3) Unless excluded or modified (IC 26-1-2-316), other implied warranties may arise from course of dealing or usage of trade.

(Formerly: Acts 1963, c.317, s.2-314.) As amended by P.L.152-1986, SEC.135.

IC 26-1-2-315

Implied warranty; fitness for particular purpose

Sec. 315. Where the seller at the time of contracting has reason to know any particular purpose for which the goods are required and that the buyer is relying on the seller's skill or judgment to select or furnish suitable goods, there is, unless excluded or modified under IC 26-1-2-316, an implied warranty that the goods shall be fit for such purpose.

(Formerly: Acts 1963, c.317, s.2-315.) As amended by P.L.152-1986, SEC.136.

IC 26-1-2-316

Exclusion or modification of warranties

Sec. 316. (1) Words or conduct relevant to the creation of an express warranty and words or conduct tending to negate or limit warranty shall be construed wherever reasonable as consistent with each other; but subject to the provisions of IC 26-1-2-202 on parol or extrinsic evidence, negation or limitation is inoperative to the extent that such construction is unreasonable.

(2) Subject to subsection (3), to exclude or modify the implied warranty of merchantability or any part of it the language must mention merchantability and in case of a writing must be conspicuous, and to exclude or modify any implied warranty of fitness the exclusion must be by a writing and conspicuous. Language to exclude all implied warranties of fitness is sufficient if it states, for example, that "There are no warranties which extend beyond the description on the face hereof."

(3) Notwithstanding subsection (2):

(a) unless the circumstances indicate otherwise, all implied warranties are excluded by expressions like "as is", "with all faults", or other language which in common understanding calls the buyer's attention to the exclusion of warranties and makes plain that there is no implied warranty; and

(b) when the buyer before entering into the contract has examined the goods or the sample or model as fully as he desired or has refused to examine the goods there is no implied warranty with regard to defects which an examination ought in the circumstances to have revealed to him; and

(c) an implied warranty can also be excluded or modified by course of dealing or course of performance or usage of trade; and

(d) with respect to the sale of cattle, hogs, or sheep, there is no implied warranty that the cattle, hogs, or sheep are free from disease, if the seller shows that all state and federal regulations concerning animal health have been complied with; and

(e) with respect to a sale of audio or visual entertainment products, as defined by IC 26-2-6-1, made as a result of a solicitation through a mail order catalog, it is sufficient to exclude all implied warranties in connection with the sale of any product in the catalog, if the contract is in writing and the language in the contract conspicuously states that:

(i) the product is sold "as is" or "with all faults"; and

(ii) the entire risk as to the quality and performance of the product is with the buyer.

(4) Remedies for breach of warranty can be limited in accordance with the provisions of IC 26-1-2-718 and IC 26-1-2-719 on liquidation or limitation of damages and on contractual modification of remedy.

(Formerly: Acts 1963, c.317, s.2-316.) As amended by Acts 1980, P.L.167, SEC.1; P.L.254-1983, SEC.1.

IC 26-1-2-317

Cumulation and conflict of warranties express or implied

Sec. 317. Warranties whether express or implied shall be construed as consistent with each other and as cumulative, but if such construction is unreasonable the intention of the parties shall determine which warranty is dominant. In ascertaining that intention the following rules apply:

(a) exact or technical specifications displace an inconsistent sample or model or general language of description.

(b) a sample from an existing bulk displaces inconsistent general language of description.

(c) express warranties displace inconsistent implied warranties other than an implied warranty of fitness for a particular purpose.

(Formerly: Acts 1963, c.317, s.2-317.)

IC 26-1-2-318

Third party beneficiaries of warranties express or implied

Sec. 318. A seller's warranty whether express or implied extends to any natural person who is in the family or household of his buyer or who is a guest in his home if it is reasonable to expect that such person may use, consume or be affected by the goods and who is injured in person by breach of the warranty. A seller may not exclude or limit the operation of this section.

(Formerly: Acts 1963, c.317, s.2-318.)

IC 26-1-2-319

F.O.B. and F.A.S. terms

Sec. 319. (1) Unless otherwise agreed, the term F.O.B. (which

means "free on board") at a named place, even though used only in connection with the stated price, is a delivery term under which:

(a) when the term is F.O.B. the place of shipment, the seller must at that place ship the goods in the manner provided in IC 26-1-2-504 and bear the expense and risk of putting them into the possession of the carrier; or

(b) when the term is F.O.B. the place of destination, the seller must at his own expense and risk transport the goods to that place and there tender delivery of them in the manner provided in IC 26-1-2-503;

(c) when under either subdivision (a) or (b) the term is also F.O.B. vessel, car, or other vehicle, the seller must in addition at his own expense and risk load the goods on board. If the term is F.O.B. vessel, the buyer must name the vessel and in an appropriate case, the seller must comply with the provisions of IC 26-1-2-323 on the form of bill of lading.

(2) Unless otherwise agreed, the term F.A.S. vessel (which means "free alongside") at a named port, even though used only in connection with the stated price, is a delivery term under which the seller must:

(a) at his own expense and risk deliver the goods alongside the vessel in the manner usual in that port or on a dock designated and provided by the buyer; and

(b) obtain and tender a receipt for the goods in exchange for which the carrier is under a duty to issue a bill of lading.

(3) Unless otherwise agreed in any case falling within subsection (1)(a), (1)(c), or (2), the buyer must seasonably give any needed instructions for making delivery, including when the term is F.A.S. or F.O.B., the loading berth of the vessel, and in an appropriate case, its name and sailing date. The seller may treat the failure of needed instructions as a failure of cooperation under IC 26-1-2-311. He may also at his option move the goods in any reasonable manner preparatory to delivery or shipment.

(4) Under the term F.O.B. vessel or F.A.S., unless otherwise agreed, the buyer must make payment against tender of the required documents, and the seller may not tender nor the buyer demand delivery of the goods and substitution for the documents.

(Formerly: Acts 1963, c.317, s.2-319.) As amended by P.L.152-1986, SEC.137.

IC 26-1-2-320

C.I.F. and C.&F. terms

Sec. 320. (1) The term C.I.F. means that the price includes in a lump sum the cost of the goods and the insurance and freight to the named destination. The term C.&F. or C.F. means that the price so includes cost and freight to the named destination.

(2) Unless otherwise agreed and even though used only in connection with the stated price and destination, the term C.I.F.

destination or its equivalent requires the seller at his own expense and risk to

(a) put the goods into the possession of a carrier at the port for shipment and obtain a negotiable bill or bills of lading covering the entire transportation to the named destination; and

(b) load the goods and obtain a receipt from the carrier (which may be contained in the bill of lading) showing that the freight has been paid or provided for; and

(c) obtain a policy or certificate of insurance, including any war risk insurance, of a kind and on terms then current at the port of shipment in the usual amount, in the currency of the contract, shown to cover the same goods covered by the bill of lading and providing for payment of loss to the order of the buyer or for the account of whom it may concern; but the seller may add to the price the amount of the premium for any such war risk insurance; and

(d) prepare an invoice of the goods and procure any other documents required to effect shipment or to comply with the contract; and

(e) forward and tender with commercial promptness all the documents in due form and with any endorsement necessary to perfect the buyer's rights.

(3) Unless otherwise agreed the term C.&F. or its equivalent has the same effect and imposes upon the seller the same obligations and risks as a C.I.F. term except the obligation as to insurance.

(4) Under the term C.I.F. or C.&F. unless otherwise agreed the buyer must make payment against tender of the required documents and the seller may not tender nor the buyer demand delivery of the goods in substitution for the documents.

(Formerly: Acts 1963, c.317, s.2-320.)

IC 26-1-2-321

C.I.F. or C.&F.; "net landed weights"; payment on arrival; warranty of condition on arrival

Sec. 321. Under a contract containing a term C.I.F. or C.&F.

(1) Where the price is based on or is to be adjusted according to "net landed weights", "delivered weights", "out turn" quantity or quality or the like, unless otherwise agreed the seller must reasonably estimate the price. The payment due on tender of the documents called for by the contract is the amount so estimated, but after final adjustment of the price a settlement must be made with commercial promptness.

(2) An agreement described in subsection (1) or any warranty of quality or condition of the goods on arrival places upon the seller the risk of ordinary deterioration, shrinkage and the like in transportation but has no effect on the place or time of identification to the contract for sale or delivery or on the passing of the risk of loss.

(3) Unless otherwise agreed where the contract provides for payment on or after arrival of the goods the seller must before

payment allow such preliminary inspection as is feasible; but if the goods are lost delivery of the documents and payment are due when the goods should have arrived.
(Formerly: Acts 1963, c.317, s.2-321.)

IC 26-1-2-322
Delivery "ex-ship"

Sec. 322. (1) Unless otherwise agreed a term for delivery of goods "ex-ship" (which means from the carrying vessel) or in equivalent language is not restricted to a particular ship and requires delivery from a ship which has reached a place at the named port of destination where goods of the kind are usually discharged.

(2) Under such a term unless otherwise agreed

(a) the seller must discharge all liens arising out of the carriage and furnish the buyer with direction which puts the carrier under a duty to deliver the goods; and

(b) the risk of loss does not pass to the buyer until the goods leave the ship's tackle or are otherwise properly unloaded.
(Formerly: Acts 1963, c.317, s.2-322.)

IC 26-1-2-323
Form of bill of lading required in overseas shipment; "overseas"

Sec. 323. (1) Where the contract contemplates overseas shipment and contains a term C.I.F. or C.&F. or F.O.B. vessel, the seller, unless otherwise agreed, must obtain a negotiable bill of lading stating that the goods have been loaded on board or, in the case of a term C.I.F. or C.&F., received for shipment.

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

(a) due tender of a single part is acceptable within the provisions of IC 26-1-2-508(1) on cure of improper delivery; and

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

(3) A shipment by water or by air or a contract contemplating such shipment is "overseas" insofar as by usage of trade or agreement it is subject to the commercial, financing, or shipping practices characteristic of international deep water commerce.
(Formerly: Acts 1963, c.317, s.2-323.) As amended by P.L.152-1986, SEC.138; P.L.143-2007, SEC.11.

IC 26-1-2-324

"No arrival, no sale"

Sec. 324. Under a term "no arrival, no sale" or terms of like meaning, unless otherwise agreed:

(a) the seller must properly ship conforming goods, and if they arrive by any means he must tender them on arrival, but he assumes no obligation that the goods will arrive unless he has caused the nonarrival; and

(b) where without fault of the seller the goods are in part lost or have so deteriorated as no longer to conform to the contract or arrive after the contract time, the buyer may proceed as if there had been casualty to identified goods (IC 26-1-2-613).

(Formerly: Acts 1963, c.317, s.2-324.) As amended by P.L.152-1986, SEC.139.

IC 26-1-2-325

"Letter of credit"; "confirmed credit"

Sec. 325. (1) Failure of the buyer seasonably to furnish an agreed letter of credit is a breach of the contract for sale.

(2) The delivery to seller of a proper letter of credit suspends the buyer's obligation to pay. If the letter of credit is dishonored, the seller may on seasonable notification to the buyer require payment directly from him.

(3) Unless otherwise agreed the term "letter of credit" or "banker's credit" in a contract for sale means an irrevocable credit issued by a financing agency of good repute and, where the shipment is overseas, of good international repute. The term "confirmed credit" means that the credit must also carry the direct obligation of such an agency which does business in the seller's financial market.

(Formerly: Acts 1963, c.317, s.2-325.)

IC 26-1-2-326

Sale on approval and sale or return

Sec. 326. (1) Unless otherwise agreed, if delivered goods may be returned by the buyer even though they conform to the contract, the transaction is:

(a) a "sale on approval" if the goods are delivered primarily for use; and

(b) a "sale or return" if the goods are delivered primarily for resale.

(2) Goods held on approval are not subject to the claims of the buyer's creditors until acceptance. Goods held on sale or return are subject to such claims while in the buyer's possession.

(3) Any "or return" term of a contract for sale is to be treated as a separate contract for sale within the statute of frauds section (IC 26-2-2-201) and as contradicting the sale aspect of the contract within the provisions of IC 26-1-2-202 on parol or extrinsic evidence.

(Formerly: Acts 1963, c.317, s.2-326.) As amended by P.L.152-1986, SEC.140; P.L.57-2000, SEC.17.

IC 26-1-2-327
Special incidents of sale on approval and sale or return

Sec. 327. (1) Under a sale on approval unless otherwise agreed

(a) although the goods are identified to the contract the risk of loss and the title do not pass to the buyer until acceptance; and

(b) use of the goods consistent with the purpose of trial is not acceptance but failure seasonably to notify the seller of election to return the goods is acceptance, and if the goods conform to the contract acceptance of any part is acceptance of the whole; and

(c) after due notification of election to return, the return is at the seller's risk and expense but a merchant buyer must follow any reasonable instructions.

(2) Under a sale or return unless otherwise agreed

(a) the option to return extends to the whole or any commercial unit of the goods while in substantially their original condition, but must be exercised seasonably; and

(b) the return is at the buyer's risk and expense.

(Formerly: Acts 1963, c.317, s.2-327.)

IC 26-1-2-328
Sale by auction

Sec. 328. (1) In a sale by auction if goods are put up in lots each lot is the subject of a separate sale.

(2) A sale by auction is complete when the auctioneer so announces by the fall of the hammer or in other customary manner. Where a bid is made while the hammer is falling in acceptance of a prior bid the auctioneer may in his discretion reopen the bidding or declare the goods sold under the bid on which the hammer was falling.

(3) Such a sale is with reserve unless the goods are in explicit terms put up without reserve. In an auction with reserve the auctioneer may withdraw the goods at any time until he announces completion of the sale. In an auction without reserve, after the auctioneer calls for bids on an article or lot, that article or lot cannot be withdrawn unless no bid is made within a reasonable time. In either case a bidder may retract his bid until the auctioneer's announcement of completion of the sale, but a bidder's retraction does not revive any previous bid.

(4) If the auctioneer knowingly receives a bid on the seller's behalf or the seller makes or procures such a bid, and notice has not been given that liberty for such bidding is reserved, the buyer may at his option avoid the sale or take the goods at the price of the last good faith bid prior to the completion of the sale. This subsection shall not apply to any bid at a forced sale.

(Formerly: Acts 1963, c.317, s.2-328.)

IC 26-1-2-401
Passing of title; reservation of security; limited application of this

section

Sec. 401. Each provision of IC 26-1-2 with regard to the rights, obligations, and remedies of the seller, the buyer, purchasers, or other third parties applies irrespective of title to the goods, except where the provision refers to such title. Insofar as situations are not covered by the other provisions of IC 26-1-2 and matters concerning title become material, the following rules apply:

(1) Title to goods cannot pass under a contract for sale prior to their identification to the contract (IC 26-1-2-501), and unless otherwise explicitly agreed, the buyer acquires by their identification a special property as limited by IC 26-1. Any retention or reservation by the seller of the title (property) in goods shipped or delivered to the buyer is limited in effect to a reservation of a security interest. Subject to these provisions and to the provisions of IC 26-1-9.1 on secured transactions, title to goods passes from the seller to the buyer in any manner and on any conditions explicitly agreed on by the parties.

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

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

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

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

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

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

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

(Formerly: Acts 1963, c.317, s.2-401.) As amended by P.L.152-1986, SEC.141; P.L.57-2000, SEC.18; P.L.143-2007, SEC.12.

IC 26-1-2-402

Rights of seller's creditors against sold goods

Sec. 402. (1) Except as provided in subsections (2) and (3), rights of unsecured creditors of the seller with respect to goods which have been identified to a contract for sale are subject to the buyer's rights to recover the goods under IC 26-1-2-502 and IC 26-1-2-716.

(2) A creditor of the seller may treat a sale or an identification of goods to a contract for sale as void if as against him a retention of possession by the seller is fraudulent under any rule of law of the state where the goods are situated, except that retention of possession in good faith and current course of trade by a merchant-seller for a commercially reasonable time after a sale or identification is not fraudulent.

(3) Nothing in IC 26-1-2 shall be deemed to impair the rights of creditors of the seller:

(a) under the provisions of IC 26-1-9.1 on secured transactions; or

(b) where identification to the contract or delivery is made not in current course of trade but in satisfaction of or as security for a pre-existing claim for money, security, or the like and is made under circumstances which under any rule of law of the state where the goods are situated would apart from IC 26-1-2 constitute the transaction a fraudulent transfer or voidable preference.

(Formerly: Acts 1963, c.317, s.2-402.) As amended by P.L.152-1986, SEC.142; P.L.57-2000, SEC.19.

IC 26-1-2-403

Power to transfer; good faith purchase of goods; "entrusting"

Sec. 403. (1) A purchaser of goods acquires all title which the purchaser's transferor had or had power to transfer, except that a purchaser of a limited interest acquires rights only to the extent of the interest purchased. A person with voidable title has power to transfer a good title to a good faith purchaser for value. When goods have been delivered under a transaction of purchase, the purchaser has such power even though:

(a) the transferor was deceived as to the identity of the purchaser; or

(b) the delivery was in exchange for a check which is later dishonored; or

(c) it was agreed that the transaction was to be a "cash sale"; or

(d) the delivery was procured through fraud punishable as theft under the criminal law.

(2) Any entrusting of possession of goods to a merchant who deals in goods of that kind gives the merchant power to transfer all rights of the entruster to a buyer in ordinary course of business.

(3) "Entrusting" includes any delivery and any acquiescence in retention of possession regardless of any condition expressed between the parties to the delivery or acquiescence and regardless of

whether the procurement of the entrusting or the possessor's disposition of the goods have been such as to be theft under the criminal law.

(4) The rights of other purchasers of goods and of lien creditors are governed by IC 26-1-9.1 on secured transactions and IC 26-1-7 on documents of title.

(Formerly: Acts 1963, c.317, s.2-403.) As amended by P.L.152-1986, SEC.143; P.L.144-1997, SEC.3; P.L.57-2000, SEC.20; P.L.77-2007, SEC.3.

IC 26-1-2-501

Insurable interest in goods; manner of identification of goods

Sec. 501. (1) The buyer obtains a special property and an insurable interest in goods by identification of existing goods as goods to which the contract refers even though the goods so identified are nonconforming and he has an option to return or reject them. Such identification can be made at any time and in any manner explicitly agreed to by the parties. In the absence of explicit agreement identification occurs

(a) when the contract is made if it is for the sale of goods already existing and identified;

(b) if the contract is for the sale of future goods other than those described in paragraph (c), when goods are shipped, marked or otherwise designated by the seller as goods to which the contract refers;

(c) when the crops are planted or otherwise become growing crops or the young are conceived if the contract is for the sale of unborn young to be born within twelve (12) months after contracting or for the sale of crops to be harvested within twelve (12) months or the next normal harvest season after contracting whichever is longer.

(2) The seller retains an insurable interest in goods so long as title to or any security interest in the goods remains in him and where the identification is by the seller alone he may until default or insolvency or notification to the buyer that the identification is final substitute other goods for those identified.

(3) Nothing in this section impairs any insurable interest recognized under any other statute or rule of law.

(Formerly: Acts 1963, c.317, s.2-501.)

IC 26-1-2-502

Buyer's right to goods on seller's repudiation, failure to deliver, or insolvency

Sec. 502. (1) Subject to subsections (2) and (3) and even though the goods have not been shipped, a buyer who has paid a part or all of the price of goods in which he has a special property under the provisions of IC 26-1-2-501 may on making and keeping good a tender of any unpaid portion of their price recover them from the seller if:

(a) in the case of goods bought for personal, family, or household purposes, the seller repudiates or fails to deliver as required by the contract; or

(b) in other cases, the seller becomes insolvent within ten (10) days after receipt of the first installment on their price.

(2) The buyer's right to recover the goods under subsection (1)(a) vests upon acquisition of a special property, even if the seller had not then repudiated or failed to deliver.

(3) If the identification creating his special property has been made by the buyer, he acquires the right to recover the goods only if they conform to the contract for sale.

(Formerly: Acts 1963, c.317, s.2-502.) As amended by P.L.152-1986, SEC.144; P.L.57-2000, SEC.21.

IC 26-1-2-503

Manner of seller's tender of delivery

Sec. 503. (1) Tender of delivery requires that the seller put and hold conforming goods at the buyer's disposition and give the buyer any notification reasonably necessary to enable him to take delivery. The manner, time and place for tender are determined by the agreement and IC 26-1-2, and in particular:

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

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

(2) Where the case is within IC 26-1-2-504 respecting shipment, tender requires that the seller comply with its provisions.

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

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

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

(b) tender to the buyer of a nonnegotiable document of title or of a record directing the bailee to deliver is sufficient tender unless the buyer seasonably objects, and except as otherwise provided in IC 26-1-9.1, receipt by the bailee of notification of the buyer's rights fixes those rights as against the bailee and all third persons; but risk of loss of the goods and of any failure by the bailee to honor the nonnegotiable document of title or to obey the direction remains on the seller until the buyer has had a reasonable time to present the document or direction, and a refusal by the bailee to honor the document or to obey the

direction defeats the tender.

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

(a) he must tender all such documents in correct form, except as provided in IC 26-1-2-323(2) with respect to bills of lading in a set; and

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

(Formerly: Acts 1963, c.317, s.2-503.) As amended by P.L.152-1986, SEC.145; P.L.143-2007, SEC.13.

IC 26-1-2-504

Shipment by seller

Sec. 504. Where the seller is required or authorized to send the goods to the buyer and the contract does not require him to deliver them at a particular destination, then unless otherwise agreed he must

(a) put the goods in the possession of such a carrier and make such a contract for their transportation as may be reasonable having regard to the nature of the goods and other circumstances of the case; and

(b) obtain and promptly deliver or tender in due form any document necessary to enable the buyer to obtain possession of the goods or otherwise required by the agreement or by usage of trade; and

(c) promptly notify the buyer of the shipment.

Failure to notify the buyer under paragraph (c) or to make a proper contract under paragraph (a) is a ground for rejection only if material delay or loss ensues.

(Formerly: Acts 1963, c.317, s.2-504.)

IC 26-1-2-505

Seller's shipment under reservation

Sec. 505. (1) Where the seller has identified goods to the contract by or before shipment:

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

(b) A nonnegotiable bill of lading to himself or his nominee reserves possession of the goods as security, but except in a case of conditional delivery (IC 26-1-2-507(2)), a nonnegotiable bill of lading naming the buyer as consignee reserves no security interest even though the seller retains possession or control of the bill of lading.

(2) When shipment by the seller with reservation of a security interest is in violation of the contract for sale, it constitutes an improper contract for transportation within IC 26-1-2-504, but

impairs neither the rights given to the buyer by shipment and identification of the goods to the contract nor the seller's powers as a holder of a negotiable document of title.
(Formerly: Acts 1963, c.317, s.2-505.) As amended by P.L.152-1986, SEC.146; P.L.143-2007, SEC.14.

IC 26-1-2-506
Rights of financing agency

Sec. 506. (1) A financing agency by paying or purchasing for value a draft which relates to a shipment of goods acquires to the extent of the payment or purchase and in addition to its own rights under the draft and any document of title securing it any rights of the shipper in the goods including the right to stop delivery and the shipper's right to have the draft honored by the buyer.

(2) The right to reimbursement of a financing agency which has in good faith honored or purchased the draft under commitment to or authority from the buyer is not impaired by subsequent discovery of defects with reference to any relevant document which was apparently regular.
(Formerly: Acts 1963, c.317, s.2-506.) As amended by P.L.143-2007, SEC.15.

IC 26-1-2-507
Effect of seller's tender; delivery on condition

Sec. 507. (1) Tender of delivery is a condition to the buyer's duty to accept the goods and, unless otherwise agreed, to his duty to pay for them. Tender entitles the seller to acceptance of the goods and to payment according to the contract.

(2) Where payment is due and demanded on the delivery to the buyer of goods or documents of title, his right as against the seller to retain or dispose of them is conditional upon his making the payment due.
(Formerly: Acts 1963, c.317, s.2-507.)

IC 26-1-2-508
Cure by seller of improper tender or delivery; replacement

Sec. 508. (1) Where any tender or delivery by the seller is rejected because non-conforming and the time for performance has not yet expired, the seller may seasonably notify the buyer of his intention to cure and may then within the contract time make a conforming delivery.

(2) Where the buyer rejects a non-conforming tender which the seller had reasonable grounds to believe would be acceptable with or without money allowance the seller may if he seasonably notifies the buyer have a further reasonable time to substitute a conforming tender.
(Formerly: Acts 1963, c.317, s.2-508.)

IC 26-1-2-509
Risk of loss in the absence of breach

Sec. 509. (1) Where the contract requires or authorizes the seller to ship the goods by carrier:

(a) if it does not require him to deliver them at a particular destination, the risk of loss passes to the buyer when the goods are duly delivered to the carrier even though the shipment is under reservation (IC 26-1-2-505); but

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

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

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

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

(c) after his receipt of possession or control of a nonnegotiable document of title or other direction to deliver in a record, as provided in IC 26-1-2-503(4)(b).

(3) In any case not within subsection (1) or (2), the risk of loss passes to the buyer on his receipt of the goods if the seller is a merchant. Otherwise the risk passes to the buyer on tender of delivery.

(4) The provisions of this section are subject to contrary agreement of the parties and to the provisions of IC 26-1-2-327 on sale on approval and IC 26-1-2-510 on effect of breach on risk of loss.

(Formerly: Acts 1963, c.317, s.2-509.) As amended by P.L.152-1986, SEC.147; P.L.143-2007, SEC.16.

IC 26-1-2-510
Effect of breach on risk of loss

Sec. 510. (1) Where a tender or delivery of goods so fails to conform to the contract as to give a right of rejection the risk of their loss remains on the seller until cure or acceptance.

(2) Where the buyer rightfully revokes acceptance he may to the extent of any deficiency in his effective insurance coverage treat the risk of loss as having rested on the seller from the beginning.

(3) Where the buyer as to conforming goods already identified to the contract for sale repudiates or is otherwise in breach before risk of their loss has passed to him, the seller may to the extent of any deficiency in his effective insurance coverage treat the risk of loss as resting on the buyer for a commercially reasonable time.

(Formerly: Acts 1963, c.317, s.2-510.)

IC 26-1-2-511
Tender of payment by buyer; payment by check

Sec. 511. (1) Unless otherwise agreed, tender of payment is a condition to the seller's duty to tender and complete any delivery.

(2) Tender of payment is sufficient when made by any means or in any manner current in the ordinary course of business, unless the seller demands payment in legal tender and gives any extension of time reasonably necessary to procure it.

(3) Subject to the provisions of IC 26-1-3.1-802 on the effect of an instrument on an obligation, payment by check is conditional and is defeated as between the parties by dishonor of the check on due presentment.

(Formerly: Acts 1963, c.317, s.2-511.) As amended by P.L.152-1986, SEC.148; P.L.222-1993, SEC.4.

IC 26-1-2-512
Payment by buyer before inspection

Sec. 512. (1) Where the contract requires payment before inspection, nonconformity of the goods does not excuse the buyer from so making payment unless:

(a) the nonconformity appears without inspection; or

(b) despite tender of the required documents the circumstances would justify injunction against honor under IC 26-1-5.1-109(b).

(2) Payment pursuant to subsection (1) does not constitute an acceptance of the goods or impair the buyer's right to inspect or any of his remedies.

(Formerly: Acts 1963, c.317, s.2-512.) As amended by P.L.152-1986, SEC.149; P.L.183-1996, SEC.2.

IC 26-1-2-513
Buyer's right of inspection of goods

Sec. 513. (1) Unless otherwise agreed and subject to subsection (3), where goods are tendered or delivered or identified to the contract for sale, the buyer has a right before payment or acceptance to inspect them at any reasonable place and time and in any reasonable manner. When the seller is required or authorized to send the goods to the buyer, the inspection may be after their arrival.

(2) Expenses of inspection must be borne by the buyer but may be recovered from the seller if the goods do not conform and are rejected.

(3) Unless otherwise agreed and subject to the provisions of IC 26-1-2-321(3) on C.I.F. contracts, the buyer is not entitled to inspect the goods before payment of the price when the contract provides:

(a) for delivery "C.O.D." or on other like terms; or

(b) for payment against documents of title, except where such payment is due only after the goods are to become available for

inspection.

(4) A place or method of inspection fixed by the parties is presumed to be exclusive, but unless otherwise expressly agreed, it does not postpone identification or shift the place for delivery or for passing the risk of loss. If compliance becomes impossible, inspection shall be as provided in this section unless the place or method fixed was clearly intended as an indispensable condition failure of which avoids the contract.

(Formerly: Acts 1963, c.317, s.2-513.) As amended by P.L.152-1986, SEC.150.

IC 26-1-2-514

When documents deliverable on acceptance; when on payment

Sec. 514. Unless otherwise agreed documents against which a draft is drawn are to be delivered to the drawee on acceptance of the draft if it is payable more than three (3) days after presentment; otherwise, only on payment.

(Formerly: Acts 1963, c.317, s.2-514.)

IC 26-1-2-515

Preserving evidence of goods in dispute

Sec. 515. In furtherance of the adjustment of any claim or dispute

(a) either party on reasonable notification to the other and for the purpose of ascertaining the facts and preserving evidence has the right to inspect, test and sample the goods including such of them as may be in the possession or control of the other; and

(b) the parties may agree to a third party inspection or survey to determine the conformity or condition of the goods and may agree that the findings shall be binding upon them in any subsequent litigation or adjustment.

(Formerly: Acts 1963, c.317, s.2-515.)

IC 26-1-2-601

Buyer's rights on improper delivery

Sec. 601. Subject to the provisions of IC 26-1-2-612 on breach in installment contracts and unless otherwise agreed under the sections on contractual limitation of remedy (IC 26-1-2-718 and IC 26-1-2-719), if the goods or the tender of delivery fail in any respect to conform to the contract, the buyer may:

(a) reject the whole; or

(b) accept the whole; or

(c) accept any commercial unit or units and reject the rest.

(Formerly: Acts 1963, c.317, s.2-601.) As amended by P.L.152-1986, SEC.151.

IC 26-1-2-602

Manner and effect of rightful rejection

Sec. 602. (1) Rejection of goods must be within a reasonable time

after their delivery or tender. It is ineffective unless the buyer seasonably notifies the seller.

(2) Subject to the provisions of the sections on rejected goods (IC 26-1-2-603 and IC 26-1-2-604):

(a) after rejection, any exercise of ownership by the buyer with respect to any commercial unit is wrongful as against the seller; and

(b) if the buyer has before rejection taken physical possession of goods in which he does not have a security interest under the provisions of IC 26-1-2-711(3), he is under a duty after rejection to hold them with reasonable care at the seller's disposition for a time sufficient to permit the seller to remove them; but

(c) the buyer has no further obligations with regard to goods rightfully rejected.

(3) The seller's rights with respect to goods wrongfully rejected are governed by the provisions of IC 26-1-2-703 on seller's remedies in general.

(Formerly: Acts 1963, c.317, s.2-602.) As amended by P.L.152-1986, SEC.152.

IC 26-1-2-603

Merchant buyer's duties as to rightfully rejected goods

Sec. 603. (1) Subject to any security interest in the buyer (IC 26-1-2-711(3)), when the seller has no agent or place of business at the market of rejection, a merchant buyer is under a duty after rejection of goods in his possession or control to follow any reasonable instructions received from the seller with respect to the goods and in the absence of such instructions to make reasonable efforts to sell them for the seller's account if they are perishable or threaten to decline in value speedily. Instructions are not reasonable if on demand indemnity for expenses is not forthcoming.

(2) When the buyer sells goods under subsection (1), he is entitled to reimbursement from the seller or out of the proceeds for reasonable expenses of caring for and selling them, and if the expenses include no selling commission then to such commission as is usual in the trade or if there is none to a reasonable sum not exceeding ten percent (10%) on the gross proceeds.

(3) In complying with this section, the buyer is held only to good faith and good faith conduct hereunder is neither acceptance nor conversion nor the basis of an action for damages.

(Formerly: Acts 1963, c.317, s.2-603.) As amended by P.L.152-1986, SEC.153.

IC 26-1-2-604

Buyer's options as to salvage of rightfully rejected goods

Sec. 604. Subject to the provisions of IC 26-1-2-603 on perishables, if the seller gives no instructions within a reasonable

time after notification of rejection, the buyer may store the rejected goods for the seller's account or reship them to him or resell them for the seller's account with reimbursement as provided in IC 26-1-2-603. Such action is not acceptance or conversion.
(Formerly: Acts 1963, c.317, s.2-604.) As amended by P.L.152-1986, SEC.154.

IC 26-1-2-605
Waiver of buyer's objections by failure to particularize

Sec. 605. (1) The buyer's failure to state in connection with rejection a particular defect which is ascertainable by reasonable inspection precludes him from relying on the unstated defect to justify rejection or to establish breach:

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

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

(2) Payment against documents made without reservation of rights precludes recovery of the payment for defects apparent in the documents.
(Formerly: Acts 1963, c.317, s.2-605.) As amended by P.L.143-2007, SEC.17.

IC 26-1-2-606
What constitutes acceptance of goods

Sec. 606. (1) Acceptance of goods occurs when the buyer:

(a) after a reasonable opportunity to inspect the goods signifies to the seller that the goods are conforming or that he will take or retain them in spite of their nonconformity; or

(b) fails to make an effective rejection (IC 26-1-2-602(1)), but such acceptance does not occur until the buyer has had a reasonable opportunity to inspect them; or

(c) does any act inconsistent with the seller's ownership; but if such act is wrongful as against the seller it is an acceptance only if ratified by him.

(2) Acceptance of a part of any commercial unit is acceptance of that entire unit.
(Formerly: Acts 1963, c.317, s.2-606.) As amended by P.L.152-1986, SEC.155.

IC 26-1-2-607
Effect of acceptance; notice of breach; burden of establishing breach after acceptance; notice of claim or litigation to person answerable over

Sec. 607. (1) The buyer must pay at the contract rate for any goods accepted.

(2) Acceptance of goods by the buyer precludes rejection of the goods accepted, and if made with knowledge of a nonconformity

cannot be revoked because of it unless the acceptance was on the reasonable assumption that the nonconformity would be seasonably cured, but acceptance does not of itself impair any other remedy provided by IC 26-1-2 for nonconformity.

(3) Where a tender has been accepted:

(a) the buyer must, within a reasonable time after he discovers or should have discovered any breach, notify the seller of breach or be barred from any remedy; and

(b) if the claim is one for infringement or the like (IC 26-1-2-312(3)) and the buyer is sued as a result of such a breach, he must so notify the seller within a reasonable time after he receives notice of the litigation or be barred from any remedy over for liability established by the litigation.

(4) The burden is on the buyer to establish any breach with respect to the goods accepted.

(5) Where the buyer is sued for breach of a warranty or other obligation for which his seller is answerable over:

(a) He may give his seller written notice of the litigation. If the notice states that the seller may come in and defend and that if the seller does not do so he will be bound in any action against him by his buyer by any determination of fact common to the two (2) litigations, then unless the seller after seasonable receipt of the notice does come in and defend he is so bound.

(b) If the claim is one for infringement or the like (IC 26-1-2-312(3)), the original seller may demand in writing that his buyer turn over to him control of the litigation including settlement or else be barred from any remedy over, and if he also agrees to bear all expense and to satisfy any adverse judgment, then unless the buyer after seasonable receipt of the demand does turn over control, the buyer is so barred.

(6) The provisions of subsections (3), (4), and (5) apply to any obligation of a buyer to hold the seller harmless against infringement or the like (IC 26-1-2-312(3)).

(Formerly: Acts 1963, c.317, s.2-607.) As amended by P.L.152-1986, SEC.156.

IC 26-1-2-608

Revocation of acceptance in whole or in part

Sec. 608. (1) The buyer may revoke his acceptance of a lot or commercial unit whose non-conformity substantially impairs its value to him if he has accepted it

(a) on the reasonable assumption that its non-conformity would be cured and it has not been seasonably cured; or

(b) without discovery of such non-conformity if his acceptance was reasonably induced either by the difficulty of discovery before acceptance or by the seller's assurances.

(2) Revocation of acceptance must occur within a reasonable time after the buyer discovers or should have discovered the ground for it

and before any substantial change in condition of the goods which is not caused by their own defects. It is not effective until the buyer notifies the seller of it.

(3) A buyer who so revokes has the same rights and duties with regard to the goods involved as if he had rejected them.

(Formerly: Acts 1963, c.317, s.2-608.)

IC 26-1-2-609

Right to adequate assurance of performance

Sec. 609. (1) A contract for sale imposes an obligation on each party that the other's expectation of receiving due performance will not be impaired. When reasonable grounds for insecurity arise with respect to the performance of either party the other may in writing demand adequate assurance of due performance and until he receives such assurance may if commercially reasonable suspend any performance for which he has not already received the agreed return.

(2) Between merchants the reasonableness of grounds for insecurity and the adequacy of any assurance offered shall be determined according to commercial standards.

(3) Acceptance of any improper delivery or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance.

(4) After receipt of a justified demand failure to provide within a reasonable time not exceeding thirty (30) days such assurance of due performance as is adequate under the circumstances of the particular case is a repudiation of the contract.

(Formerly: Acts 1963, c.317, s.2-609.)

IC 26-1-2-610

Anticipatory repudiation

Sec. 610. When either party repudiates the contract with respect to a performance not yet due, the loss of which will substantially impair the value of the contract to the other, the aggrieved party may:

(a) for a commercially reasonable time await performance by the repudiating party; or

(b) resort to any remedy for breach (IC 26-1-2-703 or IC 26-1-2-711), even though he has notified the repudiating party that he would await the latter's performance and has urged retraction; and

(c) in either case suspend his own performance or proceed in accordance with the provisions of IC 26-1-2-704 on the seller's right to identify goods to the contract notwithstanding breach or to salvage unfinished goods.

(Formerly: Acts 1963, c.317, s.2-610.) As amended by P.L.152-1986, SEC.157.

IC 26-1-2-611

Retraction of anticipatory repudiation

Sec. 611. (1) Until the repudiating party's next performance is due, he can retract his repudiation unless the aggrieved party has since the repudiation cancelled or materially changed his position or otherwise indicated that he considers the repudiation final.

(2) Retraction may be by any method which clearly indicates to the aggrieved party that the repudiating party intends to perform, but must include any assurance justifiably demanded under the provisions of IC 26-1-2-609.

(3) Retraction reinstates the repudiating party's rights under the contract with due excuse and allowance to the aggrieved party for any delay occasioned by the repudiation.

(Formerly: Acts 1963, c.317, s.2-611.) As amended by P.L.152-1986, SEC.158.

IC 26-1-2-612

"Instalment contract"; breach

Sec. 612. (1) An "instalment contract" is one which requires or authorizes the delivery of goods in separate lots to be separately accepted, even though the contract contains a clause "each delivery is a separate contract or its equivalent.

(2) The buyer may reject any instalment which is non-conforming if the non-conformity substantially impairs the value of that instalment and cannot be cured or if the non-conformity is a defect in the required documents; but if the non-conformity does not fall within subsection (3) and the seller gives adequate assurance of its cure the buyer must accept that instalment.

(3) Whenever non-conformity or default with respect to one (1) or more instalments substantially impairs the value of the whole contract there is a breach of the whole. But the aggrieved party reinstates the contract if he accepts a non-conforming instalment without seasonably notifying of cancellation or if he brings an action with respect only to past instalments or demands performance as to future instalments.

(Formerly: Acts 1963, c.317, s.2-612.)

IC 26-1-2-613

Casualty to identified goods

Sec. 613. Where the contract requires for its performance goods identified when the contract is made, and the goods suffer casualty without fault of either party before the risk of loss passes to the buyer, or in a proper case under a "no arrival, no sale" term (IC 26-1-2-324), then:

(a) if the loss is total, the contract is avoided; and

(b) if the loss is partial or the goods have so deteriorated as no longer to conform to the contract, the buyer may nevertheless demand inspection and at his option either treat the contract as avoided or accept the goods with due allowance from the contract price for the deterioration or deficiency in quantity but

without further right against the seller.

(Formerly: Acts 1963, c.317, s.2-613.) As amended by P.L.152-1986, SEC.159.

IC 26-1-2-614

Substituted performance

Sec. 614. (1) Where without fault of either party the agreed berthing, loading, or unloading facilities fail or an agreed type of carrier becomes unavailable or the agreed manner of delivery otherwise becomes commercially impracticable but a commercially reasonable substitute is available, such substitute performance must be tendered and accepted.

(2) If the agreed means or manner of payment fails because of domestic or foreign governmental regulation, the seller may withhold or stop delivery unless the buyer provides a means or manner of payment which is commercially a substantial equivalent. If delivery has already been taken, payment by the means or in the manner provided by the regulation discharges the buyer's obligation unless the regulation is discriminatory, oppressive or predatory.

(Formerly: Acts 1963, c.317, s.2-614.)

IC 26-1-2-615

Excuse by failure of presupposed conditions

Sec. 615. Except so far as a seller may have assumed a greater obligation and subject to IC 26-1-2-614 on substituted performance:

(a) Delay in delivery or non-delivery in whole or in part by a seller who complies with paragraphs (b) and (c) is not a breach of his duty under a contract for sale if performance as agreed has been made impracticable by the occurrence of a contingency the non-occurrence of which was a basic assumption on which the contract was made or by compliance in good faith with any applicable foreign or domestic governmental regulation or order whether or not it later proves to be invalid.

(b) Where the causes mentioned in paragraph (a) affect only a part of the seller's capacity to perform, he must allocate production and deliveries among his customers but may at his option include regular customers not then under contract as well as his own requirements for further manufacture. He may so allocate in any manner which is fair and reasonable.

(c) The seller must notify the buyer seasonably that there will be delay or non-delivery and, when allocation is required under paragraph (b), of the estimated quota thus made available for the buyer.

(Formerly: Acts 1963, c.317, s.2-615.) As amended by P.L.16-1983, SEC.18.

IC 26-1-2-616

Procedure on notice claiming excuse

Sec. 616. (1) Where the buyer receives notification of a material or indefinite delay or an allocation justified under IC 26-1-2-615, he may by written notification to the seller as to any delivery concerned, and where the prospective deficiency substantially impairs the value of the whole contract under the provisions of IC 26-1-2-612 relating to breach of installment contracts, then also as to the whole:

(a) terminate and thereby discharge any unexecuted portion of the contract; or

(b) modify the contract by agreeing to take his available quota in substitution.

(2) If after receipt of such notification from the seller the buyer fails so to modify the contract within a reasonable time not exceeding thirty (30) days, the contract lapses with respect to any deliveries affected.

(3) The provisions of this section may not be negated by agreement except insofar as the seller has assumed a greater obligation under IC 26-1-2-615.

(Formerly: Acts 1963, c.317, s.2-616.) As amended by P.L.152-1986, SEC.160.

IC 26-1-2-701

Remedies for breach of collateral contracts not impaired

Sec. 701. Remedies for breach of any obligation or promise collateral or ancillary to a contract for sale are not impaired by the provisions of IC 26-1-2.

(Formerly: Acts 1963, c.317, s.2-701.) As amended by P.L.152-1986, SEC.161.

IC 26-1-2-702

Seller's remedies on discovery of buyer's insolvency

Sec. 702. (1) Where the seller discovers the buyer to be insolvent he may refuse delivery except for cash including payment for all goods theretofore delivered under the contract, and stop delivery under IC 26-1-2-705.

(2) Where the seller discovers that the buyer has received goods on credit while insolvent he may reclaim the goods upon demand made within ten (10) days after the receipt, but if misrepresentation of solvency has been made to the particular seller in writing within three (3) months before delivery the ten (10) day limitation does not apply. Except as provided in this subsection the seller may not base a right to reclaim goods on the buyer's fraudulent or innocent misrepresentation of solvency or of intent to pay.

(3) The seller's right to reclaim under subsection (2) is subject to the rights of a buyer in ordinary course or other good faith purchaser under IC 26-1-2-403. Successful reclamation of goods excludes all other remedies with respect to them.

(Formerly: Acts 1963, c.317, s.2-702.) As amended by P.L.93-1985,

SEC.5.

IC 26-1-2-703
Seller's remedies in general

Sec. 703. Where the buyer wrongfully rejects or revokes acceptance of goods or fails to make a payment due on or before delivery or repudiates with respect to a part or the whole, then with respect to any goods directly affected and, if the breach is of the whole contract (IC 26-1-2-612), then also with respect to the whole undelivered balance, the aggrieved seller may:

(a) withhold delivery of such goods;

(b) stop delivery by any bailee as hereafter provided (IC 26-1-2-705);

(c) proceed under IC 26-1-2-704 respecting goods still unidentified to the contract;

(d) resell and recover damages as hereafter provided (IC 26-1-2-706);

(e) recover damages for nonacceptance (IC 26-1-2-708) or in a proper case the price (IC 26-1-2-709);

(f) cancel.

(Formerly: Acts 1963, c.317, s.2-703.) As amended by P.L.152-1986, SEC.162.

IC 26-1-2-704
Seller's right to identify goods to the contract notwithstanding breach or to salvage unfinished goods

Sec. 704. (1) An aggrieved seller under IC 26-1-2-703 may:

(a) identify to the contract conforming goods not already identified if at the time he learned of the breach they are in his possession or control;

(b) treat as the subject of resale goods which have demonstrably been intended for the particular contract even though those goods are unfinished.

(2) Where the goods are unfinished, an aggrieved seller may in the exercise of reasonable commercial judgment for the purposes of avoiding loss and of effective realization either complete the manufacture and wholly identify the goods to the contract or cease manufacture and resell for scrap or salvage value or proceed in any other reasonable manner.

(Formerly: Acts 1963, c.317, s.2-704.) As amended by P.L.152-1986, SEC.163.

IC 26-1-2-705
Seller's stoppage of delivery in transit or otherwise

Sec. 705. (1) The seller may stop delivery of goods in the possession of a carrier or other bailee when he discovers the buyer to be insolvent (IC 26-1-2-702) and may stop delivery of carload, truckload, planeload, or larger shipments of express or freight when

the buyer repudiates or fails to make a payment due before delivery or if for any other reason the seller has a right to withhold or reclaim the goods.

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

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

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

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

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

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

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

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

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

(Formerly: Acts 1963, c.317, s.2-705.) As amended by P.L.152-1986, SEC.164; P.L.143-2007, SEC.18.

IC 26-1-2-706

Seller's resale, including contract for resale

Sec. 706. (1) Under the conditions stated in IC 26-1-2-703 on seller's remedies, the seller may resell the goods concerned or the undelivered balance thereof. Where the resale is made in good faith and in a commercially reasonable manner, the seller may recover the difference between the resale price and the contract price together with any incidental damages allowed under the provisions of IC 26-1-2-710, but less expenses saved in consequence of the buyer's breach.

(2) Except as otherwise provided in subsection (3) or unless otherwise agreed, resale may be at public or private sale including sale by way of one (1) or more contracts to sell or of identification to an existing contract of the seller. Sale may be as a unit or in parcels and at any time and place and on any terms, but every aspect of the sale including the method, manner, time, place, and terms must be commercially reasonable. The resale must be reasonably identified as referring to the broken contract, but it is not necessary that the goods be in existence or that any or all of them have been identified to the contract before the breach.

(3) Where the resale is at private sale, the seller must give the buyer reasonable notification of his intention to resell.

(4) Where the resale is at public sale:

(a) only identified goods can be sold except where there is a recognized market for a public sale of futures in goods of the kind; and

(b) it must be made at a usual place or market for public sale if one is reasonably available and, except in the case of goods which are perishable or threaten to decline in value speedily, the seller must give the buyer reasonable notice of the time and place of the resale; and

(c) if the goods are not to be within the view of those attending the sale, the notification of sale must state the place where the goods are located and provide for their reasonable inspection by prospective bidders; and

(d) the seller may buy.

(5) A purchaser who buys in good faith at a resale takes the goods free of any rights of the original buyer even though the seller fails to comply with one (1) or more of the requirements of this section.

(6) The seller is not accountable to the buyer for any profit made on any resale. A person in the position of a seller (IC 26-1-2-707) or a buyer who has rightfully rejected or justifiably revoked acceptance must account for any excess over the amount of his security interest, as hereinafter defined (IC 26-1-2-711(3)).

(Formerly: Acts 1963, c.317, s.2-706.) As amended by P.L.152-1986, SEC.165.

IC 26-1-2-707

"Person in the position of a seller"

Sec. 707. (1) A "person in the position of a seller" includes (as against a principal) an agent who has paid or become responsible for the price of goods on behalf of his principal or anyone who otherwise holds a security interest or other right in goods similar to that of a seller.

(2) A person in the position of a seller may as provided in IC 26-1-2 withhold or stop delivery (IC 26-1-2-705) and resell (IC 26-1-2-706) and recover incidental damages (IC 26-1-2-710).

(Formerly: Acts 1963, c.317, s.2-707.) As amended by P.L.152-1986, SEC.166.

IC 26-1-2-708

Seller's damages for nonacceptance or repudiation

Sec. 708. (1) Subject to subsection (2) and to the provisions of IC 26-1-2-723 with respect to proof of market price, the measure of damages for nonacceptance or repudiation by the buyer is the difference between the market price at the time and place for tender and the unpaid contract price together with any incidental damages provided in IC 26-1-2-710, but less expenses saved in consequence of the buyer's breach.

(2) If the measure of damages provided in subsection (1) is inadequate to put the seller in as good a position as performance

would have done, then the measure of damages is the profit (including reasonable overhead) which the seller would have made from full performance by the buyer, together with any incidental damages provided in IC 26-1-2-710, due allowance for costs reasonably incurred and due credit for payments or proceeds of resale.

(Formerly: Acts 1963, c.317, s.2-708.) As amended by P.L.152-1986, SEC.167.

IC 26-1-2-709

Action for the price

Sec. 709. (1) When the buyer fails to pay the price as it becomes due, the seller may recover, together with any incidental damages under IC 26-1-2-710, the price:

(a) of goods accepted or of conforming goods lost or damaged within a commercially reasonable time after risk of their loss has passed to the buyer; and

(b) of goods identified to the contract if the seller is unable after reasonable effort to resell them at a reasonable price or the circumstances reasonably indicate that such effort will be unavailing.

(2) Where the seller sues for the price, he must hold for the buyer any goods which have been identified to the contract and are still in his control, except that if resale becomes possible he may resell them at any time prior to the collection of the judgment. The net proceeds of any such resale must be credited to the buyer and payment of the judgment entitles him to any goods not resold.

(3) After the buyer has wrongfully rejected or revoked acceptance of the goods or has failed to make a payment due or has repudiated (IC 26-1-2-610), a seller who is held not entitled to the price under this section shall nevertheless be awarded damages for nonacceptance under IC 26-1-2-708.

(Formerly: Acts 1963, c.317, s.2-709.) As amended by P.L.152-1986, SEC.168.

IC 26-1-2-710

Seller's incidental damages

Sec. 710. Incidental damages to an aggrieved seller include any commercially reasonable charges, expenses or commissions incurred in stopping delivery, in the transportation, care and custody of goods after the buyer's breach, in connection with return or resale of the goods or otherwise resulting from the breach.

(Formerly: Acts 1963, c.317, s.2-710.)

IC 26-1-2-711

Buyer's remedies in general; buyer's security interest in rejected goods

Sec. 711. (1) Where the seller fails to make delivery or repudiates

or the buyer rightfully rejects or justifiably revokes acceptance, then with respect to any goods involved, and with respect to the whole if the breach goes to the whole contract (IC 26-1-2-612), the buyer may cancel, and whether or not he has done so may in addition to recovering so much of the price as has been paid:

(a) "cover" and have damages under IC 26-1-2-712 as to all the goods affected whether or not they have been identified to the contract; or

(b) recover damages for nondelivery as provided in IC 26-1-2-713.

(2) Where the seller fails to deliver or repudiates the buyer may also:

(a) if the goods have been identified, recover them as provided in IC 26-1-2-502; or

(b) in a proper case obtain specific performance or replevy the goods as provided in IC 26-1-2-716.

(3) On rightful rejection or justifiable revocation of acceptance, a buyer has a security interest in goods in his possession or control for any payments made on their price and any expenses reasonably incurred in their inspection, receipt, transportation, care, and custody and may hold such goods and resell them in like manner as an aggrieved seller (IC 26-1-2-706).

(Formerly: Acts 1963, c.317, s.2-711.) As amended by P.L.152-1986, SEC.169.

IC 26-1-2-712

"Cover"; buyer's procurement of substitute goods

Sec. 712. (1) After a breach within IC 26-1-2-711, the buyer may "cover" by making in good faith and without unreasonable delay any reasonable purchase of or contract to purchase goods in substitution for those due from the seller.

(2) The buyer may recover from the seller as damages the difference between the cost of cover and the contract price together with any incidental or consequential damages as hereinafter defined (IC 26-1-2-715), but less expenses saved in consequence of the seller's breach.

(3) Failure of the buyer to effect cover within this section does not bar him from any other remedy.

(Formerly: Acts 1963, c.317, s.2-712.) As amended by P.L.152-1986, SEC.170.

IC 26-1-2-713

Buyer's damages for nondelivery or repudiation

Sec. 713. (1) Subject to the provisions of IC 26-1-2-723 with respect to proof of market price, the measure of damages for nondelivery or repudiation by the seller is the difference between the market price at the time when the buyer learned of the breach and the contract price together with any incidental and consequential

damages provided in IC 26-1-2-715, but less expenses saved in consequence of the seller's breach.

(2) Market price is to be determined as of the place for tender or, in cases of rejection after arrival or revocation of acceptance, as of the place of arrival.

(Formerly: Acts 1963, c.317, s.2-713.) As amended by P.L.152-1986, SEC.171.

IC 26-1-2-714

Buyer's damages for breach in regard to accepted goods

Sec. 714. (1) Where the buyer has accepted goods and given notification (IC 26-1-2-607(3)), he may recover as damages for any nonconformity of tender the loss resulting in the ordinary course of events from the seller's breach as determined in any manner which is reasonable.

(2) The measure of damages for breach of warranty is the difference at the time and place of acceptance between the value of the goods accepted and the value they would have had if they had been as warranted, unless special circumstances show proximate damages of a different amount.

(3) In a proper case any incidental and consequential damages under IC 26-1-2-715 may also be recovered.

(Formerly: Acts 1963, c.317, s.2-714.) As amended by P.L.152-1986, SEC.172.

IC 26-1-2-715

Buyer's incidental and consequential damages

Sec. 715. (1) Incidental damages resulting from the seller's breach include expenses reasonably incurred in inspection, receipt, transportation and care and custody of goods rightfully rejected, any commercially reasonable charges, expenses or commissions in connection with effecting cover and any other reasonable expense incident to the delay or other breach.

(2) Consequential damages resulting from the seller's breach include

(a) any loss resulting from general or particular requirements and needs of which the seller at the time of contracting had reason to know and which could not reasonably be prevented by cover or otherwise; and

(b) injury to person or property proximately resulting from any breach of warranty.

(Formerly: Acts 1963, c.317, s.2-715.)

IC 26-1-2-716

Buyer's right to specific performance or replevin

Sec. 716. (1) Specific performance may be decreed where the goods are unique or in other proper circumstances.

(2) The decree for specific performance may include such terms

and conditions as to payment of the price, damages, or other relief as the court may deem just.

(3) The buyer has a right of replevin for goods identified to the contract if after reasonable effort he is unable to effect cover for such goods or the circumstances reasonably indicate that such effort will be unavailing or if the goods have been shipped under reservation and satisfaction of the security interest in them has been made or tendered. In the case of goods bought for personal, family, or household purposes, the buyer's right of replevin vests upon acquisition of a special property, even if the seller had not then repudiated or failed to deliver.

(Formerly: Acts 1963, c.317, s.2-716.) As amended by P.L.57-2000, SEC.22.

IC 26-1-2-717

Deduction of damages from the price

Sec. 717. The buyer on notifying the seller of his intention so to do may deduct all or any part of the damages resulting from any breach of the contract from any part of the price still due under the same contract.

(Formerly: Acts 1963, c.317, s.2-717.)

IC 26-1-2-718

Liquidation or limitation of damages; deposits

Sec. 718. (1) Damages for breach by either party may be liquidated in the agreement, but only at an amount which is reasonable in the light of the anticipated or actual harm caused by the breach, the difficulties of proof of loss, and the inconvenience or nonfeasibility of otherwise obtaining an adequate remedy. A term fixing unreasonably large liquidated damages is void as a penalty.

(2) Where the seller justifiably withholds delivery of goods because of the buyer's breach, the buyer is entitled to restitution of any amount by which the sum of his payments exceeds:

(a) the amount to which the seller is entitled by virtue of terms liquidating the seller's damages in accordance with subsection (1); or

(b) in the absence of such terms, twenty percent (20%) of the value of the total performance for which the buyer is obligated under the contract or five hundred dollars ($500), whichever is smaller.

(3) The buyer's right to restitution under subsection (2) is subject to offset to the extent that the seller establishes:

(a) a right to recover damages under the provisions of IC 26-1-2 other than subsection (1); and

(b) the amount or value of any benefits received by the buyer directly or indirectly by reason of the contract.

(4) Where a seller has received payment in goods, their reasonable value or the proceeds of their resale shall be treated as payments for

the purposes of subsection (2), but if the seller has notice of the buyer's breach before reselling goods received in part performance, his resale is subject to the conditions laid down in IC 26-1-2-706 on resale by an aggrieved seller.
(Formerly: Acts 1963, c.317, s.2-718.) As amended by P.L.152-1986, SEC.173.

IC 26-1-2-719
Contractual modification or limitation of remedy

Sec. 719. (1) Subject to the provisions of subsections (2) and (3) and of IC 26-1-2-718 on liquidation and limitation of damages:

(a) the agreement may provide for remedies in addition to or in substitution for those provided in IC 26-1-2 and may limit or alter the measure of damages recoverable under IC 26-1-2, as by limiting the buyer's remedies to return of the goods and repayment of the price or to repair and replacement of nonconforming goods or parts; and

(b) resort to a remedy as provided is optional unless the remedy is expressly agreed to be exclusive, in which case it is the sole remedy.

(2) Where circumstances cause an exclusive or limited remedy to fail of its essential purpose, remedy may be had as provided in IC 26-1.

(3) Consequential damages may be limited or excluded unless the limitation or exclusion is unconscionable. Limitation of consequential damages for injury to the person in the case of consumer goods is prima facie unconscionable, but limitation of damages where the loss is commercial is not.
(Formerly: Acts 1963, c.317, s.2-719.) As amended by P.L.152-1986, SEC.174.

IC 26-1-2-720
Effect of "cancellation" or "rescission" on claims for antecedent breach

Sec. 720. Unless the contrary intention clearly appears, expressions of "cancelation" or "rescission" of the contract or the like shall not be construed as a renunciation or discharge of any claim in damages for an antecedent breach.
(Formerly: Acts 1963, c.317, s.2-720.)

IC 26-1-2-721
Remedies for fraud

Sec. 721. Remedies for material misrepresentation or fraud include all remedies available under this IC 1971, 26-1-2 for non-fraudulent breach. In all suits based on fraud or material misrepresentation, if the plaintiff recovers judgment in any amount, he shall also be entitled to recover reasonable attorney fees which shall be entered by the court trying the suit as part of the judgment

in that suit. Neither rescission or a claim for rescission of the contract for sale nor rejection or return of the goods shall bar or be deemed inconsistent with a claim for damages or other remedy.
(Formerly: Acts 1963, c.317, s.2-721; Acts 1975, P.L.275, SEC.1.)

IC 26-1-2-722
Who can sue third parties for injury to goods

Sec. 722. Where a third party so deals with goods which have been identified to a contract for sale as to cause actionable injury to a party to that contract

(a) a right of action against the third party is in either party to the contract for sale who has title to or a security interest or a special property or an insurable interest in the goods; and if the goods have been destroyed or converted a right of action is also in the party who either bore the risk of loss under the contract for sale or has since the injury assumed that risk as against the other;

(b) if at the time of the injury the party plaintiff did not bear the risk of loss as against the other party to the contract for sale and there is no arrangement between them for disposition of the recovery, his suit or settlement is, subject to his own interest, as a fiduciary for the other party to the contract;

(c) either party may with the consent of the other sue for the benefit of whom it may concern.
(Formerly: Acts 1963, c.317, s.2-722.)

IC 26-1-2-723
Proof of market price; time and place

Sec. 723. (1) If an action based on anticipatory repudiation comes to trial before the time for performance with respect to some or all of the goods, any damages based on market price (IC 26-1-2-708 and IC 26-1-2-713) shall be determined according to the price of such goods prevailing at the time when the aggrieved party learned of the repudiation.

(2) If evidence of a price prevailing at the times or places described in IC 26-1-2 is not readily available, the price prevailing within any reasonable time before or after the time described or at any other place which in commercial judgment or under usage of trade would serve as a reasonable substitute for the one described may be used, making any proper allowance for the cost of transporting the goods to or from such other place.

(3) Evidence of a relevant price prevailing at a time or place other than the one described in IC 26-1-2 offered by one (1) party is not admissible unless and until he has given the other party such notice as the court finds sufficient to prevent unfair surprise.
(Formerly: Acts 1963, c.317, s.2-723.) As amended by P.L.152-1986, SEC.175.

IC 26-1-2-724

Admissibility of market quotations

Sec. 724. Whenever the prevailing price or value of any goods regularly bought and sold in any established commodity market is in issue, reports in official publications or trade journals or in newspapers or periodicals of general circulation published as the reports of such market shall be admissible in evidence. The circumstances of the preparation of such a report may be shown to affect its weight but not its admissibility.

(Formerly: Acts 1963, c.317, s.2-724.)

IC 26-1-2-725

Statute of limitations in contracts for sale

Sec. 725. (1) An action for breach of any contract for sale must be commenced within four (4) years after the cause of action has accrued. By the original agreement the parties may reduce the period of limitation to not less than one (1) year, but may not extend it.

(2) A cause of action accrues when the breach occurs, regardless of the aggrieved party's lack of knowledge of the breach. A breach of warranty occurs when tender of delivery is made, except that where a warranty explicitly extends to future performance of the goods and discovery of the breach must await the time of such performance, the cause of action accrues when the breach is or should have been discovered.

(3) Where an action commenced within the time limited by subsection (1) is so terminated as to leave available a remedy by another action for the same breach, such other action may be commenced after the expiration of the time limited and within six (6) months after the termination of the first action, unless the termination resulted from voluntary discontinuance or from dismissal for failure or neglect to prosecute.

(4) This section does not alter the law on tolling of the statute of limitations nor does it apply to causes of action which have accrued before IC 26-1 becomes effective.

(Formerly: Acts 1963, c.317, s.2-725.) As amended by P.L.152-1986, SEC.176.

IC 26-1-2.1
Chapter 2.1. Leases

IC 26-1-2.1-101
Short title
Sec. 101. IC 26-1-2.1 shall be known and may be cited as the Uniform Commercial Code-Leases.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-102
Scope
Sec. 102. IC 26-1-2.1 applies to any transaction, regardless of form, that creates a lease.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-103
Definitions and index of definitions
Sec. 103. (1) Unless the context otherwise requires, in IC 26-1-2.1:

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

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

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

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

(e) "Consumer lease" means a lease that a lessor regularly engaged in the business of leasing or selling makes to a lessee

who is an individual and who takes under the lease primarily for a personal, family, or household purpose if the total payments to be made under the lease contract, excluding payments for options to renew or buy, do not exceed twenty-five thousand dollars ($25,000).

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

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

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

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

(iii) one (1) of the following occurs:

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

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

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

(D) if the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs the lessee in writing: (a) of the identity of the person supplying the goods to the lessor, unless the lessee has selected that person and directed the lessor to acquire the goods or the right to possession and use of the goods from that person; (b) that the lessee is entitled under IC 26-1-2.1 to the promises and warranties, including those of any third party, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods; and (c) that the lessee may communicate with the person supplying the goods to the lessor and receive an accurate and complete statement of those promises and warranties, including any

disclaimers and limitations of them or of remedies.

(h) "Goods" means all things that are movable at the time of identification to the lease contract, or are fixtures (IC 26-1-2.1-309), but the term does not include money, documents, instruments, accounts, chattel paper, general intangibles, or minerals or the like, including oil and gas, before extraction. The term also includes the unborn young of animals.

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

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

(k) "Lease agreement" means the bargain, with respect to the lease, of the lessor and the lessee in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance as provided in IC 26-1-2.1. Unless the context clearly indicates otherwise, the term includes a sublease agreement.

(l) "Lease contract" means the total legal obligation that results from the lease agreement as affected by IC 26-1-2.1 and any other applicable rules of law. Unless the context clearly indicates otherwise, the term includes a sublease contract.

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

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

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

(p) "Lessor" means a person who transfers the right to

possession and use of goods under a lease. Unless the context clearly indicates otherwise, the term includes a sublessor.

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

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

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

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

(u) "Present value" means the amount as of a date certain of one (1) or more sums payable in the future, discounted to the date certain. The discount is determined by the interest rate specified by the parties if the rate was not manifestly unreasonable at the time the transaction was entered into; otherwise, the discount is determined by a commercially reasonable rate that takes into account the facts and circumstances of each case at the time the transaction was entered into.

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

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

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

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

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

(2) Other definitions applying to IC 26-1-2.1 and the sections in which they appear are:

"Accessions". IC 26-1-2.1-310(1).

"Construction mortgage". IC 26-1-2.1-309(1)(d).

"Encumbrance". IC 26-1-2.1-309(1)(e).

"Fixtures". IC 26-1-2.1-309(1)(a).

"Fixture filing". IC 26-1-2.1-309(1)(b).

"Purchase money lease". IC 26-1-2.1-309(1)(c).

(3) The following definitions in other chapters apply to

IC 26-1-2.1:

"Account". IC 26-1-9.1-102(a)(2).
"Between merchants". IC 26-1-2-104(3).
"Buyer". IC 26-1-2-103(1)(a).
"Chattel paper". IC 26-1-9.1-102(a)(11).
"Consumer goods". IC 26-1-9.1-102(a)(23).
"Document". IC 26-1-9.1-102(a)(30).
"Entrusting". IC 26-1-2-403(3).
"General intangibles". IC 26-1-9.1-102(a)(42).
"Good faith". IC 26-1-2-103(1)(b).
"Instrument". IC 26-1-9.1-102(a)(47).
"Merchant". IC 26-1-2-104(1).
"Mortgage". IC 26-1-9.1-102(a)(55).
"Pursuant to commitment". IC 26-1-9.1-102(a)(68).
"Receipt". IC 26-1-2-103(1)(c).
"Sale". IC 26-1-2-106(1).
"Sale on approval". IC 26-1-2-326.
"Sale or return". IC 26-1-2-326.
"Seller". IC 26-1-2-103(1)(d).

(4) In addition, IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout IC 26-1-2.1.

As added by P.L.189-1991, SEC.3. Amended by P.L.57-2000, SEC.23; P.L.143-2007, SEC.19.

IC 26-1-2.1-104

Leases subject to other statutes

Sec. 104. (1) A lease, although subject to IC 26-1-2.1, is also subject to any applicable:

(a) certificate of title statute of this state;

(b) certificate of title statute of another jurisdiction (IC 26-1-2.1-105); or

(c) consumer protection statute of this state, or final consumer protection decision of a court of this state existing on the effective date of IC 26-1-2.1.

(2) In case of conflict between IC 26-1-2.1, other than IC 26-1-2.1-105, IC 26-1-2.1-304(3), and IC 26-1-2.1-305(3), and a statute or decision referred to in subsection (1), the statute or decision controls.

(3) Failure to comply with an applicable law has only the effect specified therein.

As added by P.L.189-1991, SEC.3. Amended by P.L.1-1992, SEC.134.

IC 26-1-2.1-105
Territorial application of article to goods covered by certificate of title

Sec. 105. Subject to the provisions of IC 26-1-2.1-304(3) and IC 26-1-2.1-305(3), with respect to goods covered by a certificate of title issued under a statute of this state or of another jurisdiction, compliance and the effect of compliance or noncompliance with a certificate of title statute are governed by the law (including the conflict of laws rules) of the jurisdiction issuing the certificate until the earlier of:

(a) surrender of the certificate; or

(b) four (4) months after the goods are removed from that jurisdiction and thereafter until a new certificate of title is issued by another jurisdiction.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-106
Limitation on power of parties to consumer lease to choose applicable law and judicial forum

Sec. 106. (1) If the law chosen by the parties to a consumer lease is that of a jurisdiction other than a jurisdiction in which the lessee resides at the time the lease agreement becomes enforceable or within thirty (30) days thereafter or in which the goods are to be used, the choice is not enforceable.

(2) If the judicial forum chosen by the parties to a consumer lease is a forum that would not otherwise have jurisdiction over the lessee, the choice is not enforceable.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-107
Waiver or renunciation of claim or right after default

Sec. 107. Any claim or right arising out of an alleged default or breach of warranty may be discharged in whole or in part without consideration by a written waiver or renunciation signed and delivered by the aggrieved party.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-108
Unconscionability

Sec. 108. (1) If the court as a matter of law finds a lease contract or any clause of a lease contract to have been unconscionable at the time it was made the court may refuse to enforce the lease contract, or it may enforce the remainder of the lease contract without the unconscionable clause, or it may so limit the application of any

unconscionable clause as to avoid any unconscionable result.

(2) With respect to a consumer lease, if the court as a matter of law finds that a lease contract or any clause of a lease contract has been induced by unconscionable conduct or that unconscionable conduct has occurred in the collection of a claim arising from a lease contract, the court may grant appropriate relief.

(3) Before making a finding of unconscionability under subsection (1) or (2), the court, on its own motion or that of a party, shall afford the parties a reasonable opportunity to present evidence as to the setting, purpose, and effect of the lease contract or clause thereof, or of the conduct.

(4) In an action in which the lessee claims unconscionability with respect to a consumer lease:

(a) If the court finds unconscionability under subsection (1) or (2), the court shall award reasonable attorney's fees to the lessee.

(b) If the court does not find unconscionability and the lessee claiming unconscionability has brought or maintained an action the lessee knew to be groundless, the court shall award reasonable attorney's fees to the party against whom the claim is made.

(c) In determining attorney's fees, the amount of the recovery on behalf of the claimant under subsections (1) and (2) is not controlling.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-109
Option to accelerate at will

Sec. 109. (1) A term providing that one party or that party's successor in interest may accelerate payment or performance or require collateral or additional collateral "at will" or "when the party deems the party insecure" or in words of similar import must be construed to mean that the party has power to do so only if the party in good faith believes that the prospect of payment or performance is impaired.

(2) With respect to a consumer lease, the burden of establishing good faith under subsection (1) is on the party who exercised the power; otherwise the burden of establishing lack of good faith is on the party against whom the power has been exercised.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-201
Statute of frauds

Sec. 201. (1) A lease contract is not enforceable by way of action

or defense unless:

(a) the total payments to be made under the lease contract, excluding payments for options to renew or buy, are less than one thousand dollars ($1,000); or

(b) there is a writing, signed by the party against whom enforcement is sought or by that party's authorized agent, sufficient to indicate that a lease contract has been made between the parties and to describe the goods leased and the lease term.

(2) Any description of leased goods or of the lease term is sufficient and satisfies subsection (1)(b), whether or not it is specific, if it reasonably identifies what is described.

(3) A writing is not insufficient because it omits or incorrectly states a term agreed upon, but the lease contract is not enforceable under subsection (1)(b) beyond the lease term and the quantity of goods shown in the writing.

(4) A lease contract that does not satisfy the requirements of subsection (1), but which is valid in other respects, is enforceable:

(a) if the goods are to be specially manufactured or obtained for the lessee and are not suitable for lease or sale to others in the ordinary course of the lessor's business, and the lessor, before notice of repudiation is received and under circumstances that reasonably indicate that the goods are for the lessee, has made either a substantial beginning of their manufacture or commitments for their procurement;

(b) if the party against whom enforcement is sought admits in that party's pleading, testimony or otherwise in court that a lease contract was made, but the lease contract is not enforceable under this provision beyond the quantity of goods admitted; or

(c) with respect to goods that have been received and accepted by the lessee.

(5) The lease term under a lease contract referred to in subsection (4) is:

(a) if there is a writing signed by the party against whom enforcement is sought or by that party's authorized agent specifying the lease term, the term so specified;

(b) if the party against whom enforcement is sought admits in that party's pleading, testimony, or otherwise in court a lease term, the term so admitted; or

(c) a reasonable lease term.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-202

Final written expression; parol or extrinsic evidence

Sec. 202. Terms with respect to which the confirmatory memoranda of the parties agree or which are otherwise set forth in a writing intended by the parties as a final expression of their agreement with respect to such terms as are included therein may not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement but may be explained or supplemented:

(a) by course of dealing or usage of trade or by course of performance; and

(b) by evidence of consistent additional terms unless the court finds the writing to have been intended also as a complete and exclusive statement of the terms of the agreement.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-203

Seals inoperative

Sec. 203. The affixing of a seal to a writing evidencing a lease contract or an offer to enter into a lease contract does not render the writing a sealed instrument and the law with respect to sealed instruments does not apply to the lease contract or offer.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-204

Formation in general

Sec. 204. (1) A lease contract may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of a lease contract.

(2) An agreement sufficient to constitute a lease contract may be found although the moment of its making is undetermined.

(3) Although one (1) or more terms are left open, a lease contract does not fail for indefiniteness if the parties have intended to make a lease contract and there is a reasonably certain basis for giving an appropriate remedy.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-205

Firm offers

Sec. 205. An offer by a merchant to lease goods to or from another person in a signed writing that by its terms gives assurance it will be held open is not revocable, for lack of consideration, during the time stated or, if no time is stated, for a reasonable time, but in no event may the period of irrevocability exceed three (3) months. Any such term of assurance on a form supplied by the offeree must be

separately signed by the offeror.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-206
Offer and acceptance in formation of lease contract

Sec. 206. (1) Unless otherwise unambiguously indicated by the language or circumstances, an offer to make a lease contract must be construed as inviting acceptance in any manner and by any medium reasonable in the circumstances.

(2) If the beginning of a requested performance is a reasonable mode of acceptance, an offeror who is not notified of acceptance within a reasonable time may treat the offer as having lapsed before acceptance.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-207
Repealed

(As added by P.L.189-1991, SEC.3. Repealed by P.L.143-2007, SEC.78.)

IC 26-1-2.1-208
Modification, rescission, and waiver

Sec. 208. (1) An agreement modifying a lease contract needs no consideration to be binding.

(2) A signed lease agreement that excludes modification or rescission except by a signed writing may not be otherwise modified or rescinded, but, except as between merchants, such a requirement on a form supplied by a merchant must be separately signed by the other party.

(3) Although an attempt at modification or rescission does not satisfy the requirements of subsection (2), it may operate as a waiver.

(4) A party who has made a waiver affecting an executory portion of a lease contract may retract the waiver by reasonable notification received by the other party that strict performance will be required of any term waived, unless the retraction would be unjust in view of a material change of position in reliance on the waiver.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-209
Lessee under finance lease as beneficiary of supply contract

Sec. 209. (1) The benefit of a supplier's promises to the lessor under the supply contract and of all warranties, whether express or implied, including those of any third party provided in connection with or as part of the supply contract, extends to the lessee to the

extent of the lessee's leasehold interest under a finance lease related to the supply contract, but is subject to the terms of the warranty and of the supply contract and all defenses or claims arising therefrom.

(2) The extension of the benefit of a supplier's promises and of warranties to the lessee (IC 26-1-2.1-209(1)) does not: (i) modify the rights and obligations of the parties to the supply contract, whether arising therefrom or otherwise; or (ii) impose any duty or liability under the supply contract on the lessee.

(3) Any modification or rescission of the supply contract by the supplier and the lessor is effective between the supplier and lessee unless, before the modification or rescission, the supplier has received notice that the lessee has entered into a finance lease related to the supply contract. If the modification or rescission is effective between the supplier and the lessee, the lessor is deemed to have assumed, in addition to the obligations of the lessor to the lessee under the lease contract, promises of the supplier to the lessor and warranties that were so modified or rescinded as they existed and were available to the lessee before modification or rescission.

(4) In addition to the extension of the benefit of the supplier's promises and of warranties to the lessee under subsection (1), the lessee retains all rights that the lessee may have against the supplier which arise from an agreement between the lessee and the supplier or under other law.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-210

Express warranties

Sec. 210. (1) Express warranties by the lessor are created as follows:

(a) Any affirmation of fact or promise made by the lessor to the lessee which relates to the goods and becomes part of the basis of the bargain creates an express warranty that the goods will conform to the affirmation or promise.

(b) Any description of the goods which is made part of the basis of the bargain creates an express warranty that the goods will conform to the description.

(c) Any sample or model that is made part of the basis of the bargain creates an express warranty that the whole of the goods will conform to the sample or model.

(2) It is not necessary to the creation of an express warranty that the lessor use formal words, such as "warrant" or "guarantee," or that the lessor have a specific intention to make a warranty, but an affirmation merely of the value of the goods or a statement

purporting to be merely the lessor's opinion or commendation of the goods does not create a warranty.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-211
Warranties against interference and against infringement; lessee's obligation against infringement

Sec. 211. (1) There is in a lease contract a warranty that for the lease term no person holds a claim to or interest in the goods that arose from an act or omission of the lessor, other than a claim by way of infringement or the like, which will interfere with the lessee's enjoyment of its leasehold interest.

(2) Except in a finance lease there is in a lease contract by a lessor who is a merchant regularly dealing in goods of the kind a warranty that the goods are delivered free of the rightful claim of any person by way of infringement or the like.

(3) A lessee who furnishes specifications to a lessor or a supplier shall hold the lessor and the supplier harmless against any claim by way of infringement or the like that arises out of compliance with the specifications.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-212
Implied warranty of merchantability

Sec. 212. (1) Except in a finance lease, a warranty that the goods will be merchantable is implied in a lease contract if the lessor is a merchant with respect to goods of that kind.

(2) Goods to be merchantable must be at least such as:

(a) pass without objection in the trade under the description in the lease agreement;

(b) in the case of fungible goods, are of fair average quality within the description;

(c) are fit for the ordinary purposes for which goods of that type are used;

(d) run, within the variation permitted by the lease agreement, of even kind, quality, and quantity within each unit and among all units involved;

(e) are adequately contained, packaged, and labeled as the lease agreement may require; and

(f) conform to any promises or affirmations of fact made on the container or label.

(3) Other implied warranties may arise from course of dealing or usage of trade.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-213
Implied warranty of fitness for particular purpose

Sec. 213. Except in a finance lease, if the lessor at the time the lease contract is made has reason to know of any particular purpose for which the goods are required and that the lessee is relying on the lessor's skill or judgment to select or furnish suitable goods, there is in the lease contract an implied warranty that the goods will be fit for that purpose.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-214
Exclusion or modification of warranties

Sec. 214. (1) Words or conduct relevant to the creation of an express warranty and words or conduct tending to negate or limit a warranty must be construed wherever reasonable as consistent with each other; but, subject to the provisions of IC 26-1-2.1-202 on parol or extrinsic evidence, negation or limitation is inoperative to the extent that the construction is unreasonable.

(2) Subject to subsection (3), to exclude or modify the implied warranty of merchantability or any part of it the language must mention "merchantability", be by a writing, and be conspicuous. Subject to subsection (3), to exclude or modify any implied warranty of fitness the exclusion must be by a writing and be conspicuous. Language to exclude all implied warranties of fitness is sufficient if it is in writing, is conspicuous and states, for example, "There is no warranty that the goods will be fit for a particular purpose".

(3) Notwithstanding subsection (2), but subject to subsection (4):

(a) unless the circumstances indicate otherwise, all implied warranties are excluded by expressions like "as is," or "with all faults," or by other language that in common understanding calls the lessee's attention to the exclusion of warranties and makes plain that there is no implied warranty, if in writing and conspicuous;

(b) if the lessee before entering into the lease contract has examined the goods or the sample or model as fully as desired or has refused to examine the goods, there is no implied warranty with regard to defects that an examination ought in the circumstances to have revealed; and

(c) an implied warranty may also be excluded or modified by course of dealing, course of performance, or usage of trade.

(4) To exclude or modify a warranty against interference or against infringement (IC 26-1-2.1-211) or any part of it, the language must be specific, be by a writing, and be conspicuous, unless the circumstances, including course of performance, course of dealing,

or usage of trade, give the lessee reason to know that the goods are being leased subject to a claim or interest of any person.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-215
Cumulation and conflict of warranties express or implied

Sec. 215. Warranties, whether express or implied, must be construed as consistent with each other and as cumulative, but if that construction is unreasonable, the intention of the parties determines which warranty is dominant. In ascertaining that intention the following rules apply:

(a) Exact or technical specifications displace an inconsistent sample or model or general language of description.

(b) A sample from an existing bulk displaces inconsistent general language of description.

(c) Express warranties displace inconsistent implied warranties other than an implied warranty of fitness for a particular purpose.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-216
Third-party beneficiaries of express and implied warranties

Sec. 216. A warranty to or for the benefit of a lessee under IC 26-1-2.1, whether express or implied, extends to any natural person who is in the family or household of the lessee or who is a guest in the lessee's home if it is reasonable to expect that such person may use, consume, or be affected by the goods and who is injured in person by breach of the warranty. This section does not displace principles of law and equity that extend a warranty to or for the benefit of a lessee to other persons. The operation of this section may not be excluded, modified, or limited, but an exclusion, modification, or limitation of the warranty, including any with respect to rights and remedies, effective against the lessee is also effective against any beneficiary designated under this section.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-217
Identification

Sec. 217. Identification of goods as goods to which a lease contract refers may be made at any time and in any manner explicitly agreed to by the parties. In the absence of explicit agreement, identification occurs:

(a) when the lease contract is made if the lease contract is for a lease of goods that are existing and identified;

(b) when the goods are shipped, marked, or otherwise designated by the lessor as goods to which the lease contract refers, if the lease contract is for a lease of goods that are not existing and identified; or

(c) when the young are conceived, if the lease contract is for a lease of unborn young of animals.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-218
Insurance and proceeds

Sec. 218. (1) A lessee obtains an insurable interest when existing goods are identified to the lease contract even though the goods identified are nonconforming and the lessee has an option to reject them.

(2) If a lessee has an insurable interest only by reason of the lessor's identification of the goods, the lessor, until default or insolvency or notification to the lessee that identification is final, may substitute other goods for those identified.

(3) Notwithstanding a lessee's insurable interest under subsections (1) and (2), the lessor retains an insurable interest until an option to buy has been exercised by the lessee and risk of loss has passed to the lessee.

(4) Nothing in this section impairs any insurable interest recognized under any other statute or rule of law.

(5) The parties by agreement may determine that one or more parties have an obligation to obtain and pay for insurance covering the goods and by agreement may determine the beneficiary of the proceeds of the insurance.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-219
Risk of loss

Sec. 219. (1) Except in the case of a finance lease, risk of loss is retained by the lessor and does not pass to the lessee. In the case of a finance lease, risk of loss passes to the lessee.

(2) Subject to the provisions of IC 26-1-2.1 on the effect of default on risk of loss (IC 26-1-2.1-220), if risk of loss is to pass to the lessee and the time of passage is not stated, the following rules apply:

(a) If the lease contract requires or authorizes the goods to be shipped by carrier:

(i) and it does not require delivery at a particular destination, the risk of loss passes to the lessee when the goods are duly delivered to the carrier; but

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

(b) If the goods are held by a bailee to be delivered without being moved, the risk of loss passes to the lessee on acknowledgment by the bailee of the lessee's right to possession of the goods.

(c) In any case not within subdivision (a) or (b), the risk of loss passes to the lessee on the lessee's receipt of the goods if the lessor, or, in the case of a finance lease, the supplier, is a merchant; otherwise the risk passes to the lessee on tender of delivery.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-220
Effect of default on risk of loss

Sec. 220. (1) Where risk of loss is to pass to the lessee and the time of passage is not stated:

(a) If a tender or delivery of goods so fails to conform to the lease contract as to give a right of rejection, the risk of their loss remains with the lessor, or, in the case of a finance lease, the supplier, until cure or acceptance.

(b) If the lessee rightfully revokes acceptance, the lessee, to the extent of any deficiency in the lessee's effective insurance coverage, may treat the risk of loss as having remained with the lessor from the beginning.

(2) Whether or not risk of loss is to pass to the lessee, if the lessee as to conforming goods already identified to a lease contract repudiates or is otherwise in default under the lease contract, the lessor, or, in the case of a finance lease, the supplier, to the extent of any deficiency in the supplier's effective insurance coverage may treat the risk of loss as resting on the lessee for a commercially reasonable time.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-221
Casualty to identified goods

Sec. 221. If a lease contract requires goods identified when the lease contract is made, and the goods suffer casualty without fault of the lessee, the lessor or the supplier before delivery, or the goods suffer casualty before risk of loss passes to the lessee pursuant to the lease agreement or IC 26-1-2.1-219, then:

(a) if the loss is total, the lease contract is avoided; and
(b) if the loss is partial or the goods have so deteriorated as to no longer conform to the lease contract, the lessee may nevertheless demand inspection and at the lessee's option either treat the lease contract as avoided or, except in a finance lease that is not a consumer lease, accept the goods with due allowance from the rent payable for the balance of the lease term for the deterioration or the deficiency in quantity but without further right against the lessor.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-301
Enforceability of lease contract

Sec. 301. Except as otherwise provided in IC 26-1-2.1, a lease contract is effective and enforceable according to its terms between the parties, against purchasers of the goods and against creditors of the parties.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-302
Title to and possession of goods

Sec. 302. Except as otherwise provided in IC 26-1-2.1, each provision of IC 26-1-2.1 applies whether the lessor or a third party has title to the goods, and whether the lessor, the lessee, or a third party has possession of the goods, notwithstanding any statute or rule of law that possession or the absence of possession is fraudulent.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-303
"Creation of a security interest"; alienability of party's interest under lease contract or of lessor's residual interest in goods; delegation of performance; assignment of rights

Sec. 303. (1) As used in this section, "creation of a security interest" includes the sale of a lease contract that is subject to IC 26-1-9.1, by reason of IC 26-1-9.1-109(a)(3).

(2) Except as provided in subsection (3) and IC 26-1-9.1-407, a provision in a lease agreement which (i) prohibits the voluntary or involuntary transfer, including a transfer by sale, sublease, creation or enforcement of a security interest, or attachment, levy, or other judicial process, of an interest of a party under the lease contract or of the lessor's residual interest in the goods, or (ii) makes such a transfer an event of default, gives rise to the rights and remedies provided in subsection (4), but a transfer that is prohibited or is an event of default under the lease agreement is otherwise effective.

(3) A provision in a lease agreement which (i) prohibits a transfer of a right to damages for default with respect to the whole lease contract or of a right to payment arising out of the transferor's due performance of the transferor's entire obligation, or (ii) makes such a transfer an event of default, is not enforceable, and such a transfer is not a transfer that materially impairs the prospect of obtaining return performance by, materially changes the duty of, or materially increases the burden or risk imposed on, the other party to the lease contract within the purview of subsection (4).

(4) Subject to subsection (3) and IC 26-1-9.1-407:

(a) if a transfer is made which is made an event of default under a lease agreement, the party to the lease contract not making the transfer, unless that party waives the default or otherwise agrees, has the rights and remedies described in IC 26-1-2.1-501(2); or

(b) if subdivision (a) is not applicable and if a transfer is made that (i) is prohibited under a lease agreement or (ii) materially impairs the prospect of obtaining return performance by, materially changes the duty of, or materially increases the burden or risk imposed on, the other party to the lease contract, unless the party not making the transfer agrees at any time to the transfer in the lease contract or otherwise, then, except as limited by contract, (i) the transferor is liable to the party not making the transfer for damages caused by the transfer to the extent that the damages could not reasonably be prevented by the party not making the transfer and (ii) a court having jurisdiction may grant other appropriate relief, including cancellation of the lease contract or an injunction against the transfer.

(5) A transfer of "the lease" or of "all my rights under the lease", or a transfer in similar general terms, is a transfer of rights and, unless the language or the circumstances, as in a transfer for security, indicate the contrary, the transfer is a delegation of duties by the transferor to the transferee. Acceptance by the transferee constitutes a promise by the transferee to perform those duties. The promise is enforceable by either the transferor or the other party to the lease contract.

(6) Unless otherwise agreed by the lessor and the lessee, a delegation of performance does not relieve the transferor as against the other party of any duty to perform or of any liability for default.

(7) In a consumer lease, to prohibit the transfer of an interest of a party under the lease contract or to make a transfer an event of default, the language must be specific, by a writing, and conspicuous.

As added by P.L.189-1991, SEC.3. Amended by P.L.57-2000, SEC.24; P.L.1-2002, SEC.99.

IC 26-1-2.1-304
Subsequent lease of goods by lessor

Sec. 304. (1) Subject to IC 26-1-2.1-303, a subsequent lessee from a lessor of goods under an existing lease contract obtains, to the extent of the leasehold interest transferred, the leasehold interest in the goods that the lessor had or had power to transfer, and except as provided in subsection (2) and IC 26-1-2.1-527(4), takes subject to the existing lease contract. A lessor with voidable title has power to transfer a good leasehold interest to a good faith subsequent lessee for value, but only to the extent set forth in the preceding sentence. If goods have been delivered under a transaction of purchase, the lessor has that power even though:

(a) the lessor's transferor was deceived as to the identity of the lessor;

(b) the delivery was in exchange for a check which is later dishonored;

(c) it was agreed that the transaction was to be a "cash sale"; or

(d) the delivery was procured through fraud punishable as larcenous under the criminal law.

(2) A subsequent lessee in the ordinary course of business from a lessor who is a merchant dealing in goods of that kind to whom the goods were entrusted by the existing lessee of that lessor before the interest of the subsequent lessee became enforceable against that lessor obtains, to the extent of the leasehold interest transferred, all of that lessor's and the existing lessee's rights to the goods, and takes free of the existing lease contract.

(3) A subsequent lessee from the lessor of goods that are subject to an existing lease contract and are covered by a certificate of title issued under a statute of this state or of another jurisdiction takes no greater rights than those provided both by this section and by the certificate of title statute.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-305
Sale or sublease of goods by lessee

Sec. 305. (1) Subject to the provisions of IC 26-1-2.1-303, a buyer or sublessee from the lessee of goods under an existing lease contract obtains, to the extent of the interest transferred, the leasehold interest in the goods that the lessee had or had power to transfer, and except as provided in subsection (2) and IC 26-1-2.1-511(4), takes subject to the existing lease contract. A lessee with a voidable leasehold

interest has power to transfer a good leasehold interest to a good faith buyer for value or a good faith sublessee for value, but only to the extent set forth in the preceding sentence. When goods have been delivered under a transaction of lease the lessee has that power even though:

(a) the lessor was deceived as to the identity of the lessee;

(b) the delivery was in exchange for a check which is later dishonored; or

(c) the delivery was procured through fraud punishable as larcenous under the criminal law.

(2) A buyer in the ordinary course of business or a sublessee in the ordinary course of business from a lessee who is a merchant dealing in goods of that kind to whom the goods were entrusted by the lessor obtains, to the extent of the interest transferred, all of the lessor's and lessee's rights to the goods, and takes free of the existing lease contract.

(3) A buyer or sublessee from the lessee of goods that are subject to an existing lease contract and are covered by a certificate of title issued under a statute of this state or of another jurisdiction takes no greater rights than those provided both by this section and by the certificate of title statute.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-306

Priority of certain liens arising by operation of law

Sec. 306. If a person in the ordinary course of the person's business furnishes services or materials with respect to goods subject to a lease contract, a lien upon those goods in the possession of that person given by statute or rule of law for those materials or services takes priority over any interest of the lessor or lessee under the lease contract or IC 26-1-2.1 unless the lien is created by statute and the statute provides otherwise or unless the lien is created by rule of law and the rule of law provides otherwise.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-307

Priority of liens related to lease contract

Sec. 307. (1) Except as otherwise provided in IC 26-1-2.1-306, a creditor of a lessee takes subject to the lease contract.

(2) Except as otherwise provided in subsection (3) and in IC 26-1-2.1-306 and IC 26-1-2.1-308, a creditor of a lessor takes subject to the lease contract unless the creditor holds a lien that attached to the goods before the lease contract became enforceable.

(3) Except as otherwise provided in IC 26-1-9.1-317,

IC 26-1-9.1-321, and IC 26-1-9.1-323, a lessee takes a leasehold interest subject to a security interest held by a creditor of the lessor.
As added by P.L.189-1991, SEC.3. Amended by P.L.57-2000, SEC.25.

IC 26-1-2.1-308
Special rights of creditors

Sec. 308. (1) A creditor of a lessor in possession of goods subject to a lease contract may treat the lease contract as void if as against the creditor retention of possession by the lessor is fraudulent under any statute or rule of law, but retention of possession in good faith and current course of trade by the lessor for a commercially reasonable time after the lease contract becomes enforceable is not fraudulent.

(2) Nothing in IC 26-1-2.1 impairs the rights of creditors of a lessor if the lease contract:

(a) becomes enforceable, not in current course of trade but in satisfaction of or as security for a pre-existing claim for money, security, or the like; and

(b) is made under circumstances which under any statute or rule of law apart from IC 26-1-2.1 would constitute the transaction a fraudulent transfer or voidable preference.

(3) A creditor of a seller may treat a sale or an identification of goods to a contract for sale as void if as against the creditor retention of possession by the seller is fraudulent under any statute or rule of law, but retention of possession of the goods pursuant to a lease contract entered into by the seller as lessee and the buyer as lessor in connection with the sale or identification of the goods is not fraudulent if the buyer bought for value and in good faith.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-309
Lessor's and lessee's rights when goods become fixtures

Sec. 309. (1) In this section:

(a) goods are "fixtures" when they become so related to particular real estate that an interest in them arises under real estate law;

(b) a "fixture filing" is the filing, in the office where a mortgage on the real estate would be filed or recorded, of a financing statement covering goods that are or are to become fixtures and conforming to the requirements of IC 26-1-9.1-502(a) and IC 26-1-9.1-502(b);

(c) a lease is a "purchase money lease" unless the lessee has possession or use of the goods or the right to possession or use

of the goods before the lease agreement is enforceable;

(d) a mortgage is a "construction mortgage" to the extent it secures an obligation incurred for the construction of an improvement on land including the acquisition cost of the land, if the recorded writing so indicates; and

(e) "encumbrance" includes real estate mortgages and other liens on real estate and all other rights in real estate that are not ownership interests.

(2) Under IC 26-1-2.1 a lease may be of goods that are fixtures or may continue in goods that become fixtures, but no lease exists under IC 26-1-2.1 of ordinary building materials incorporated into an improvement on land.

(3) IC 26-1-2.1 does not prevent creation of a lease of fixtures pursuant to real estate law.

(4) The perfected interest of a lessor of fixtures has priority over a conflicting interest of an encumbrancer or owner of the real estate if:

(a) the lease is a purchase money lease, the conflicting interest of the encumbrancer or owner arises before the goods become fixtures, the interest of the lessor is perfected by a fixture filing before the goods become fixtures or within ten (10) days thereafter, and the lessee has an interest of record in the real estate or is in possession of the real estate; or

(b) the interest of the lessor is perfected by a fixture filing before the interest of the encumbrancer or owner is of record, the lessor's interest has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner, and the lessee has an interest of record in the real estate or is in possession of the real estate.

(5) The interest of a lessor of fixtures, whether or not perfected, has priority over the conflicting interest of an encumbrancer or owner of the real estate if:

(a) the fixtures are readily removable factory or office machines, readily removable equipment that is not primarily used or leased for use in the operation of the real estate, or readily removable replacements of domestic appliances that are goods subject to a consumer lease, and before the goods become fixtures the lease contract is enforceable; or

(b) the conflicting interest is a lien on the real estate obtained by legal or equitable proceedings after the lease contract is enforceable; or

(c) the encumbrancer or owner has consented in writing to the lease or has disclaimed an interest in the goods as fixtures; or

(d) the lessee has a right to remove the goods as against the encumbrancer or owner. If the lessee's right to remove terminates, the priority of the interest of the lessor continues for a reasonable time.

(6) Notwithstanding subsection 4(a) but otherwise subject to subsections (4) and (5), the interest of a lessor of fixtures, including the lessor's residual interest, is subordinate to the conflicting interest of an encumbrancer of the real estate under a construction mortgage recorded before the goods become fixtures if the goods become fixtures before the completion of the construction. To the extent given to refinance a construction mortgage, the conflicting interest of an encumbrancer of the real estate under a mortgage has this priority to the same extent as the encumbrancer of the real estate under the construction mortgage.

(7) In cases not within the preceding subsections, priority between the interest of a lessor of fixtures, including the lessor's residual interest, and the conflicting interest of an encumbrancer or owner of the real estate who is not the lessee is determined by the priority rules governing conflicting interests in real estate.

(8) If the interest of a lessor of fixtures, including the lessor's residual interest, has priority over all conflicting interests of all owners and encumbrancers of the real estate, the lessor or the lessee may (i) on default, expiration, termination, or cancellation of the lease agreement but subject to the lease agreement and IC 26-1-2.1, or (ii) if necessary to enforce other rights and remedies of the lessor or lessee under IC 26-1-2.1, remove the goods from the real estate, free and clear of all conflicting interests of all owners and encumbrancers of the real estate, but the lessor or lessee must reimburse any encumbrancer or owner of the real estate who is not the lessee and who has not otherwise agreed for the cost of repair of any physical injury, but not for any diminution in value of the real estate caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the party seeking removal gives adequate security for the performance of this obligation.

(9) Even though the lease agreement does not create a security interest, the interest of a lessor of fixtures, including the lessor's residual interest, is perfected by filing a financing statement as a fixture filing for leased goods that are or are to become fixtures in accordance with the relevant provisions of IC 26-1-9.1.

As added by P.L.189-1991, SEC.3. Amended by P.L.34-1997, SEC.17; P.L.57-2000, SEC.26.

IC 26-1-2.1-310

Lessor's and lessee's rights when goods become accessions

Sec. 310. (1) Goods are "accessions" when they are installed in or affixed to other goods.

(2) The interest of a lessor or a lessee under a lease contract entered into before the goods became accessions is superior to all interests in the whole except as stated in subsection (4).

(3) The interest of a lessor or a lessee under a lease contract entered into at the time or after the goods became accessions is superior to all subsequently acquired interests in the whole except as stated in subsection (4) but is subordinate to interests in the whole existing at the time the lease contract was made unless the holders of such interests in the whole have in writing consented to the lease or disclaimed an interest in the goods as part of the whole.

(4) The interest of a lessor or a lessee under a lease contract described in subsection (2) or (3) is subordinate to the interest of:

(a) a buyer in the ordinary course of business or a lessee in the ordinary course of business of any interest in the whole acquired after the goods became accessions; or

(b) a creditor with a security interest in the whole perfected before the lease contract was made to the extent that the creditor makes subsequent advances without knowledge of the lease contract.

(5) When under subsections (2) or (3) and (4) a lessor or a lessee of accessions holds an interest that is superior to all interests in the whole, the lessor or the lessee may:

(a) on default, expiration, termination, or cancellation of the lease contract by the other party but subject to the provisions of the lease contract and IC 26-1-2.1; or

(b) if necessary to enforce the lessor's or the lessee's other rights and remedies under IC 26-1-2.1;

remove the goods from the whole, free and clear of all interests in the whole, but the lessor or lessee must reimburse any holder of an interest in the whole who is not the lessee and who has not otherwise agreed for the cost of repair of any physical injury but not for any diminution in value of the whole caused by the absence of the goods removed or by any necessity for replacing them. A person entitled to reimbursement may refuse permission to remove until the party seeking removal gives adequate security for the performance of this obligation.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-311

Subordination by agreement; persons entitled to priority

Sec. 311. Nothing in IC 26-1-2.1 prevents subordination by agreement by any person entitled to priority.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-401

Insecurity; adequate assurance of performance

Sec. 401. (1) A lease contract imposes an obligation on each party that the other's expectation of receiving due performance will not be impaired.

(2) If reasonable grounds for insecurity arise with respect to the performance of either party, the insecure party may demand in writing adequate assurance of due performance. Until the insecure party receives that assurance, if commercially reasonable the insecure party may suspend any performance for which the insecure party has not already received the agreed return.

(3) A repudiation of the lease contract occurs if assurance of due performance adequate under the circumstances of the particular case is not provided to the insecure party within a reasonable time, not to exceed thirty (30) days after receipt of a demand by the other party.

(4) Between merchants, the reasonableness of grounds for insecurity and the adequacy of any assurance offered must be determined according to commercial standards.

(5) Acceptance of any nonconforming delivery or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-402

Anticipatory repudiation

Sec. 402. If either party repudiates a lease contract with respect to a performance not yet due under the lease contract, the loss of which performance will substantially impair the value of the lease contract to the other, the aggrieved party may:

(a) for a commercially reasonable time, await retraction of repudiation and performance by the repudiating party;

(b) make demand pursuant to IC 26-1-2.1-401 and await assurance of future performance adequate under the circumstances of the particular case; or

(c) resort to any right or remedy upon default under the lease contract or IC 26-1-2.1, even though the aggrieved party has notified the repudiating party that the aggrieved party would await the repudiating party's performance and assurance and has urged retraction. In addition, whether or not the aggrieved party

is pursuing one of the foregoing remedies, the aggrieved party may suspend performance or, if the aggrieved party is the lessor, proceed in accordance with the provisions of IC 26-1-2.1 on the lessor's right to identify goods to the lease contract notwithstanding default or to salvage unfinished goods (IC 26-1-2.1-524).

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-403
Retraction of anticipatory repudiation

Sec. 403. (1) Until the repudiating party's next performance is due, the repudiating party can retract the repudiation unless, since the repudiation, the aggrieved party has canceled the lease contract or materially changed the aggrieved party's position or otherwise indicated that the aggrieved party considers the repudiation final.

(2) Retraction may be by any method that clearly indicates to the aggrieved party that the repudiating party intends to perform under the lease contract and includes any assurance demanded under IC 26-1-2.1-401.

(3) Retraction reinstates a repudiating party's rights under a lease contract with due excuse and allowance to the aggrieved party for any delay occasioned by the repudiation.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-404
Substituted performance

Sec. 404. (1) If without fault of the lessee, the lessor and the supplier, the agreed berthing, loading, or unloading facilities fail or the agreed type of carrier becomes unavailable or the agreed manner of delivery otherwise becomes commercially impracticable, but a commercially reasonable substitute is available, the substitute performance must be tendered and accepted.

(2) If the agreed means or manner of payment fails because of domestic or foreign governmental regulation:

(a) the lessor may withhold or stop delivery or cause the supplier to withhold or stop delivery unless the lessee provides a means or manner of payment that is commercially a substantial equivalent; and

(b) if delivery has already been taken, payment by the means or in the manner provided by the regulation discharges the lessee's obligation unless the regulation is discriminatory, oppressive, or predatory.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-405
Excused performance

Sec. 405. Subject to IC 26-1-2.1-404 on substituted performance, the following rules apply:

(a) Delay in delivery or nondelivery in whole or in part by a lessor or a supplier who complies with subdivisions (b) and (c) is not a default under the lease contract if performance as agreed has been made impracticable by the occurrence of a contingency the nonoccurrence of which was a basic assumption on which the lease contract was made or by compliance in good faith with any applicable foreign or domestic governmental regulation or order, whether or not the regulation or order later proves to be invalid.

(b) If the causes mentioned in subdivision (a) affect only part of the lessor's or the supplier's capacity to perform, the lessor or supplier shall allocate production and deliveries among the lessor's or supplier's customers but at the lessor's or supplier's option may include regular customers not then under contract for sale or lease as well as the lessor's or supplier's own requirements for further manufacture. The lessor or supplier may so allocate in any manner that is fair and reasonable.

(c) The lessor seasonably shall notify the lessee and in the case of a finance lease the supplier seasonably shall notify the lessor and the lessee, if known, that there will be delay or nondelivery and, if allocation is required under subdivision (b), of the estimated quota thus made available for the lessee.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-406
Procedure on excused performance

Sec. 406. (1) If the lessee receives notification of a material or indefinite delay or an allocation justified under IC 26-1-2.1-405, the lessee may by written notification to the lessor as to any goods involved, and with respect to all of the goods if under an installment lease contract the value of the whole lease contract is substantially impaired (IC 26-1-2.1-510):

(a) terminate the lease contract (IC 26-1-2.1-505(2)); or

(b) except in a finance lease that is not a consumer lease, modify the lease contract by accepting the available quota in substitution, with due allowance from the rent payable for the balance of the lease term for the deficiency but without further right against the lessor.

(2) If, after receipt of a notification from the lessor under IC 26-1-2.1-405, the lessee fails so to modify the lease agreement

within a reasonable time not exceeding thirty (30) days, the lease contract lapses with respect to any deliveries affected.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-407
Irrevocable promises; finance leases

Sec. 407. (1) In the case of a finance lease that is not a consumer lease the lessee's promises under the lease contract become irrevocable and independent upon the lessee's acceptance of the goods.

(2) A promise that has become irrevocable and independent under subsection (1):

(a) is effective and enforceable between the parties, and by or against third parties including assignees of the parties; and

(b) is not subject to cancellation, termination, modification, repudiation, excuse, or substitution without the consent of the party to whom the promise runs.

(3) This section does not affect the validity under any other law of a covenant in any lease contract making the lessee's promises irrevocable and independent upon the lessee's acceptance of the goods.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-501
Default; procedure

Sec. 501. (1) Whether the lessor or the lessee is in default under a lease contract is determined by the lease agreement and IC 26-1-2.1.

(2) If the lessor or the lessee is in default under the lease contract, the party seeking enforcement has rights and remedies as provided in IC 26-1-2.1 and, except as limited by IC 26-1-2.1, as provided in the lease agreement.

(3) If the lessor or the lessee is in default under the lease contract, the party seeking enforcement may reduce the party's claim to judgment, or otherwise enforce the lease contract by self-help or any available judicial procedure or nonjudicial procedure, including administrative proceeding, arbitration, or the like, in accordance with IC 26-1-2.1.

(4) Except as otherwise provided in IC 26-1-2.1-106(1) or IC 26-1-2.1 or the lease agreement, the rights and remedies referred to in subsections (2) and (3) are cumulative.

(5) If the lease agreement covers both real property and goods, the party seeking enforcement may proceed under this part as to the goods, or under other applicable law as to both the real property and

the goods in accordance with that party's rights and remedies in respect of the real property, in which case this part does not apply.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-502
Notice after default

Sec. 502. Except as otherwise provided in IC 26-1-2.1 or the lease agreement, the lessor or lessee in default under the lease contract is not entitled to notice of default or notice of enforcement from the other party to the lease agreement.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-503
Modification or impairment of rights and remedies

Sec. 503. (1) Except as otherwise provided in IC 26-1-2.1, the lease agreement may include rights and remedies for default in addition to or in substitution for those provided in IC 26-1-2.1 and may limit or alter the measure of damages recoverable under IC 26-1-2.1.

(2) Resort to a remedy provided under IC 26-1-2.1 or in the lease agreement is optional unless the remedy is expressly agreed to be exclusive. If circumstances cause an exclusive or limited remedy to fail of its essential purpose, or provision for an exclusive remedy is unconscionable, remedy may be had as provided in IC 26-1-2.1.

(3) Consequential damages may be liquidated under IC 26-1-2.1-504, or may otherwise be limited, altered, or excluded unless the limitation, alteration, or exclusion is unconscionable. Limitation, alteration, or exclusion of consequential damages for injury to the person in the case of consumer goods is prima facie unconscionable but limitation, alteration, or exclusion of damages where the loss is commercial is not prima facie unconscionable.

(4) Rights and remedies on default by the lessor or the lessee with respect to any obligation or promise collateral or ancillary to the lease contract are not impaired by IC 26-1-2.1.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-504
Liquidation of damages

Sec. 504. (1) Damages payable by either party for default, or any other act or omission, including indemnity for loss or diminution of anticipated tax benefits or loss or damage to lessor's residual interest, may be liquidated in the lease agreement but only at an amount or by a formula that is reasonable in light of the then anticipated harm caused by the default or other act or omission.

(2) If the lease agreement provides for liquidation of damages, and such provision does not comply with subsection (1), or such provision is an exclusive or limited remedy that circumstances cause to fail of its essential purpose, remedy may be had as provided in IC 26-1-2.1.

(3) If the lessor justifiably withholds or stops delivery of goods because of the lessee's default or insolvency (IC 26-1-2.1-525 or IC 26-1-2.1-526), the lessee is entitled to restitution of any amount by which the sum of the lessee's payments exceeds:

(a) the amount to which the lessor is entitled by virtue of terms liquidating the lessor's damages in accordance with subsection (1); or

(b) in the absence of those terms, twenty percent (20%) of the then present value of the total rent the lessee was obligated to pay for the balance of the lease term, or, in the case of a consumer lease, the lesser of such amount or five hundred dollars ($500).

(4) A lessee's right to restitution under subsection (3) is subject to offset to the extent the lessor establishes:

(a) a right to recover damages under the provisions of IC 26-1-2.1 other than subsection (1); and

(b) the amount or value of any benefits received by the lessee directly or indirectly by reason of the lease contract.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-505

Cancellation and termination and effect of cancellation, termination, rescission, or fraud on rights and remedies

Sec. 505. (1) On cancellation of the lease contract, all obligations that are still executory on both sides are discharged, but any right based on prior default or performance survives, and the canceling party also retains any remedy for default of the whole lease contract or any unperformed balance.

(2) On termination of the lease contract, all obligations that are still executory on both sides are discharged but any right based on prior default or performance survives.

(3) Unless the contrary intention clearly appears, expressions of "cancellation," "rescission," or the like of the lease contract may not be construed as a renunciation or discharge of any claim in damages for an antecedent default.

(4) Rights and remedies for material misrepresentation or fraud include all rights and remedies available under IC 26-1-2.1 for default.

(5) Neither rescission nor a claim for rescission of the lease

contract nor rejection or return of the goods may bar or be deemed inconsistent with a claim for damages or other right or remedy.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-506
Statute of limitations

Sec. 506. (1) An action for default under a lease contract, including breach of warranty or indemnity, must be commenced within four (4) years after the cause of action accrued. By the original lease contract the parties may reduce the period of limitation to not less than one (1) year.

(2) A cause of action for default accrues when the act or omission on which the default or breach of warranty is based is or should have been discovered by the aggrieved party, or when the default occurs, whichever is later. A cause of action for indemnity accrues when the act or omission on which the claim for indemnity is based is or should have been discovered by the indemnified party, whichever is later.

(3) If an action commenced within the time limited by subsection (1) is so terminated as to leave available a remedy by another action for the same default or breach of warranty or indemnity, the other action may be commenced after the expiration of the time limited and within six (6) months after the termination of the first action unless the termination resulted from voluntary discontinuance or from dismissal for failure or neglect to prosecute.

(4) This section does not alter the law on tolling of the statute of limitations nor does it apply to causes of action that have accrued before IC 26-1-2.1 becomes effective.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-507
Proof of market rent; time and place

Sec. 507. (1) Damages based on market rent (IC 26-1-2.1-519 or IC 26-1-2.1-528) are determined according to the rent for the use of the goods concerned for a lease term identical to the remaining lease term of the original lease agreement and prevailing at the time of the default.

(2) If evidence of rent for the use of the goods concerned for a lease term identical to the remaining lease term of the original lease agreement and prevailing at the times or places described in IC 26-1-2.1 is not readily available, the rent prevailing within any reasonable time before or after the time described or at any other place or for a different lease term which in commercial judgment or under usage of trade would serve as a reasonable substitute for the

one described may be used, making any proper allowance for the difference, including the cost of transporting the goods to or from the other place.

(3) Evidence of a relevant rent prevailing at a time or place or for a lease term other than the one described in IC 26-1-2.1 offered by one party is not admissible unless and until the party has given the other party notice the court finds sufficient to prevent unfair surprise.

(4) If the prevailing rent or value of any goods regularly leased in any established market is in issue, reports in official publications or trade journals or in newspapers or periodicals of general circulation published as the reports of that market are admissible in evidence. The circumstances of the preparation of the report may be shown to affect its weight but not its admissibility.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-508
Lessee's remedies

Sec. 508. (1) If a lessor fails to deliver the goods in conformity to the lease contract (IC 26-1-2.1-509) or repudiates the lease contract (IC 26-1-2.1-402), or a lessee rightfully rejects the goods (IC 26-1-2.1-509) or justifiably revokes acceptance of the goods (IC 26-1-2.1-517), then with respect to any goods involved, and with respect to all of the goods if under an installment lease contract the value of the whole lease contract is substantially impaired (IC 26-1-2.1-510), the lessor is in default under the lease contract and the lessee may:

(a) cancel the lease contract (IC 26-1-2.1-505(1));

(b) recover so much of the rent and security as has been paid and is just under the circumstances;

(c) cover and recover damages as to all goods affected whether or not they have been identified to the lease contract (IC 26-1-2.1-518 and IC 26-1-2.1-520), or recover damages for nondelivery (IC 26-1-2.1-519 and IC 26-1-2.1-520); and

(d) exercise any other rights or pursue any other remedies provided in the lease contract.

(2) If a lessor fails to deliver the goods in conformity to the lease contract or repudiates the lease contract, the lessee may also:

(a) if the goods have been identified, recover them (IC 26-1-2.1-522); or

(b) in a proper case, obtain specific performance or replevy the goods (IC 26-1-2.1-521).

(3) If a lessor is otherwise in default under a lease contract, the lessee may exercise the rights and pursue the remedies provided in

the lease contract, which may include a right to cancel the lease, and in IC 26-1-2.1-519(3).

(4) If a lessor has breached a warranty, whether express or implied, the lessee may recover damages (IC 26-1-2.1-519(4)).

(5) On rightful rejection or justifiable revocation of acceptance, a lessee has a security interest in goods in the lessee's possession or control for any rent and security that has been paid and any expenses reasonably incurred in their inspection, receipt, transportation, and care and custody and may hold those goods and dispose of them in good faith and in a commercially reasonable manner, subject to IC 26-1-2.1-527(5).

(6) Subject to the provisions of IC 26-1-2.1-407, a lessee, on notifying the lessor of the lessee's intention to do so, may deduct all or any part of the damages resulting from any default under the lease contract from any part of the rent still due under the same lease contract.

As added by P.L.189-1991, SEC.3. Amended by P.L.1-1992, SEC.135.

IC 26-1-2.1-509

Lessee's rights on improper delivery; rightful rejection

Sec. 509. (1) Subject to the provisions of IC 26-1-2.1-510 on default in installment lease contracts, if the goods or the tender or delivery fail in any respect to conform to the lease contract, the lessee may reject or accept the goods or accept any commercial unit or units and reject the rest of the goods.

(2) Rejection of goods is ineffective unless it is within a reasonable time after tender or delivery of the goods and the lessee seasonably notifies the lessor.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-510

Installment lease contracts; rejection and default

Sec. 510. (1) Under an installment lease contract a lessee may reject any delivery that is nonconforming if the nonconformity substantially impairs the value of that delivery and cannot be cured or the nonconformity is a defect in the required documents; but if the nonconformity does not fall within subsection (2) and the lessor or the supplier gives adequate assurance of its cure, the lessee must accept that delivery.

(2) Whenever nonconformity or default with respect to one or more deliveries substantially impairs the value of the installment lease contract as a whole there is a default with respect to the whole. But, the aggrieved party reinstates the installment lease contract as

a whole if the aggrieved party accepts a nonconforming delivery without seasonably notifying of cancellation or brings an action with respect only to past deliveries or demands performance as to future deliveries.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-511
Merchant lessee's duties as to rightfully rejected goods

Sec. 511. (1) Subject to any security interest of a lessee (IC 26-1-2.1-508(5)), if a lessor or a supplier has no agent or place of business at the market of rejection, a merchant lessee, after rejection of goods in the merchant lessee's possession or control, shall follow any reasonable instructions received from the lessor or the supplier with respect to the goods. In the absence of those instructions, a merchant lessee shall make reasonable efforts to sell, lease, or otherwise dispose of the goods for the lessor's account if they threaten to decline in value speedily. Instructions are not reasonable if on demand indemnity for expenses is not forthcoming.

(2) If a merchant lessee (subsection (1)) or any other lessee (IC 26-1-2.1-512) disposes of goods, the merchant lessee is entitled to reimbursement either from the lessor or the supplier or out of the proceeds for reasonable expenses of caring for and disposing of the goods and, if the expenses include no disposition commission, to such commission as is usual in the trade, or if there is none, to a reasonable sum not exceeding ten percent (10%) of the gross proceeds.

(3) In complying with this section or IC 26-1-2.1-512, the lessee is held only to good faith. Good faith conduct hereunder is neither acceptance or conversion nor the basis of an action for damages.

(4) A purchaser who purchases in good faith from a lessee pursuant to this section or IC 26-1-2.1-512 takes the goods free of any rights of the lessor and the supplier even though the lessee fails to comply with one or more of the requirements of IC 26-1-2.1.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-512
Lessee's duties as to rightfully rejected goods

Sec. 512. (1) Except as otherwise provided with respect to goods that threaten to decline in value speedily (IC 26-1-2.1-511) and subject to any security interest of a lessee (IC 26-1-2.1-508(5)):

(a) the lessee, after rejection of goods in the lessee's possession, shall hold them with reasonable care at the lessor's or the supplier's disposition for a reasonable time after the lessee's seasonable notification of rejection;

(b) if the lessor or the supplier gives no instructions within a reasonable time after notification of rejection, the lessee may store the rejected goods for the lessor's or the supplier's account or ship them to the lessor or the supplier or dispose of them for the lessor's or the supplier's account with reimbursement in the manner provided in IC 26-1-2.1-511; but

(c) the lessee has no further obligations with regard to goods rightfully rejected.

(2) Action by the lessee pursuant to subsection (1) is not acceptance or conversion.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-513

Cure by lessor of improper tender or delivery; replacement

Sec. 513. (1) If any tender or delivery by the lessor or the supplier is rejected because nonconforming and the time for performance has not yet expired, the lessor or the supplier may seasonably notify the lessee of the lessor's or the supplier's intention to cure and may then make a conforming delivery within the time provided in the lease contract.

(2) If the lessee rejects a nonconforming tender that the lessor or the supplier had reasonable grounds to believe would be acceptable with or without money allowance, the lessor or the supplier may have a further reasonable time to substitute a conforming tender if the lessor or the supplier seasonably notifies the lessee.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-514

Waiver of lessee's objections

Sec. 514. (1) In rejecting goods, a lessee's failure to state a particular defect that is ascertainable by reasonable inspection precludes the lessee from relying on the defect to justify rejection or to establish default:

(a) if, stated seasonably, the lessor or the supplier could have cured it (IC 26-1-2.1-513); or

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

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

As added by P.L.189-1991, SEC.3. Amended by P.L.143-2007, SEC.20.

IC 26-1-2.1-515
Acceptance of goods

Sec. 515. (1) Acceptance of goods occurs after the lessee has had a reasonable opportunity to inspect the goods and:

(a) the lessee signifies or acts with respect to the goods in a manner that signifies to the lessor or the supplier that the goods are conforming or that the lessee will take or retain them in spite of their nonconformity; or

(b) the lessee fails to make an effective rejection of the goods (IC 26-1-2.1-509(2)).

(2) Acceptance of a part of any commercial unit is acceptance of that entire unit.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-516
Effect of acceptance of goods; notice of default; burden of establishing

Sec. 516. (1) A lessee must pay rent for any goods accepted in accordance with the lease contract, with due allowance for goods rightfully rejected or not delivered.

(2) A lessee's acceptance of goods precludes rejection of the goods accepted. In the case of a finance lease, if made with knowledge of a nonconformity, acceptance cannot be revoked because of it. In any other case, if made with knowledge of a nonconformity, acceptance cannot be revoked because of it unless the acceptance was on the reasonable assumption that the nonconformity would be seasonably cured. Acceptance does not of itself impair any other remedy provided by IC 26-1-2.1 or the lease agreement for nonconformity.

(3) If a tender has been accepted:

(a) within a reasonable time after the lessee discovers or should have discovered any default, the lessee shall notify the lessor and the supplier, if any, or be barred from any remedy against the party not notified;

(b) except in the case of a consumer lease, within a reasonable time after the lessee receives notice of litigation for infringement or the like (IC 26-1-2.1-211) the lessee shall notify the lessor or be barred from any remedy over for liability established by the litigation; and

(c) the burden is on the lessee to establish any default.

(4) If a lessee is sued for breach of a warranty or other obligation for which a lessor or a supplier is answerable over the following apply:

(a) The lessee may give the lessor or the supplier, or both,

written notice of the litigation. If the notice states that the person notified may come in and defend and that if the person notified does not do so that person will be bound in any action against that person by the lessee by any determination of fact common to the two (2) litigations, then unless the person notified after seasonable receipt of the notice does come in and defend that person is so bound.

(b) The lessor or the supplier may demand in writing that the lessee turn over control of the litigation including settlement if the claim is one for infringement or the like (IC 26-1-2.1-211) or else be barred from any remedy over. If the demand states that the lessor or the supplier agrees to bear all expense and to satisfy any adverse judgment, then unless the lessee after seasonable receipt of the demand does turn over control the lessee is so barred.

(5) Subsections (3) and (4) apply to any obligation of a lessee to hold the lessor or the supplier harmless against infringement or the like (IC 26-1-2.1-211).

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-517

Revocation of acceptance of goods

Sec. 517. (1) A lessee may revoke acceptance of a lot or commercial unit whose nonconformity substantially impairs its value to the lessee if the lessee has accepted it:

(a) except in the case of a finance lease, on the reasonable assumption that its nonconformity would be cured and it has not been seasonably cured; or

(b) without discovery of the nonconformity if the lessee's acceptance was reasonably induced either by the lessor's assurances or, except in the case of a finance lease, by the difficulty of discovery before acceptance.

(2) Except in the case of a finance lease that is not a consumer lease, a lessee may revoke acceptance of a lot or commercial unit if the lessor defaults under the lease contract and the default substantially impairs the value of that lot or commercial unit to the lessee.

(3) If the lease agreement so provides, the lessee may revoke acceptance of a lot or commercial unit because of other defaults by the lessor.

(4) Revocation of acceptance must occur within a reasonable time after the lessee discovers or should have discovered the ground for it and before any substantial change in condition of the goods which

is not caused by the nonconformity. Revocation is not effective until the lessee notifies the lessor.

(5) A lessee who so revokes has the same rights and duties with regard to the goods involved as if the lessee had rejected them.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-518

Cover; substitute goods

Sec. 518. (1) After a default by a lessor under the lease contract of the type described in IC 26-1-2.1-508(1), or, if agreed, after other default by the lessor, the lessee may cover by making any purchase or lease of or contract to purchase or lease goods in substitution for those due from the lessor.

(2) Except as otherwise provided with respect to damages liquidated in the lease agreement (IC 26-1-2.1-504) or otherwise determined pursuant to agreement of the parties (IC 26-1-1-102(3) and IC 26-1-2.1-503), if a lessee's cover is by lease agreement substantially similar to the original lease agreement and the new lease agreement is made in good faith and in a commercially reasonable manner, the lessee may recover from the lessor as damages (i) the present value, as of the date of the commencement of the term of the new lease agreement of the rent under the new lease agreement applicable to that period of the new lease term which is comparable to the then remaining term of the original lease agreement minus the present value as of the same date of the total rent for the then remaining lease term of the original lease agreement, and (ii) any incidental or consequential damages, less expenses saved in consequence of the lessor's default.

(3) If a lessee's cover is by lease agreement that for any reason does not qualify for treatment under subsection (2), or is by purchase or otherwise, the lessee may recover from the lessor as if the lessee had elected not to cover and IC 26-1-2.1-519 governs.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-519

Lessee's damages for nondelivery, repudiation, default, and breach of warranty in regard to accepted goods

Sec. 519. (1) Except as otherwise provided with respect to damages liquidated in the lease agreement (IC 26-1-2.1-504) or otherwise determined pursuant to agreement of the parties (IC 26-1-1-102(3) and IC 26-1-2.1-503), if a lessee elects not to cover or a lessee elects to cover and the cover is by lease agreement that for any reason does not qualify for treatment under IC 26-1-2.1-518(2), or is by purchase or otherwise, the measure of damages for

non-delivery or repudiation by the lessor or for rejection or revocation of acceptance by the lessee is the present value, as of the date of the default, of the then market rent minus the present value as of the same date of the original rent, computed for the remaining lease term of the original lease agreement, together with incidental and consequential damages, less expenses saved in consequence of the lessor's default.

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

(3) Except as otherwise agreed, if the lessee has accepted goods and given notification (IC 26-1-2.1-516(3)), the measure of damages for nonconforming tender or delivery or other default by a lessor is the loss resulting in the ordinary course of events from the lessor's default as determined in any manner that is reasonable together with incidental and consequential damages, less expenses saved in consequence of the lessor's default.

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

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-520

Lessee's incidental and consequential damages

Sec. 520. (1) Incidental damages resulting from a lessor's default include expenses reasonably incurred in inspection, receipt, transportation, and care and custody of goods rightfully rejected or goods the acceptance of which is justifiably revoked, any commercially reasonable charges, expenses or commissions in connection with effecting cover, and any other reasonable expense incident to the default.

(2) Consequential damages resulting from a lessor's default include:

(a) any loss resulting from general or particular requirements and needs of which the lessor at the time of contracting had reason to know and which could not reasonably be prevented by cover or otherwise; and

(b) injury to person or property proximately resulting from any

breach of warranty.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-521
Lessee's right to specific performance or replevin

Sec. 521. (1) Specific performance may be decreed if the goods are unique or in other proper circumstances.

(2) A decree for specific performance may include any terms and conditions as to payment of the rent, damages, or other relief that the court deems just.

(3) A lessee has a right of replevin, detinue, sequestration, claim and delivery, or the like for goods identified to the lease contract if after reasonable effort the lessee is unable to effect cover for those goods or the circumstances reasonably indicate that the effort will be unavailing.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-522
Lessee's right to goods on lessor's insolvency

Sec. 522. (1) Subject to subsection (2) and even though the goods have not been shipped, a lessee who has paid a part or all of the rent and security for goods identified to a lease contract (IC 26-1-2.1-217) on making and keeping good a tender of any unpaid portion of the rent and security due under the lease contract may recover the goods identified from the lessor if the lessor becomes insolvent within ten (10) days after receipt of the first installment of rent and security.

(2) A lessee acquires the right to recover goods identified to a lease contract only if they conform to the lease contract.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-523
Lessor's remedies

Sec. 523. (1) If a lessee wrongfully rejects or revokes acceptance of goods or fails to make a payment when due or repudiates with respect to a part or the whole, then, with respect to any goods involved, and with respect to all of the goods if under an installment lease contract the value of the whole lease contract is substantially impaired (IC 26-1-2.1-510), the lessee is in default under the lease contract and the lessor may:

(a) cancel the lease contract (IC 26-1-2.1-505(1));

(b) proceed respecting goods not identified to the lease contract (IC 26-1-2.1-524);

(c) withhold delivery of the goods and take possession of goods previously delivered (IC 26-1-2.1-525);

(d) stop delivery of the goods by any bailee (IC 26-1-2.1-526);
(e) dispose of the goods and recover damages (IC 26-1-2.1-527), or retain the goods and recover damages (IC 26-1-2.1-528), or in a proper case recover rent (IC 26-1-2.1-529); and
(f) exercise any other rights or pursue any other remedies provided in the lease contract.

(2) If a lessor does not fully exercise a right or obtain a remedy to which the lessor is entitled under subsection (1), the lessor may recover the loss resulting in the ordinary course of events from the lessee's default as determined in any reasonable manner, together with incidental damages, less expenses saved in consequence of the lessee's default.

(3) If a lessee is otherwise in default under a lease contract, the lessor may exercise the rights and pursue the remedies provided in the lease contract, which may include a right to cancel the lease. In addition, unless otherwise provided in the lease contract:
(a) if the default substantially impairs the value of the lease contract to the lessor, the lessor may exercise the rights and pursue the remedies provided in subsection (1) or (2); or
(b) if the default does not substantially impair the value of the lease contract to the lessor, the lessor may recover as provided in subsection (2).

As added by P.L.189-1991, SEC.3. Amended by P.L.1-1992, SEC.136.

IC 26-1-2.1-524
Lessor's right to identify goods to lease contract

Sec. 524. (1) After default by the lessee under the lease contract of the type described in IC 26-1-2.1-523(1) or IC 26-1-2.1-523(3)(a) or, if agreed, after other default by the lessee, the lessor may:
(a) identify to the lease contract conforming goods not already identified if at the time the lessor learned of the default they were in the lessor's or the supplier's possession or control; and
(b) dispose of goods (IC 26-1-2.1-527(1)) that demonstrably have been intended for the particular lease contract even though those goods are unfinished.

(2) If the goods are unfinished, in the exercise of reasonable commercial judgment for the purposes of avoiding loss and of effective realization, an aggrieved lessor or the supplier may either complete manufacture and wholly identify the goods to the lease contract or cease manufacture and lease, sell, or otherwise dispose of the goods for scrap or salvage value or proceed in any other

reasonable manner.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-525
Lessor's right to possession of goods

Sec. 525. (1) If a lessor discovers the lessee to be insolvent, the lessor may refuse to deliver the goods.

(2) After a default by the lessee under the lease contract of the type described in IC 26-1-2.1-523(1) or IC 26-1-2.1-523(3)(a) or, if agreed, after other default by the lessee, the lessor has the right to take possession of the goods. If the lease contract so provides, the lessor may require the lessee to assemble the goods and make them available to the lessor at a place to be designated by the lessor which is reasonably convenient to both parties. Without removal, the lessor may render unusable any goods employed in trade or business, and may dispose of goods on the lessee's premises (IC 26-1-2.1-527).

(3) The lessor may proceed under subsection (2) without judicial process if that can be done without breach of the peace or the lessor may proceed by action.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-526
Lessor's stoppage of delivery

Sec. 526. (1) A lessor may stop delivery of goods in the possession of a carrier or other bailee if the lessor discovers the lessee to be insolvent and may stop delivery of carload, truckload, planeload, or larger shipments of express or freight if the lessee repudiates or fails to make a payment due before delivery, whether for rent, security, or otherwise under the lease contract, or for any other reason the lessor has a right to withhold or take possession of the goods.

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

(a) receipt of the goods by the lessee;

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

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

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

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

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

As added by P.L.189-1991, SEC.3. Amended by P.L.143-2007, SEC.21.

IC 26-1-2.1-527

Lessor's rights to dispose of goods

Sec. 527. (1) After a default by a lessee under the lease contract of the type described in IC 26-1-2.1-523(1) or IC 26-1-2.1-523(3)(a) or after the lessor refuses to deliver or takes possession of goods (IC 26-1-2.1-525 or IC 26-1-2.1-526), or, if agreed, after other default by the lessee, the lessor may dispose of the goods concerned or the undelivered balance thereof by lease, sale, or otherwise.

(2) Except as otherwise provided with respect to damages liquidated in the lease agreement (IC 26-1-2.1-504) or otherwise determined pursuant to agreement of the parties (IC 26-1-1-102(3) and IC 26-1-2.1-503), if the disposition is by lease agreement substantially similar to the original lease agreement and the new lease agreement is made in good faith and in a commercially reasonable manner, the lessor may recover from the lessee as damages (i) accrued and unpaid rent as of the date of the commencement of the term of the new lease agreement, (ii) the present value, as of the same date, of the total rent for the then remaining lease term of the original lease agreement minus the present value, as of the same date, of the rent under the new lease agreement applicable to that period of the new lease term which is comparable to the then remaining term of the original lease agreement, and (iii) any incidental damages allowed under IC 26-1-2.1-530, less expenses saved in consequence of the lessee's default.

(3) If the lessor's disposition is by lease agreement that for any reason does not qualify for treatment under subsection (2), or is by sale or otherwise, the lessor may recover from the lessee as if the lessor had elected not to dispose of the goods and IC 26-1-2.1-528 governs.

(4) A subsequent buyer or lessee who buys or leases from the lessor in good faith for value as a result of a disposition under this section takes the goods free of the original lease contract and any rights of the original lessee even though the lessor fails to comply with one or more of the requirements of IC 26-1-2.1.

(5) The lessor is not accountable to the lessee for any profit made on any disposition. A lessee who has rightfully rejected or justifiably

revoked acceptance shall account to the lessor for any excess over the amount of the lessee's security interest (IC 26-1-2.1-508(5)).
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-528
Lessor's damages for nonacceptance or repudiation

Sec. 528. (1) Except as otherwise provided with respect to damages liquidated in the lease agreement (IC 26-1-2.1-504) or otherwise determined pursuant to agreement of the parties (IC 26-1-1-102(3) and IC 26-1-2.1-503), if a lessor elects to retain the goods or a lessor elects to dispose of the goods and the disposition is by lease agreement that for any reason does not qualify for treatment under IC 26-1-2.1-527(2), or is by sale or otherwise, the lessor may recover from the lessee as damages for a default of the type described in IC 26-1-2.1-523(1) or IC 26-1-2.1-523(3)(a), or, if agreed, for other default of the lease, (i) accrued and unpaid rent as of the date of default if the lessee has never taken possession of the goods, or, if the lessee has taken possession of the goods, as of the date the lessor repossesses the goods or an earlier date on which the lessee makes a tender of the goods to the lessor, (ii) the present value as of the date determined under clause (i) of the total rent for the then remaining lease term of the original lease agreement minus the present value as of the same date of the market rent at the place where the goods are located computed for the same lease term, and (iii) any incidental damages allowed under IC 26-1-2.1-530, less expenses saved in consequence of the lessee's default.

(2) If the measure of damages provided in subsection (1) is inadequate to put a lessor in as good a position as performance would have, the measure of damages is the present value of the profit, including reasonable overhead, the lessor would have made from full performance by the lessee, together with any incidental damages allowed under IC 26-1-2.1-530, due allowance for costs reasonably incurred and due credit for payments or proceeds of disposition.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-529
Lessor's action for the rent

Sec. 529. (1) After default by the lessee under the lease contract of the type described in IC 26-1-2.1-523(1) or IC 26-1-2.1-523(3)(a) or, if agreed, after other default by the lessee, if the lessor complies with subsection (2), the lessor may recover from the lessee as damages:

(a) for goods accepted by the lessee and not repossessed by or tendered to the lessor, and for conforming goods lost or

damaged within a commercially reasonable time after risk of loss passes to the lessee (IC 26-1-2.1-219):

(i) accrued and unpaid rent as of the date of entry of judgment in favor of the lessor;

(ii) the present value as of the same date of the rent for the then remaining lease term of the lease agreement; and

(iii) any incidental damages allowed under IC 26-1-2.1-530, less expenses saved in consequence of the lessee's default; and

(b) for goods identified to the lease contract if the lessor is unable after reasonable effort to dispose of them at a reasonable price or the circumstances reasonably indicate that effort will be unavailing:

(i) accrued and unpaid rent as of the date of entry of judgment in favor of the lessor;

(ii) the present value as of the same date of the rent for the then remaining lease term of the lease agreement; and

(iii) any incidental damages allowed under IC 26-1-2.1-530, less expenses saved in consequence of the lessee's default.

(2) Except as provided in subsection (3), the lessor shall hold for the lessee for the remaining lease term of the lease agreement any goods that have been identified to the lease contract and are in the lessor's control.

(3) The lessor may dispose of the goods at any time before collection of the judgment for damages obtained pursuant to subsection (1). If the disposition is before the end of the remaining lease term of the lease agreement, the lessor's recovery against the lessee for damages is governed by IC 26-1-2.1-527 or IC 26-1-2.1-528, and the lessor will cause an appropriate credit to be provided against a judgment for damages to the extent that the amount of the judgment exceeds the recovery available pursuant to IC 26-1-2.1-527 or IC 26-1-2.1-528.

(4) Payment of the judgment for damages obtained pursuant to subsection (1) entitles the lessee to use and possession of the goods not then disposed of for the remaining lease term of and in accordance with the lease agreement.

(5) After default by the lessee under the lease contract of the type described in IC 26-1-2.1-523(1) or IC 26-1-2.1-523(3)(a) or, if agreed, after other default by the lessee, a lessor who is held not entitled to rent under this section must nevertheless be awarded damages for non-acceptance under IC 26-1-2.1-527 and IC 26-1-2.1-528.

As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-530
Lessor's incidental damages

Sec. 530. Incidental damages to an aggrieved lessor include any commercially reasonable charges, expenses, or commissions incurred in stopping delivery, in the transportation, care and custody of goods after the lessee's default, in connection with return or disposition of the goods, or otherwise resulting from the default.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-531
Standing to sue third parties for injury to goods

Sec. 531. (1) If a third party so deals with goods that have been identified to a lease contract as to cause actionable injury to a party to the lease contract (a) the lessor has a right of action against the third party, and (b) the lessee also has a right of action against the third party if the lessee:

(i) has a security interest in the goods;
(ii) has an insurable interest in the goods; or
(iii) bears the risk of loss under the lease contract or has since the injury assumed that risk as against the lessor and the goods have been converted or destroyed.

(2) If at the time of the injury the party plaintiff did not bear the risk of loss as against the other party to the lease contract and there is no arrangement between them for disposition of the recovery, the party plaintiff suit or settlement, subject to the party plaintiff's own interest, is as a fiduciary for the other party to the lease contract.

(3) Either party with the consent of the other may sue for the benefit of whom it may concern.
As added by P.L.189-1991, SEC.3.

IC 26-1-2.1-532
Recovery by lessor for loss of or damage to residual interest

Sec. 532. In addition to any other recovery permitted by IC 26-1-2.1 or other law, the lessor may recover from the lessee an amount that will fully compensate the lessor for any loss of or damage to the lessor's residual interest in the goods caused by the default of the lessee.
As added by P.L.189-1991, SEC.3.

IC 26-1-3
Repealed

(Repealed by P.L.222-1993, SEC.58.)

IC 26-1-3.1

Chapter 3.1. Negotiable Instruments

IC 26-1-3.1-101

Short title

Sec. 101. IC 26-1-3.1 may be cited as Uniform Commercial Code – Negotiable Instruments.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-102

Subject matter

Sec. 102. (a) IC 26-1-3.1 applies to negotiable instruments. It does not apply to money, to payment orders governed by IC 26-1-4.1, or to securities governed by IC 26-1-8.1.

(b) If there is conflict between IC 26-1-3.1 and IC 26-1-4 or IC 26-1-9.1, IC 26-1-4, and IC 26-1-9.1 govern.

(c) Regulations of the Board of Governors of the Federal Reserve System and operating circulars of the Federal Reserve Banks supersede any inconsistent provision of IC 26-1-3.1 to the extent of the inconsistency.

As added by P.L.222-1993, SEC.5. Amended by P.L.247-1995, SEC.4; P.L.57-2000, SEC.27.

IC 26-1-3.1-103

Definitions

Sec. 103. (a) In IC 26-1-3.1:

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

(2) "Consumer account" means an account established by an individual primarily for personal, family, or household purposes.

(3) "Consumer transaction" means a transaction in which an individual incurs an obligation primarily for personal, family, or household purposes.

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

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

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

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

(8) "Order" means a written instruction to pay money signed by the person giving the instruction. The instruction may be addressed to any person, including the person giving the instruction, or to one (1) or more persons jointly or in the alternative but not in succession. An authorization to pay is not an order unless the person authorized to pay is also instructed to pay.

(9) "Ordinary care" in the case of a person engaged in business means observance of reasonable commercial standards prevailing in the area in which the person is located, with respect to the business in which the person is engaged. In the case of a bank that takes an instrument for processing for collection or payment by automated means, reasonable commercial standards do not require the bank to examine the instrument if the failure to examine does not violate the bank's prescribed procedures and the bank's procedures do not vary unreasonably from general banking usage not disapproved by IC 26-1-3.1 or IC 26-1-4.

(10) "Party" means a party to an instrument.

(11) "Principal obligor", with respect to an instrument, means the accommodated party or any other party to the instrument against whom a secondary obligor has recourse under this article.

(12) "Promise" means a written undertaking to pay money signed by the person undertaking to pay. An acknowledgment of an obligation by the obligor is not a promise unless the obligor also undertakes to pay the obligation.

(13) "Prove" with respect to a fact means to meet the burden of establishing the fact (IC 26-1-1-201(8)).

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

(15) "Remotely-created consumer item" means an item that is drawn on a consumer account, is not created by the payor bank, and does not bear a handwritten signature purporting to be the signature of the drawer.

(16) "Secondary obligor", with respect to an instrument, means:

(A) an endorser or an accommodation party;

(B) a drawer having the obligation described in IC 26-1-3.1-414(d); or

(C) any other party to the instrument that has recourse against another party to the instrument under IC 26-1-3.1-116(b).

(b) Other definitions applying to IC 26-1-3.1 and the sections in which they appear are:

"Acceptance". IC 26-1-3.1-409.

"Accommodated party". IC 26-1-3.1-419.

"Accommodation party". IC 26-1-3.1-419.

"Alteration". IC 26-1-3.1-407.

"Anomalous endorsement". IC 26-1-3.1-205.

"Blank endorsement". IC 26-1-3.1-205.

"Cashier's check". IC 26-1-3.1-104.

"Certificate of deposit". IC 26-1-3.1-104.

"Certified check". IC 26-1-3.1-409.

"Check". IC 26-1-3.1-104.

"Consideration". IC 26-1-3.1-303.
"Draft". IC 26-1-3.1-104.
"Holder in due course". IC 26-1-3.1-302.
"Incomplete instrument". IC 26-1-3.1-115.
"Endorsement". IC 26-1-3.1-204.
"Endorser". IC 26-1-3.1-204.
"Instrument". IC 26-1-3.1-104.
"Issue". IC 26-1-3.1-105.
"Issuer". IC 26-1-3.1-105.
"Negotiable instrument". IC 26-1-3.1-104.
"Negotiation". IC 26-1-3.1-201.
"Note". IC 26-1-3.1-104.
"Payable at a definite time". IC 26-1-3.1-108.
"Payable on demand". IC 26-1-3.1-108.
"Payable to bearer". IC 26-1-3.1-109.
"Payable to order". IC 26-1-3.1-109.
"Payment". IC 26-1-3.1-602.
"Person entitled to enforce". IC 26-1-3.1-301.
"Presentment". IC 26-1-3.1-501.
"Reacquisition". IC 26-1-3.1-207.
"Special endorsement". IC 26-1-3.1-205.
"Teller's check". IC 26-1-3.1-104.
"Transfer of an instrument". IC 26-1-3.1-203.
"Traveler's check". IC 26-1-3.1-104.
"Value". IC 26-1-3.1-303.

(c) The following definitions in other IC 26-1-4 apply to IC 26-1-3.1:

"Banking day". IC 26-1-4-104.
"Clearing house". IC 26-1-4-104.
"Collecting bank". IC 26-1-4-105.
"Depositary bank". IC 26-1-4-105.
"Documentary draft". IC 26-1-4-104.
"Intermediary bank". IC 26-1-4-105.
"Item". IC 26-1-4-104.
"Payor bank". IC 26-1-4-105.
"Suspends payments". IC 26-1-4-104.

(d) In addition, IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout IC 26-1-3.1.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.2.

IC 26-1-3.1-104
Negotiable instrument

Sec. 104. (a) Except as provided in subsections (c) and (d), "negotiable instrument" means an unconditional promise or order to pay a fixed amount of money, with or without interest or other charges described in the promise or order, if it:

(1) is payable to bearer or to order at the time it is issued or first comes into possession of a holder;

(2) is payable on demand or at a definite time; and

(3) does not state any other undertaking or instruction by the person promising or ordering payment to do any act in addition to the payment of money, but the promise or order may contain:

(A) an undertaking or power to give, maintain, or protect collateral to secure payment;

(B) an authorization or power to the holder to confess judgment or realize on or dispose of collateral; or

(C) a waiver of the benefit of any law intended for the advantage or protection of an obligor.

(b) "Instrument" means a negotiable instrument.

(c) An order that meets all of the requirements of subsection (a), except subdivision (1), and otherwise falls within the definition of "check" in subsection (f) is a negotiable instrument and a check.

(d) A promise or order other than a check is not an instrument if, at the time it is issued or first comes into possession of a holder, it contains a conspicuous statement, however expressed, to the effect that the promise or order is not negotiable or is not an instrument governed by IC 26-1-3.1.

(e) An instrument is a "note" if it is a promise and is a "draft" if it is an order. If an instrument falls within the definition of both "note" and "draft", a person entitled to enforce the instrument may treat it as either.

(f) "Check" means:

(1) a draft, other than a documentary draft, payable on demand and drawn on a bank; or

(2) a cashier's check or teller's check.

An instrument may be a check even though it is described on its face by another term, such as "money order".

(g) "Cashier's check" means a draft with respect to which the drawer and drawee are the same bank or branches of the same bank.

(h) "Teller's check" means a draft drawn by a bank:

(1) on another bank; or

(2) payable at or through a bank.

(i) "Traveler's check" means an instrument that:

(1) is payable on demand;

(2) is drawn on or payable at or through a bank;

(3) is designated by the term "traveler's check" or by a substantially similar term; and

(4) requires, as a condition to payment, a countersignature by a person whose specimen signature appears on the instrument.

(j) "Certificate of deposit" means an instrument containing an acknowledgment by a bank that a sum of money has been received by the bank and a promise by the bank to repay the sum of money. A certificate of deposit is a note of the bank.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-105
Issue of instrument

Sec. 105. (a) "Issue" means the first delivery of an instrument by the maker or drawer, whether to a holder or nonholder, for the purpose of giving rights on the instrument to any person.

(b) An unissued instrument, or an unissued incomplete instrument that is completed, is binding on the maker or drawer, but nonissuance is a defense. An instrument that is conditionally issued or is issued for a special purpose is binding on the maker or drawer, but failure of the condition or special purpose to be fulfilled is a defense.

(c) "Issuer" applies to issued and unissued instruments and means a maker or drawer of an instrument.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-106
Unconditional promise or order

Sec. 106. (a) Except as provided in this section, for the purposes of IC 26-1-3.1-104(a), a promise or order is unconditional unless it states:

(1) an express condition to payment;

(2) that the promise or order is subject to or governed by another record; or

(3) that rights or obligations with respect to the promise or order are stated in another record.

A reference to another record does not of itself make the promise or order conditional.

(b) A promise or order is not made conditional:

(1) by a reference to another record for a statement of rights with respect to collateral, prepayment, or acceleration; or

(2) because payment is limited to resort to a particular fund or source.

(c) If a promise or order requires, as a condition to payment, a countersignature by a person whose specimen signature appears on the promise or order, the condition does not make the promise or order conditional for the purposes of IC 26-1-3.1-104(a). If the person whose specimen signature appears on an instrument fails to countersign the instrument, the failure to countersign is a defense to the obligation of the issuer, but the failure does not prevent a transferee of the instrument from becoming a holder of the instrument.

(d) If a promise or order at the time it is issued or first comes into possession of a holder contains a statement, required by applicable statutory or administrative law, to the effect that the rights of a holder or transferee are subject to claims or defenses that the issuer could assert against the original payee, the promise or order is not thereby made conditional for the purposes of IC 26-1-3.1-104(a), but if the promise or order is an instrument, there cannot be a holder in due course of the instrument.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.3.

IC 26-1-3.1-107
Instrument payable in foreign money

Sec. 107. Unless the instrument otherwise provides, an instrument that states the amount payable in foreign money may be paid in the foreign money or in an equivalent amount in dollars calculated by using the current bank-offered spot rate at the place of payment for the purchase of dollars on the day on which the instrument is paid.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-108
Payable on demand or at definite time

Sec. 108. (a) A promise or order is "payable on demand" if it:

(1) states that it is payable on demand or at sight, or otherwise indicates that it is payable at the will of the holder; or

(2) does not state any time of payment.

(b) A promise or order is "payable at a definite time" if it is payable on elapse of a definite period of time after sight or acceptance or at a fixed date or dates or at a time or times readily ascertainable at the time the promise or order is issued, subject to rights of:

(1) prepayment;

(2) acceleration;

(3) extension at the option of the holder; or

(4) extension to a further definite time at the option of the maker or acceptor or automatically upon or after a specified act or event.

(c) If an instrument, payable at a fixed date, is also payable upon demand made before the fixed date, the instrument is payable on demand until the fixed date and, if demand for payment is not made before that date, becomes payable at a definite time on the fixed date.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-109
Payable to bearer or to order

Sec. 109. (a) A promise or order is payable to bearer if it:

(1) states that it is payable to bearer or to the order of bearer or otherwise indicates that the person in possession of the promise or order is entitled to payment;

(2) does not state a payee; or

(3) states that it is payable to or to the order of cash or otherwise indicates that it is not payable to an identified person.

(b) A promise or order that is not payable to bearer is payable to order if it is payable:

(1) to the order of an identified person; or

(2) to an identified person or order.

A promise or order that is payable to order is payable to the identified person.

(c) An instrument payable to bearer may become payable to an identified person if it is specially endorsed under IC 26-1-3.1-205(a). An instrument payable to an identified person may become payable to bearer if it is endorsed in blank under IC 26-1-3.1-205(b).

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-110

Identification of person to whom instrument is payable

Sec. 110. (a) The person to whom an instrument is initially payable is determined by the intent of the person, whether or not authorized, signing as, or in the name or behalf of, the issuer of the instrument. The instrument is payable to the person intended by the signer even if that person is identified in the instrument by a name or other identification that is not that of the intended person. If more than one (1) person signs in the name or behalf of the issuer of an instrument and all the signers do not intend the same person as payee, the instrument is payable to any person intended by one (1) or more of the signers.

(b) If the signature of the issuer of an instrument is made by automated means, such as a check-writing machine, the payee of the instrument is determined by the intent of the person who supplied the name or identification of the payee, whether or not authorized to do so.

(c) A person to whom an instrument is payable may be identified in any way, including by name, identifying number, office, or account number. For the purpose of determining the holder of an instrument, the following rules apply:

(1) If an instrument is payable to an account and the account is identified only by number, the instrument is payable to the person to whom the account is payable. If an instrument is payable to an account identified by number and by the name of a person, the instrument is payable to the named person, whether or not that person is the owner of the account identified by number.

(2) If an instrument is payable to:

(A) a trust, an estate, or a person described as trustee or representative of a trust or estate, the instrument is payable to the trustee, the representative, or a successor of either, whether or not the beneficiary or estate is also named;

(B) a person described as agent or similar representative of a named or identified person, the instrument is payable to the represented person, the representative, or a successor of the representative;

(C) a fund or organization that is not a legal entity, the instrument is payable to a representative of the members of the fund or organization; or

(D) an office or to a person described as holding an office, the instrument is payable to the named person, the incumbent of the office, or a successor to the incumbent.

(d) If an instrument is payable to two (2) or more persons alternatively, it is payable to any of them and may be negotiated, discharged, or enforced by any or all of them in possession of the instrument. If an instrument is payable to two (2) or more persons not alternatively, it is payable to all of them and may be negotiated, discharged, or enforced only by all of them. If an instrument payable to two (2) or more persons is ambiguous as to whether it is payable to the persons alternatively, the instrument is payable to the persons alternatively.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-111
Place of payment

Sec. 111. Except as otherwise provided for items in IC 26-1-4, an instrument is payable at the place of payment stated in the instrument. If no place of payment is stated, an instrument is payable at the address of the drawee or maker stated in the instrument. If no address is stated, the place of payment is the place of business of the drawee or maker. If a drawee or maker has more than one (1) place of business, the place of payment is any place of business of the drawee or maker chosen by the person entitled to enforce the instrument. If the drawee or maker has no place of business, the place of payment is the residence of the drawee or maker.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-112
Interest

Sec. 112. (a) Unless otherwise provided in the instrument:

(1) an instrument is not payable with interest; and

(2) interest on an interest-bearing instrument is payable from the date of the instrument.

(b) Interest may be stated in an instrument as a fixed or variable amount of money or it may be expressed as a fixed or variable rate or rates. The amount or rate of interest may be stated or described in the instrument in any manner and may require reference to information not contained in the instrument. If an instrument provides for interest, but the amount of interest payable cannot be ascertained from the description, interest is payable at the judgment rate in effect at the place of payment of the instrument and at the time interest first accrues.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-113
Date of instrument

Sec. 113. (a) An instrument may be antedated or postdated. The

date stated determines the time of payment if the instrument is payable at a fixed period after date. Except as provided in IC 26-1-4-401(c), an instrument payable on demand is not payable before the date of the instrument.

(b) If an instrument is undated, its date is the date of its issue or, in the case of an unissued instrument, the date it first comes into possession of a holder.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-114

Contradictory terms of instrument

Sec. 114. If an instrument contains contradictory terms, typewritten terms prevail over printed terms, handwritten terms prevail over both, and words prevail over numbers.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-115

Incomplete instrument

Sec. 115. (a) "Incomplete instrument" means a signed writing, whether or not issued by the signer, the contents of which show at the time of signing that it is incomplete but that the signer intended it to be completed by the addition of words or numbers.

(b) Subject to subsection (c), if an incomplete instrument is an instrument under IC 26-1-3.1-104, it may be enforced according to its terms if it is not completed, or according to its terms as augmented by completion. If an incomplete instrument is not an instrument under IC 26-1-3.1-104, but, after completion, the requirements of IC 26-1-3.1-104 are met, the instrument may be enforced according to its terms as augmented by completion.

(c) If words or numbers are added to an incomplete instrument without authority of the signer, there is an alteration of the incomplete instrument under IC 26-1-3.1-407.

(d) The burden of establishing that words or numbers were added to an incomplete instrument without authority of the signer is on the person asserting the lack of authority.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-116

Joint and several liability; contribution

Sec. 116. (a) Except as otherwise provided in the instrument, two (2) or more persons who have the same liability on an instrument as makers, drawers, acceptors, endorsers who endorse as joint payees, or anomalous endorsers are jointly and severally liable in the capacity in which they sign.

(b) Except as provided in IC 26-1-3.1-419(f) or by agreement of the affected parties, a party having joint and several liability who pays the instrument is entitled to receive from any party having the same joint and several liability contribution in accordance with

applicable law.
As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.4.

IC 26-1-3.1-117
Other agreements affecting instrument

Sec. 117. Subject to applicable law regarding exclusion of proof of contemporaneous or previous agreements, the obligation of a party to an instrument to pay the instrument may be modified, supplemented, or nullified by a separate agreement of the obligor and a person entitled to enforce the instrument, if the instrument is issued or the obligation is incurred in reliance on the agreement or as part of the same transaction giving rise to the agreement. To the extent an obligation is modified, supplemented, or nullified by an agreement under this section, the agreement is a defense to the obligation.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-118
Statute of limitations

Sec. 118. (a) Except as provided in subsection (e), an action to enforce the obligation of a party to pay a note payable at a definite time must be commenced within six (6) years after the due date or dates stated in the note or, if a due date is accelerated, within six (6) years after the accelerated due date.

(b) Except as provided in subsection (d) or (e), if demand for payment is made to the maker of a note payable on demand, an action to enforce the obligation of a party to pay the note must be commenced within six (6) years after the demand. If no demand for payment is made to the maker, an action to enforce the note is barred if neither principal nor interest on the note has been paid for a continuous period of ten (10) years.

(c) Except as provided in subsection (d), an action to enforce the obligation of a party to an unaccepted draft to pay the draft must be commenced within three (3) years after dishonor of the draft or ten (10) years after the date of the draft, whichever period expires first.

(d) An action to enforce the obligation of the acceptor of a certified check or the issuer of a teller's check, cashier's check, or traveler's check must be commenced within three (3) years after demand for payment is made to the acceptor or issuer, as the case may be.

(e) An action to enforce the obligation of a party to a certificate of deposit to pay the instrument must be commenced within six (6) years after demand for payment is made to the maker, but if the instrument states a due date and the maker is not required to pay before that date, the six (6) year period begins when a demand for payment is in effect and the due date has passed.

(f) An action to enforce the obligation of a party to pay an accepted draft, other than a certified check, must be commenced:

(1) within six (6) years after the due date or dates stated in the draft or acceptance if the obligation of the acceptor is payable at a definite time; or

(2) within six (6) years after the date of the acceptance if the obligation of the acceptor is payable on demand.

(g) Unless governed by other law regarding claims for indemnity or contribution, an action:

(1) for conversion of an instrument, for money had and received, or like action based on conversion;

(2) for breach of warranty; or

(3) to enforce an obligation, duty, or right arising under IC 26-1-3.1;

and not governed by this section must be commenced within three (3) years after the cause of action accrues.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-119

Notice of right to defend action

Sec. 119. In an action for breach of an obligation for which a third person is answerable over pursuant to IC 26-1-3.1 or IC 26-1-4, the defendant may give the third person notice of the litigation in a record, and the person notified may then give similar notice to any other person who is answerable over. If the notice states:

(1) that the person notified may come in and defend; and

(2) that failure to do so will bind the person notified in an action later brought by the person giving the notice as to any determination of fact common to the two (2) litigations;

the person notified is so bound unless after reasonable receipt of the notice the person notified does come in and defend.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.5.

IC 26-1-3.1-201

Negotiation

Sec. 201. (a) "Negotiation" means a transfer of possession, whether voluntary or involuntary, of an instrument by a person other than the issuer to a person who thereby becomes its holder.

(b) Except for negotiation by a remitter, if an instrument is payable to an identified person, negotiation requires transfer of possession of the instrument and its endorsement by the holder. If an instrument is payable to bearer, it may be negotiated by transfer of possession alone.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-202

Negotiation subject to rescission

Sec. 202. (a) Negotiation is effective even if obtained:

(1) from an infant, a corporation exceeding its powers, or a

person without capacity;
(2) by fraud, duress, or mistake; or
(3) in breach of duty or as part of an illegal transaction.

(b) To the extent permitted by other law, negotiation may be rescinded or may be subject to other remedies, but those remedies may not be asserted against a subsequent holder in due course or a person paying the instrument in good faith and without knowledge of facts that are a basis for rescission or other remedy.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-203
Transfer of instrument; rights acquired by transfer

Sec. 203. (a) An instrument is transferred when it is delivered by a person other than its issuer for the purpose of giving to the person receiving delivery the right to enforce the instrument.

(b) Transfer of an instrument, whether or not the transfer is a negotiation, vests in the transferee any right of the transferor to enforce the instrument, including any right as a holder in due course, but the transferee cannot acquire rights of a holder in due course by a transfer, directly or indirectly, from a holder in due course if the transferee engaged in fraud or illegality affecting the instrument.

(c) Unless otherwise agreed, if an instrument is transferred for value and the transferee does not become a holder because of lack of endorsement by the transferor, the transferee has a specifically enforceable right to the unqualified endorsement of the transferor, but negotiation of the instrument does not occur until the endorsement is made.

(d) If a transferor purports to transfer less than the entire instrument, negotiation of the instrument does not occur. The transferee obtains no rights under IC 26-1-3.1 and has only the rights of a partial assignee.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-204
Endorsement

Sec. 204. (a) "Endorsement" means a signature, other than that of a signer as maker, drawer, or acceptor, that alone or accompanied by other words is made on an instrument for the purpose of:
(1) negotiating the instrument;
(2) restricting payment of the instrument; or
(3) incurring endorser's liability on the instrument;

but regardless of the intent of the signer, a signature and its accompanying words is an endorsement unless the accompanying words, terms of the instrument, place of the signature, or other circumstances unambiguously indicate that the signature was made for a purpose other than endorsement. For the purpose of determining whether a signature is made on an instrument, a paper affixed to the instrument is a part of the instrument.

(b) "Endorser" means a person who makes an endorsement.

(c) For the purpose of determining whether the transferee of an instrument is a holder, an endorsement that transfers a security interest in the instrument is effective as an unqualified endorsement of the instrument.

(d) If an instrument is payable to a holder under a name that is not the name of the holder, endorsement may be made by the holder in the name stated in the instrument or in the holder's name, or both, but signature in both names may be required by a person paying or taking the instrument for value or collection.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-205

Special endorsement; blank endorsement; anomalous endorsement

Sec. 205. (a) If an endorsement is made by the holder of an instrument, whether payable to an identified person or payable to bearer, and the endorsement identifies a person to whom it makes the instrument payable, it is a "special endorsement". When specially endorsed, an instrument becomes payable to the identified person and may be negotiated only by the endorsement of that person. The principles stated in IC 26-1-3.1-110 apply to special endorsements.

(b) If an endorsement is made by the holder of an instrument and it is not a special endorsement, it is a "blank endorsement". When endorsed in blank, an instrument becomes payable to bearer and may be negotiated by transfer of possession alone until specially endorsed.

(c) The holder may convert a blank endorsement that consists only of a signature into a special endorsement by writing, above the signature of the endorser, words identifying the person to whom the instrument is made payable.

(d) "Anomalous endorsement" means an endorsement made by a person who is not the holder of the instrument. An anomalous endorsement does not affect the manner in which the instrument may be negotiated.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-206

Restrictive endorsement

Sec. 206. (a) An endorsement limiting payment to a particular person or otherwise prohibiting further transfer or negotiation of the instrument is not effective to prevent further transfer or negotiation of the instrument.

(b) An endorsement stating a condition to the right of the endorsee to receive payment does not affect the right of the endorsee to enforce the instrument. A person paying the instrument or taking it for value or collection may disregard the condition, and the rights and liabilities of that person are not affected by whether the condition has been fulfilled.

(c) If an instrument bears an endorsement (i) described in IC 26-1-4-201(b), or (ii) in blank or to a particular bank using the words "for deposit", "for collection", or other words indicating a purpose of having the instrument collected by a bank for the endorser or for a particular account, the following rules apply:

(1) A person, other than a bank, who purchases the instrument when so endorsed converts the instrument unless the amount paid for the instrument is received by the endorser or applied consistently with the endorsement.

(2) A depositary bank that purchases the instrument or takes it for collection when so endorsed converts the instrument unless the amount paid by the bank with respect to the instrument is received by the endorser or applied consistently with the endorsement.

(3) A payor bank that is also the depositary bank or that takes the instrument for immediate payment over the counter from a person other than a collecting bank converts the instrument unless the proceeds of the instrument are received by the endorser or applied consistently with the endorsement.

(4) Except as otherwise provided in subdivision (3), a payor bank or intermediary bank may disregard the endorsement and is not liable if the proceeds of the instrument are not received by the endorser or applied consistently with the endorsement.

(d) Except for an endorsement covered by subsection (c), if an instrument bears an endorsement using words to the effect that payment is to be made to the endorsee as agent, trustee, or other fiduciary for the benefit of the endorser or another person, the following rules apply:

(1) Unless there is notice of breach of fiduciary duty as provided in IC 26-1-3.1-307, a person who purchases the instrument from the endorsee or takes the instrument from the endorsee for collection or payment may pay the proceeds of payment or the value given for the instrument to the endorsee without regard to whether the endorsee violates a fiduciary duty to the endorser.

(2) A subsequent transferee of the instrument or person who pays the instrument is neither given notice nor otherwise affected by the restriction in the endorsement unless the transferee or payor knows that the fiduciary dealt with the instrument or its proceeds in breach of fiduciary duty.

(e) The presence on an instrument of an endorsement to which this section applies does not prevent a purchaser of the instrument from becoming a holder in due course of the instrument unless the purchaser is a converter under subsection (c) or has notice or knowledge of breach of fiduciary duty as stated in subsection (d).

(f) In an action to enforce the obligation of a party to pay the instrument, the obligor has a defense if payment would violate an endorsement to which this section applies and the payment is not

permitted by this section.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-207
Reacquisition

Sec. 207. Reacquisition of an instrument occurs if it is transferred to a former holder, by negotiation or otherwise. A former holder who reacquires the instrument may cancel endorsements made after the reacquirer first became a holder of the instrument. If the cancellation causes the instrument to be payable to the reacquirer or to bearer, the reacquirer may negotiate the instrument. An endorser whose endorsement is canceled is discharged, and the discharge is effective against any subsequent holder.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-301
Person entitled to enforce instrument

Sec. 301. "Person entitled to enforce" an instrument means:

(1) the holder of the instrument;

(2) a nonholder in possession of the instrument who has the rights of a holder; or

(3) a person not in possession of the instrument who is entitled to enforce the instrument under IC 26-1-3.1-309 or IC 26-1-3.1-418(d).

A person may be a person entitled to enforce the instrument even though the person is not the owner of the instrument or is in wrongful possession of the instrument.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-302
Holder in due course

Sec. 302. (a) Subject to subsection (c) and IC 26-1-3.1-106(d), "holder in due course" means the holder of an instrument if:

(1) the instrument when issued or negotiated to the holder does not bear such apparent evidence of forgery or alteration or is not otherwise so irregular or incomplete as to call into question its authenticity; and

(2) the holder took the instrument:

(A) for value;

(B) in good faith;

(C) without notice that the instrument is overdue or has been dishonored or that there is an uncured default with respect to payment of another instrument issued as part of the same series;

(D) without notice that the instrument contains an unauthorized signature or has been altered;

(E) without notice of any claim to the instrument described in IC 26-1-3.1-306; and

(F) without notice that any party has a defense or claim in recoupment described in IC 26-1-3.1-305(a).

(b) Notice of discharge of a party, other than discharge in an insolvency proceeding, is not notice of a defense under subsection (a), but discharge is effective against a person who became a holder in due course with notice of the discharge. Public filing or recording of a document does not of itself constitute notice of a defense, claim in recoupment, or claim to the instrument.

(c) Except to the extent a transferor or predecessor in interest has rights as a holder in due course, a person does not acquire rights of a holder in due course of an instrument taken:

(1) by legal process or by purchase in an execution, bankruptcy, or creditor's sale or similar proceeding;

(2) by purchase as part of a bulk transaction not in ordinary course of business of the transferor; or

(3) as the successor in interest to an estate or other organization.

(d) If, under IC 26-1-3.1-303(a)(1), the promise of performance that is the consideration for an instrument has been partially performed, the holder may assert rights as a holder in due course of the instrument only to the fraction of the amount payable under the instrument equal to the value of the partial performance divided by the value of the promised performance.

(e) If:

(1) the person entitled to enforce an instrument has only a security interest in the instrument; and

(2) the person obliged to pay the instrument has a defense, claim in recoupment, or claim to the instrument that may be asserted against the person who granted the security interest;

the person entitled to enforce the instrument may assert rights as a holder in due course only to an amount payable under the instrument which, at the time of enforcement of the instrument, does not exceed the amount of the unpaid obligation secured.

(f) To be effective, notice must be received at a time and in a manner that gives a reasonable opportunity to act on it.

(g) This section is subject to any law limiting status as a holder in due course in particular classes of transactions.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-303

Value and consideration

Sec. 303. (a) An instrument is issued or transferred for value if:

(1) the instrument is issued or transferred for a promise of performance, to the extent the promise has been performed;

(2) the transferee acquires a security interest or other lien in the instrument other than a lien obtained by judicial proceeding;

(3) the instrument is issued or transferred as payment of, or as security for, an antecedent claim against any person, whether or not the claim is due;

(4) the instrument is issued or transferred in exchange for a negotiable instrument; or

(5) the instrument is issued or transferred in exchange for the incurring of an irrevocable obligation to a third party by the person taking the instrument.

(b) "Consideration" means any consideration sufficient to support a simple contract. The drawer or maker of an instrument has a defense if the instrument is issued without consideration. If an instrument is issued for a promise of performance, the issuer has a defense to the extent performance of the promise is due and the promise has not been performed. If an instrument is issued for value as stated in subsection (a), the instrument is also issued for consideration.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-304

Overdue instrument

Sec. 304. (a) An instrument payable on demand becomes overdue at the earliest of the following times:

(1) on the day after the day demand for payment is duly made;

(2) if the instrument is a check, ninety (90) days after its date; or

(3) if the instrument is not a check, when the instrument has been outstanding for a period of time after its date which is unreasonably long under the circumstances of the particular case in light of the nature of the instrument and usage of the trade.

(b) With respect to an instrument payable at a definite time the following rules apply:

(1) If the principal is payable in installments and a due date has not been accelerated, the instrument becomes overdue upon default under the instrument for nonpayment of an installment, and the instrument remains overdue until the default is cured.

(2) If the principal is not payable in installments and the due date has not been accelerated, the instrument becomes overdue on the day after the due date.

(3) If a due date with respect to principal has been accelerated, the instrument becomes overdue on the day after the accelerated due date.

(c) Unless the due date of principal has been accelerated, an instrument does not become overdue if there is default in payment of interest but no default in payment of principal.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-305

Defenses and claims in recoupment

Sec. 305. (a) Except as otherwise provided in this section, the right to enforce the obligation of a party to pay an instrument is

subject to the following:

(1) a defense of the obligor based on:

(A) infancy of the obligor to the extent it is a defense to a simple contract;

(B) duress, lack of legal capacity, or illegality of the transaction which, under other law, nullifies the obligation of the obligor;

(C) fraud that induced the obligor to sign the instrument with neither knowledge nor reasonable opportunity to learn of its character or its essential terms; or

(D) discharge of the obligor in insolvency proceedings;

(2) a defense of the obligor stated in another section of IC 26-1-3.1 or a defense of the obligor that would be available if the person entitled to enforce the instrument were enforcing a right to payment under a simple contract; and

(3) a claim in recoupment of the obligor against the original payee of the instrument if the claim arose from the transaction that gave rise to the instrument, but the claim of the obligor may be asserted against a transferee of the instrument only to reduce the amount owing on the instrument at the time the action is brought.

(b) The right of a holder in due course to enforce the obligation of a party to pay the instrument is subject to defenses of the obligor stated in subsection (a)(1), but is not subject to defenses of the obligor stated in subsection (a)(2) or claims in recoupment stated in subsection (a)(3) against a person other than the holder.

(c) Except as stated in subsection (d), in an action to enforce the obligation of a party to pay the instrument, the obligor may not assert against the person entitled to enforce the instrument a defense, claim in recoupment, or claim to the instrument (IC 26-1-3.1-306) of another person, but the other person's claim to the instrument may be asserted by the obligor if the other person is joined in the action and personally asserts the claim against the person entitled to enforce the instrument. An obligor is not obliged to pay the instrument if the person seeking enforcement of the instrument does not have rights of a holder in due course and the obligor proves that the instrument is a lost or stolen instrument.

(d) In an action to enforce the obligation of an accommodation party to pay an instrument, the accommodation party may assert against the person entitled to enforce the instrument any defense or claim in recoupment under subsection (a) that the accommodated party could assert against the person entitled to enforce the instrument, except the defenses of discharge in insolvency proceedings, infancy, and lack of legal capacity.

(e) In a consumer transaction, if law other than this article requires that an instrument include a statement to the effect that the rights of a holder or transferee are subject to a claim or defense that the issuer could assert against the original payee, and the instrument

does not include such a statement:

(1) the instrument has the same effect as if the instrument included such a statement;

(2) the issuer may assert against the holder or transferee all claims and defenses that would have been available if the instrument included such a statement; and

(3) the extent to which claims may be asserted against the holder or transferee is determined as if the instrument included such a statement.

(f) This section is subject to law other than this article that establishes a different rule for consumer transactions.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.6.

IC 26-1-3.1-306

Claims to an instrument

Sec. 306. A person taking an instrument, other than a person having rights of a holder in due course, is subject to a claim of a property or possessory right in the instrument or its proceeds, including a claim to rescind a negotiation and to recover the instrument or its proceeds. A person having rights of a holder in due course takes free of the claim to the instrument.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-307

Notice of breach of fiduciary duty

Sec. 307. (a) In this section:

(1) "Fiduciary" means an agent, trustee, partner, corporate officer or director, or other representative owing a fiduciary duty with respect to an instrument.

(2) "Represented person" means the principal, beneficiary, partnership, corporation, or other person to whom the duty stated in subdivision (1) is owed.

(b) If (i) an instrument is taken from a fiduciary for payment or collection or for value, (ii) the taker has knowledge of the fiduciary status of the fiduciary, and (iii) the represented person makes a claim to the instrument or its proceeds on the basis that the transaction of the fiduciary is a breach of fiduciary duty, the following rules apply:

(1) Notice of breach of fiduciary duty by the fiduciary is notice of the claim of the represented person.

(2) In the case of an instrument payable to the represented person or the fiduciary as such, the taker has notice of the breach of fiduciary duty if the instrument is:

(A) taken in payment of or as security for a debt known by the taker to be the personal debt of the fiduciary;

(B) taken in a transaction known by the taker to be for the personal benefit of the fiduciary; or

(C) deposited to an account other than an account of the

fiduciary, as such, or an account of the represented person and the bank receiving the deposit has:

(i) actual knowledge that the fiduciary is committing a breach of its obligation as fiduciary in making the deposit; or

(ii) knowledge of other facts that the bank's action in receiving the deposit constitutes bad faith.

(3) If an instrument is issued by the represented person or the fiduciary as such, and made payable to the fiduciary personally, the taker does not have notice of the breach of fiduciary duty unless the taker knows of the breach of fiduciary duty.

(4) If an instrument is issued by the represented person or the fiduciary as such, to the taker as payee, the taker has notice of the breach of fiduciary duty if the instrument is:

(A) taken in payment of or as security for a debt known by the taker to be the personal debt of the fiduciary;

(B) taken in a transaction known by the taker to be for the personal benefit of the fiduciary; or

(C) deposited to an account other than an account of the fiduciary, as such, or an account of the represented person and the bank receiving the deposit has:

(i) actual knowledge that the fiduciary is committing a breach of its obligation as fiduciary in making the deposit; or

(ii) knowledge of other facts that the bank's action in receiving the deposit constitutes bad faith.

As added by P.L.222-1993, SEC.5. Amended by P.L.129-1994, SEC.1.

IC 26-1-3.1-308

Proof of signatures and status as holder in due course

Sec. 308. (a) In an action with respect to an instrument, the authenticity of, and authority to make, each signature on the instrument is admitted unless specifically denied in the pleadings. If the validity of a signature is denied in the pleadings, the burden of establishing validity is on the person claiming validity, but the signature is presumed to be authentic and authorized unless the action is to enforce the liability of the purported signer and the signer is dead or incompetent at the time of trial of the issue of validity of the signature. If an action to enforce the instrument is brought against a person as the undisclosed principal of a person who signed the instrument as a party to the instrument, the plaintiff has the burden of establishing that the defendant is liable on the instrument as a represented person under IC 26-1-3.1-402(a).

(b) If the validity of signatures is admitted or proved and there is compliance with subsection (a), a plaintiff producing the instrument is entitled to payment if the plaintiff proves entitlement to enforce the instrument under IC 26-1-3.1-301, unless the defendant proves a

defense or claim in recoupment. If a defense or claim in recoupment is proved, the right to payment of the plaintiff is subject to the defense or claim, except to the extent the plaintiff proves that the plaintiff has rights of a holder in due course which are not subject to the defense or claim.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-309
Enforcement of lost, destroyed, or stolen instrument

Sec. 309. (a) A person not in possession of an instrument is entitled to enforce the instrument if:

(1) the person seeking to enforce the instrument:

(A) was entitled to enforce the instrument when loss of possession occurred; or

(B) has directly or indirectly acquired ownership of the instrument from a person who was entitled to enforce the instrument when loss of possession occurred;

(2) the loss of possession was not the result of a transfer by the person or a lawful seizure; and

(3) the person cannot reasonably obtain possession of the instrument because the instrument was destroyed, its whereabouts cannot be determined, or it is in the wrongful possession of an unknown person or a person that cannot be found or is not amenable to service of process.

(b) A person seeking enforcement of an instrument under subsection (a) must prove the terms of the instrument and the person's right to enforce the instrument. If that proof is made, IC 26-1-3.1-308 applies to the case as if the person seeking enforcement had produced the instrument. The court may not enter judgment in favor of the person seeking enforcement unless it finds that the person required to pay the instrument is adequately protected against loss that might occur by reason of a claim by another person to enforce the instrument. Adequate protection may be provided by any reasonable means.
As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.7.

IC 26-1-3.1-310
Effect of instrument on obligation for which taken

Sec. 310. (a) Unless otherwise agreed, if a certified check, cashier's check, or teller's check is taken for an obligation, the obligation is discharged to the same extent discharge would result if an amount of money equal to the amount of the instrument were taken in payment of the obligation. Discharge of the obligation does not affect any liability that the obligor may have as an endorser of the instrument.

(b) Unless otherwise agreed and except as provided in subsection (a), if a note or an uncertified check is taken for an obligation, the

obligation is suspended to the same extent the obligation would be discharged if an amount of money equal to the amount of the instrument were taken, and the following rules apply:

(1) In the case of an uncertified check, suspension of the obligation continues until dishonor of the check or until it is paid or certified. Payment or certification of the check results in discharge of the obligation to the extent of the amount of the check.

(2) In the case of a note, suspension of the obligation continues until dishonor of the note or until it is paid. Payment of the note results in discharge of the obligation to the extent of the payment.

(3) Except as provided in subdivision (4), if the check or note is dishonored and the obligee of the obligation for which the instrument was taken is the person entitled to enforce the instrument, the obligee may enforce either the instrument or the obligation. In the case of an instrument of a third person which is negotiated to the obligee by the obligor, discharge of the obligor on the instrument also discharges the obligation.

(4) If the person entitled to enforce the instrument taken for an obligation is a person other than the obligee, the obligee may not enforce the obligation to the extent the obligation is suspended. If the obligee is the person entitled to enforce the instrument but no longer has possession of it because it was lost, stolen, or destroyed, the obligation may not be enforced to the extent of the amount payable on the instrument, and to that extent the obligee's rights against the obligor are limited to enforcement of the instrument.

(c) If an instrument other than one described in subsection (a) or (b) is taken for an obligation, the effect is:

(1) that stated in subsection (a) if the instrument is one on which a bank is liable as maker or acceptor; or

(2) that stated in subsection (b) in any other case.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-311

Accord and satisfaction by use of instrument

Sec. 311. (a) If a person against whom a claim is asserted proves that:

(1) that person in good faith tendered an instrument to the claimant as full satisfaction of the claim;

(2) the amount of the claim was unliquidated or subject to a bona fide dispute; and

(3) the claimant obtained payment of the instrument;

the following subsections apply.

(b) Unless subsection (c) applies, the claim is discharged if the person against whom the claim is asserted proves that the instrument or an accompanying written communication contained a conspicuous

statement to the effect that the instrument was tendered as full satisfaction of the claim.

(c) Subject to subsection (d), a claim is not discharged under subsection (b) if either of the following applies:

(1) The claimant, if an organization, proves that:

(A) within a reasonable time before the tender, the claimant sent a conspicuous statement to the person against whom the claim is asserted that communications concerning disputed debts, including an instrument tendered as full satisfaction of a debt, are to be sent to a designated person, office, or place; and

(B) the instrument or accompanying communication was not received by that designated person, office, or place.

(2) The claimant, whether or not an organization, proves that within ninety (90) days after payment of the instrument, the claimant tendered repayment of the amount of the instrument to the person against whom the claim is asserted. This subdivision does not apply if the claimant is an organization that sent a statement complying with subdivision (1)(A).

(d) A claim is discharged if the person against whom the claim is asserted proves that within a reasonable time before collection of the instrument was initiated, the claimant, or an agent of the claimant having direct responsibility with respect to the disputed obligation, knew that the instrument was tendered in full satisfaction of the claim.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-312

Lost check; assertion of claim to obligated bank

Sec. 312. (a) In this section:

(1) "Check" means a cashier's check, teller's check, or certified check.

(2) "Claimant" means a person who claims the right to receive the amount of a cashier's check, teller's check, or certified check that was lost, destroyed, or stolen.

(3) "Declaration of loss" means a statement, made in a record under penalty of perjury, to the effect that (i) the declarer lost possession of a check, (ii) the declarer is the drawer or payee of the check, in the case of a certified check, or the remitter or payee of the check, in the case of a cashier's check or teller's check, (iii) the loss of possession was not the result of a transfer by the declarer or a lawful seizure, and (iv) the declarer cannot reasonably obtain possession of the check because the check was destroyed, its whereabouts cannot be determined, or it is in the wrongful possession of an unknown person or a person that cannot be found or is not amenable to service of process.

(4) "Obligated bank" means the issuer of a cashier's check or teller's check or the acceptor of a certified check.

(b) A claimant may assert a claim to the amount of a check by a communication to the obligated bank describing the check with reasonable certainty and requesting payment of the amount of the check if (i) the claimant is the drawer or payee of a certified check or the remitter or payee of a cashier's check or teller's check, (ii) the communication contains or is accompanied by a declaration of loss of the claimant with respect to the check, (iii) the communication is received at a time and in a manner affording the bank a reasonable time to act on it before the check is paid, and (iv) the claimant provides reasonable identification if requested by the obligated bank. Delivery of a declaration of loss is a warranty of the truth of the statements made in the declaration. If a claim is asserted in compliance with this subsection, the following rules apply:

(1) The claim becomes enforceable at the later of (i) the time the claim is asserted, or (ii) ninety (90) days after the date of the check, in the case of a cashier's check or teller's check, or ninety (90) days after the date of the acceptance, in the case of a certified check.

(2) Until the claim becomes enforceable, the claim has no legal effect and the obligated bank may pay the check or, in the case of a teller's check, may permit the drawee to pay the check. Payment to a person entitled to enforce the check discharges all liability of the obligated bank with respect to the check.

(3) If the claim becomes enforceable before the check is presented for payment, the obligated bank is not obliged to pay the check.

(4) When the claim becomes enforceable, the obligated bank becomes obliged to pay the amount of the check to the claimant if payment of the check has not been made to a person entitled to enforce the check. Subject to IC 26-1-4-302(a)(1), payment to the claimant discharges all liability of the obligated bank with respect to the check.

(c) If the obligated bank pays the amount of the check to a claimant under subsection (b)(4) and the check is presented for payment by a person having rights of a holder in due course, the claimant is obliged to (i) refund the payment to the obligated bank if the check is paid, or (ii) pay the amount of the check to the person having rights of a holder in due course if the check is dishonored.

(d) If a claimant has the right to assert a claim under subsection (b) and is also a person entitled to enforce a cashier's check, teller's check, or certified check which is lost, destroyed, or stolen, the claimant may assert rights with respect to the check either under this section or IC 26-1-3.1-309.

As added by P.L.47-1999, SEC.1. Amended by P.L.135-2009, SEC.8.

IC 26-1-3.1-401
Signature

Sec. 401. (a) A person is not liable on an instrument unless:

(1) the person signed the instrument; or
(2) the person is represented by an agent or representative who signed the instrument and the signature is binding on the represented person under IC 26-1-3.1-402.

(b) A signature may be made:
(1) manually or by means of a device or machine; and
(2) by the use of any name, including a trade or assumed name, or by a word, mark, or symbol executed or adopted by a person with present intention to authenticate a writing.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-402
Signature by representative

Sec. 402. (a) If a person acting, or purporting to act, as a representative signs an instrument by signing either the name of the represented person or the name of the signer, the represented person is bound by the signature to the same extent the represented person would be bound if the signature were on a simple contract. If the represented person is bound, the signature of the representative is the "authorized signature of the represented person" and the represented person is liable on the instrument, whether or not identified in the instrument.

(b) If a representative signs the name of the representative to an instrument and the signature is an authorized signature of the represented person, the following rules apply:
(1) If the form of the signature shows unambiguously that the signature is made on behalf of the represented person who is identified in the instrument, the representative is not liable on the instrument.
(2) Subject to subsection (c), if:
(A) the form of the signature does not show unambiguously that the signature is made in a representative capacity; or
(B) the represented person is not identified in the instrument;
the representative is liable on the instrument to a holder in due course that took the instrument without notice that the representative was not intended to be liable on the instrument. With respect to any other person, the representative is liable on the instrument unless the representative proves that the original parties did not intend the representative to be liable on the instrument.

(c) If a representative signs the name of the representative as drawer of a check without indication of the representative status and the check is payable from an account of the represented person who is identified on the check, the signer is not liable on the check if the signature is an authorized signature of the represented person.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-403

Unauthorized signature

Sec. 403. (a) Unless otherwise provided in IC 26-1-3.1 or IC 26-1-4, an unauthorized signature is ineffective except as the signature of the unauthorized signer in favor of a person who in good faith pays the instrument or takes it for value. An unauthorized signature may be ratified for all purposes of IC 26-1-3.1.

(b) If the signature of more than one (1) person is required to constitute the authorized signature of an organization, the signature of the organization is unauthorized if one (1) of the required signatures is lacking.

(c) The civil or criminal liability of a person who makes an unauthorized signature is not affected by any provision of IC 26-1-3.1 that makes the unauthorized signature effective for the purposes of IC 26-1-3.1.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-404

Impostors; fictitious payees

Sec. 404. (a) If an impostor, by use of the mails or otherwise, induces the issuer of an instrument to issue the instrument to the impostor, or to a person acting in concert with the impostor, by impersonating the payee of the instrument or a person authorized to act for the payee, an endorsement of the instrument by any person in the name of the payee is effective as the endorsement of the payee in favor of a person who, in good faith, pays the instrument or takes it for value or for collection.

(b) If (i) a person whose intent determines to whom an instrument is payable (IC 26-1-3.1-110(a) or (b)) does not intend the person identified as payee to have any interest in the instrument, or (ii) the person identified as payee of an instrument is a fictitious person, the following rules apply until the instrument is negotiated by special endorsement:

(1) Any person in possession of the instrument is its holder.

(2) An endorsement by any person in the name of the payee stated in the instrument is effective as the endorsement of the payee in favor of a person who, in good faith, pays the instrument or takes it for value or for collection.

(c) Under subsection (a) or (b), an endorsement is made in the name of a payee if:

(1) it is made in a name substantially similar to that of the payee; or

(2) the instrument, whether or not endorsed, is deposited in a depositary bank to an account in a name substantially similar to that of the payee.

(d) With respect to an instrument to which subsection (a) or (b) applies, if a person paying the instrument or taking it for value or for collection fails to exercise ordinary care in paying or taking the instrument and that failure substantially contributes to loss resulting

from payment of the instrument, the person bearing the loss may recover from the person failing to exercise ordinary care to the extent the person bearing the loss proves that the failure to exercise ordinary care substantially contributed to the loss.
As added by P.L.222-1993, SEC.5. Amended by P.L.248-1995, SEC.1.

IC 26-1-3.1-405
Employer's responsibility for fraudulent endorsement by employee

Sec. 405. (a) In this section:

(1) "Employee" includes an independent contractor and employee of an independent contractor retained by the employer.

(2) "Fraudulent endorsement" means:

(A) in the case of an instrument payable to the employer, a forged endorsement purporting to be that of the employer; or

(B) in the case of an instrument with respect to which the employer is the issuer, a forged endorsement purporting to be that of the person identified as payee.

(3) "Responsibility" with respect to instruments means authority:

(A) to sign or endorse instruments on behalf of the employer;

(B) to process instruments received by the employer for bookkeeping purposes, for deposit to an account, or for other disposition;

(C) to prepare or process instruments for issue in the name of the employer;

(D) to supply information determining the names or addresses of payees of instruments to be issued in the name of the employer;

(E) to control the disposition of instruments to be issued in the name of the employer; or

(F) to act otherwise with respect to instruments in a responsible capacity.

"Responsibility" does not include authority that merely allows an employee to have access to instruments or blank or incomplete instrument forms that are being stored or transported or are part of incoming or outgoing mail or similar access.

(b) For the purpose of determining the rights and liabilities of a person who, in good faith, pays an instrument or takes it for value or for collection, if an employer entrusted an employee with responsibility with respect to the instrument and the employee or a person acting in concert with the employee makes a fraudulent endorsement of the instrument, the endorsement is effective as the endorsement of the person to whom the instrument is payable if it is made in the name of that person. If the person paying the instrument

or taking it for value or for collection fails to exercise ordinary care in paying or taking the instrument and that failure substantially contributes to loss resulting from the fraud, the person bearing the loss may recover from the person failing to exercise ordinary care to the extent the person bearing the loss proves that the failure to exercise ordinary care substantially contributed to the loss.

(c) Under subsection (b), an endorsement is made in the name of the person to whom an instrument is payable if:

(1) it is made in a name substantially similar to the name of that person; or

(2) the instrument, whether or not endorsed, is deposited in a depositary bank to an account in a name substantially similar to the name of that person.

As added by P.L.222-1993, SEC.5. Amended by P.L.129-1994, SEC.2; P.L.248-1995, SEC.2.

IC 26-1-3.1-406

Negligence contributing to forged signature or alteration of instrument

Sec. 406. (a) A person whose failure to exercise ordinary care substantially contributes to an alteration of an instrument or to the making of a forged signature on an instrument is precluded from asserting the alteration or the forgery against a person who, in good faith, pays the instrument or takes it for value or for collection.

(b) Under subsection (a), if the person asserting the preclusion fails to exercise ordinary care in paying or taking the instrument and that failure substantially contributes to loss, the loss is allocated between the person precluded and the person asserting the preclusion according to the extent to which the failure of each to exercise ordinary care contributed to the loss.

(c) Under subsection (a), the burden of proving failure to exercise ordinary care is on the person asserting the preclusion. Under subsection (b), the burden of proving failure to exercise ordinary care is on the person precluded.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-407

Alteration

Sec. 407. (a) "Alteration" means:

(1) an unauthorized change in an instrument that purports to modify in any respect the obligation of a party; or

(2) an unauthorized addition of words or numbers or other change to an incomplete instrument relating to the obligation of a party.

(b) Except as provided in subsection (c), an alteration fraudulently made discharges a party whose obligation is affected by the alteration unless that party assents or is precluded from asserting the alteration. No other alteration discharges a party, and the instrument

may be enforced according to its original terms.

(c) A payor bank or drawee paying a fraudulently altered instrument or a person taking it for value, in good faith and without notice of the alteration, may enforce rights with respect to the instrument:

(1) according to its original terms; or

(2) in the case of an incomplete instrument altered by unauthorized completion, according to its terms as completed.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-408

Drawee not liable on unaccepted draft

Sec. 408. A check or other draft does not of itself operate as an assignment of funds in the hands of the drawee available for its payment, and the drawee is not liable on the instrument until the drawee accepts it.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-409

Acceptance of draft; certified check

Sec. 409. (a) "Acceptance" means the drawee's signed agreement to pay a draft as presented. It must be written on the draft and may consist of the drawee's signature alone. Acceptance may be made at any time and becomes effective when notification pursuant to instructions is given or the accepted draft is delivered for the purpose of giving rights on the acceptance to any person.

(b) A draft may be accepted although it has not been signed by the drawer, is otherwise incomplete, is overdue, or has been dishonored.

(c) If a draft is payable at a fixed period after sight and the acceptor fails to date the acceptance, the holder may complete the acceptance by supplying a date in good faith.

(d) "Certified check" means a check accepted by the bank on which it is drawn. Acceptance may be made as stated in subsection (a) or by a writing on the check which indicates that the check is certified. The drawee of a check has no obligation to certify the check, and refusal to certify is not dishonor of the check.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-410

Acceptance varying draft

Sec. 410. (a) If the terms of a drawee's acceptance vary from the terms of the draft as presented, the holder may refuse the acceptance and treat the draft as dishonored. In that case, the drawee may cancel the acceptance.

(b) The terms of a draft are not varied by an acceptance to pay at a particular bank or place in the United States, unless the acceptance states that the draft is to be paid only at that bank or place.

(c) If the holder assents to an acceptance varying the terms of a

draft, the obligation of each drawer and endorser that does not expressly assent to the acceptance is discharged.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-411
Refusal to pay cashier's checks, teller's checks, and certified checks

Sec. 411. (a) In this section, "obligated bank" means the acceptor of a certified check or the issuer of a cashier's check or teller's check bought from the issuer.

(b) If the obligated bank wrongfully:

(1) refuses to pay a cashier's check or certified check;

(2) stops payment of a teller's check; or

(3) refuses to pay a dishonored teller's check;

the person asserting the right to enforce the check is entitled to compensation for expenses and loss of interest resulting from the nonpayment and may recover consequential damages if the obligated bank refuses to pay after receiving notice of particular circumstances giving rise to the damages.

(c) Expenses or consequential damages under subsection (b) are not recoverable if the refusal of the obligated bank to pay occurs because:

(1) the bank suspends payments;

(2) the obligated bank asserts a claim or defense of the bank that it has reasonable grounds to believe is available against the person entitled to enforce the instrument;

(3) the obligated bank has a reasonable doubt whether the person demanding payment is the person entitled to enforce the instrument; or

(4) payment is prohibited by law.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-412
Obligation of issuer of note or cashier's check

Sec. 412. The issuer of a note or cashier's check or other draft drawn on the drawer is obliged to pay the instrument:

(1) according to its terms at the time it was issued or, if not issued, at the time it first came into possession of a holder; or

(2) if the issuer signed an incomplete instrument, according to its terms when completed, to the extent stated in IC 26-1-3.1-115 and IC 26-1-3.1-407.

The obligation is owed to a person entitled to enforce the instrument or to an endorser who paid the instrument under IC 26-1-3.1-415.
As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-413
Obligation of acceptor

Sec. 413. (a) The acceptor of a draft is obliged to pay the draft:

(1) according to its terms at the time it was accepted, even

though the acceptance states that the draft is payable "as originally drawn" or equivalent terms;

(2) if the acceptance varies the terms of the draft, according to the terms of the draft as varied; or

(3) if the acceptance is of a draft that is an incomplete instrument, according to its terms when completed, to the extent stated in IC 26-1-3.1-115 and IC 26-1-3.1-407.

The obligation is owed to a person entitled to enforce the draft or to the drawer or an endorser who paid the draft under IC 26-1-3.1-414 or IC 26-1-3.1-415.

(b) If the certification of a check or other acceptance of a draft states the amount certified or accepted, the obligation of the acceptor is that amount. If:

(1) the certification or acceptance does not state an amount;

(2) the amount of the instrument is subsequently raised; and

(3) the instrument is then negotiated to a holder in due course;

the obligation of the acceptor is the amount of the instrument at the time it was taken by the holder in due course.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-414

Obligation of drawer

Sec. 414. (a) This section does not apply to cashier's checks or other drafts drawn on the drawer.

(b) If an unaccepted draft is dishonored, the drawer is obliged to pay the draft:

(1) according to its terms at the time it was issued or, if not issued, at the time it first came into possession of a holder; or

(2) if the drawer signed an incomplete instrument, according to its terms when completed, to the extent stated in IC 26-1-3.1-115 and IC 26-1-3.1-407.

The obligation is owed to a person entitled to enforce the draft or to an endorser who paid the draft under IC 26-1-3.1-415.

(c) If a draft is accepted by a bank, the drawer is discharged, regardless of when or by whom acceptance was obtained.

(d) If a draft is accepted and the acceptor is not a bank, the obligation of the drawer to pay the draft if the draft is dishonored by the acceptor is the same as the obligation of an endorser under IC 26-1-3.1-415(a) and (c).

(e) If a draft states that it is drawn "without recourse" or otherwise disclaims liability of the drawer to pay the draft, the drawer is not liable under subsection (b) to pay the draft if the draft is not a check. A disclaimer of the liability stated in subsection (b) is not effective if the draft is a check.

(f) If:

(1) a check is not presented for payment or given to a depositary bank for collection within thirty (30) days after its date;

(2) the drawee suspends payments after expiration of the thirty

(30) day period without paying the check; and

(3) because of the suspension of payments, the drawer is deprived of funds maintained with the drawee to cover payment of the check;

the drawer to the extent deprived of funds may discharge its obligation to pay the check by assigning to the person entitled to enforce the check the rights of the drawer against the drawee with respect to the funds.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-415

Obligation of endorser

Sec. 415. (a) Subject to subsections (b), (c), and (d) and to IC 26-1-3.1-419(d), if an instrument is dishonored, an endorser is obliged to pay the amount due on the instrument:

(1) according to the terms of the instrument at the time it was endorsed; or

(2) if the endorser endorsed an incomplete instrument, according to its terms when completed, to the extent stated in IC 26-1-3.1-115 and IC 26-1-3.1-407.

The obligation of the endorser is owed to a person entitled to enforce the instrument or to a subsequent endorser who paid the instrument under this section.

(b) If an endorsement states that it is made "without recourse" or otherwise disclaims liability of the endorser, the endorser is not liable under subsection (a) to pay the instrument.

(c) If notice of dishonor of an instrument is required by IC 26-1-3.1-503 and notice of dishonor complying with that section is not given to an endorser, the liability of the endorser under subsection (a) is discharged.

(d) If a draft is accepted by a bank after an endorsement is made, the liability of the endorser under subsection (a) is discharged.

(e) If an endorser of a check is liable under subsection (a) and the check is not presented for payment, or given to a depositary bank for collection, within thirty (30) days after the day the endorsement was made, the liability of the endorser under subsection (a) is discharged.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-416

Transfer warranties

Sec. 416. (a) A person who transfers an instrument for consideration warrants to the transferee and, if the transfer is by endorsement, to any subsequent transferee that:

(1) the warrantor is a person entitled to enforce the instrument;

(2) all signatures on the instrument are authentic and authorized;

(3) the instrument has not been altered;

(4) the instrument is not subject to a defense or claim in

recoupment of any party which can be asserted against the warrantor;

(5) the warrantor has no knowledge of any insolvency proceeding commenced with respect to the maker or acceptor or, in the case of an unaccepted draft, the drawer; and

(6) with respect to a remotely-created consumer item, the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

(b) A person to whom the warranties under subsection (a) are made and who took the instrument in good faith may recover from the warrantor as damages for breach of warranty an amount equal to the loss suffered as a result of the breach, but not more than the amount of the instrument plus expenses and loss of interest incurred as a result of the breach.

(c) The warranties stated in subsection (a) cannot be disclaimed with respect to checks. Unless notice of a claim for breach of warranty is given to the warrantor within thirty (30) days after the claimant has reason to know of the breach and the identity of the warrantor, the liability of the warrantor under subsection (b) is discharged to the extent of any loss caused by the delay in giving notice of the claim.

(d) A cause of action for breach of warranty under this section accrues when the claimant has reason to know of the breach.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.9.

IC 26-1-3.1-417

Presentment warranties

Sec. 417. (a) If an unaccepted draft is presented to the drawee for payment or acceptance and the drawee pays or accepts the draft (i) the person obtaining payment or acceptance, at the time of presentment, and (ii) a previous transferor of the draft, at the time of transfer, warrant to the drawee making payment or accepting the draft in good faith that:

(1) the warrantor is, or was, at the time the warrantor transferred the draft, a person entitled to enforce the draft or authorized to obtain payment or acceptance of the draft on behalf of a person entitled to enforce the draft;

(2) the draft has not been altered;

(3) the warrantor has no knowledge that the signature of the drawer of the draft is unauthorized; and

(4) with respect to a remotely-created consumer item, the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

(b) A drawee making payment may recover from any warrantor damages for breach of warranty equal to the amount paid by the drawee less the amount the drawee received or is entitled to receive from the drawer because of the payment. In addition, the drawee is

entitled to compensation for expenses and loss of interest resulting from the breach. The right of the drawee to recover damages under this subsection is not affected by any failure of the drawee to exercise ordinary care in making payment. If the drawee accepts the draft, breach of warranty is a defense to the obligation of the acceptor. If the acceptor makes payment with respect to the draft, the acceptor is entitled to recover from any warrantor for breach of warranty the amounts stated in this subsection.

(c) If a drawee asserts a claim for breach of warranty under subsection (a) based on an unauthorized endorsement of the draft or an alteration of the draft, the warrantor may defend by proving that the endorsement is effective under IC 26-1-3.1-404 or IC 26-1-3.1-405 or the drawer is precluded under IC 26-1-3.1-406 or IC 26-1-4-406 from asserting against the drawee the unauthorized endorsement or alteration.

(d) If (i) a dishonored draft is presented for payment to the drawer or an endorser or (ii) any other instrument is presented for payment to a party obliged to pay the instrument, and (iii) payment is received, the following rules apply:

(1) The person obtaining payment and a prior transferor of the instrument warrant to the person making payment in good faith that the warrantor is, or was, at the time the warrantor transferred the instrument, a person entitled to enforce the instrument or authorized to obtain payment on behalf of a person entitled to enforce the instrument.

(2) The person making payment may recover from any warrantor for breach of warranty an amount equal to the amount paid plus expenses and loss of interest resulting from the breach.

(e) The warranties stated in subsections (a) and (d) cannot be disclaimed with respect to checks. Unless notice of a claim for breach of warranty is given to the warrantor within thirty (30) days after the claimant has reason to know of the breach and the identity of the warrantor, the liability of the warrantor under subsection (b) or (d) is discharged to the extent of any loss caused by the delay in giving notice of the claim.

(f) A cause of action for breach of warranty under this section accrues when the claimant has reason to know of the breach.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.10.

IC 26-1-3.1-418

Payment or acceptance by mistake

Sec. 418. (a) Except as provided in subsection (c), if the drawee of a draft pays or accepts the draft and the drawee acted on the mistaken belief that:

(1) payment of the draft had not been stopped under IC 26-1-4-403; or

(2) the signature of the drawer of the draft was authorized;

the drawee may recover the amount of the draft from the person to whom or for whose benefit payment was made or, in the case of acceptance, may revoke the acceptance. Rights of the drawee under this subsection are not affected by failure of the drawee to exercise ordinary care in paying or accepting the draft.

(b) Except as provided in subsection (c), if an instrument has been paid or accepted by mistake and the case is not covered by subsection (a), the person paying or accepting may, to the extent permitted by the law governing mistake and restitution:

(1) recover the payment from the person to whom or for whose benefit payment was made; or

(2) in the case of acceptance, may revoke the acceptance.

(c) The remedies provided by subsection (a) or (b) may not be asserted against a person who took the instrument in good faith and for value or who in good faith changed position in reliance on the payment or acceptance. This subsection does not limit remedies provided by IC 26-1-3.1-417 or IC 26-1-4-407.

(d) Notwithstanding IC 26-1-4-215, if an instrument is paid or accepted by mistake and the payor or acceptor recovers payment or revokes acceptance under subsection (a) or (b), the instrument is deemed not to have been paid or accepted and is treated as dishonored, and the person from whom payment is recovered has rights as a person entitled to enforce the dishonored instrument.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-419

Instruments signed for accommodation

Sec. 419. (a) If an instrument is issued for value given for the benefit of a party to the instrument ("accommodated party") and another party to the instrument ("accommodation party") signs the instrument for the purpose of incurring liability on the instrument without being a direct beneficiary of the value given for the instrument, the instrument is signed by the accommodation party "for accommodation".

(b) An accommodation party may sign the instrument as maker, drawer, acceptor, or endorser and, subject to subsection (d), is obliged to pay the instrument in the capacity in which the accommodation party signs. The obligation of an accommodation party may be enforced notwithstanding any statute of frauds and whether or not the accommodation party receives consideration for the accommodation.

(c) A person signing an instrument is presumed to be an accommodation party and there is notice that the instrument is signed for accommodation if the signature is an anomalous endorsement or is accompanied by words indicating that the signer is acting as surety or guarantor with respect to the obligation of another party to the instrument. Except as provided in IC 26-1-3.1-605, the obligation of

an accommodation party to pay the instrument is not affected by the fact that the person enforcing the obligation had notice when the instrument was taken by that person that the accommodation party signed the instrument for accommodation.

(d) If the signature of a party to an instrument is accompanied by words indicating unambiguously that the party is guaranteeing collection rather than payment of the obligation of another party to the instrument, the signer is obliged to pay the amount due on the instrument to a person entitled to enforce the instrument only if:

(1) execution of judgment against the other party has been returned unsatisfied;

(2) the other party is insolvent or in an insolvency proceeding;

(3) the other party cannot be served with process; or

(4) it is otherwise apparent that payment cannot be obtained from the other party.

(e) If the signature of a party to an instrument is accompanied by words indicating that the party guarantees payment or the signer signs the instrument as an accommodation party in some other manner that does not unambiguously indicate an intention to guarantee collection rather than payment, the signer is obliged to pay the amount due on the instrument to a person entitled to enforce the instrument in the same circumstances as the accommodated party would be obliged, without prior resort to the accommodated party by the person entitled to enforce the instrument.

(f) An accommodation party who pays the instrument is entitled to reimbursement from the accommodated party and is entitled to enforce the instrument against the accommodated party. In proper circumstances, an accommodation party may obtain relief that requires the accommodated party to perform its obligations on the instrument. An accommodated party that pays the instrument has no right of recourse against, and is not entitled to contribution from, an accommodation party.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.11.

IC 26-1-3.1-420

Conversion of instrument

Sec. 420. (a) The law applicable to conversion of personal property applies to instruments. An instrument is also converted if it is taken by transfer, other than a negotiation, from a person not entitled to enforce the instrument or a bank makes or obtains payment with respect to the instrument for a person not entitled to enforce the instrument or receive payment. An action for conversion of an instrument may not be brought by:

(1) the issuer or acceptor of the instrument; or

(2) a payee or endorsee who did not receive delivery of the instrument either directly or through delivery to an agent or a co-payee.

(b) Notwithstanding IC 34-24-3-1 or any other statute providing a measure of damages for conversion, in an action under subsection (a) for conversion of an instrument, the measure of liability is presumed to be the amount payable on the instrument, but recovery may not exceed the amount of the plaintiff's interest in the instrument.

(c) A representative, other than a depositary bank, who has in good faith dealt with an instrument or its proceeds on behalf of one who was not the person entitled to enforce the instrument is not liable in conversion to that person beyond the amount of any proceeds that it has not paid out.

As added by P.L.222-1993, SEC.5. Amended by P.L.1-1998, SEC.135.

IC 26-1-3.1-501

Presentment

Sec. 501. (a) "Presentment" means a demand made by or on behalf of a person entitled to enforce an instrument:

(1) to pay the instrument made to the drawee or a party obliged to pay the instrument or, in the case of a note or accepted draft payable at a bank, to the bank; or

(2) to accept a draft made to the drawee.

(b) The following rules are subject to IC 26-1-4, agreement of the parties, and clearing-house rules and the like:

(1) Presentment may be made at the place of payment of the instrument and must be made at the place of payment if the instrument is payable at a bank in the United States; may be made by any commercially reasonable means, including an oral, written, or electronic communication; is effective when the demand for payment or acceptance is received by the person to whom presentment is made; and is effective if made to any one (1) of two (2) or more makers, acceptors, drawees, or other payors.

(2) Upon demand of the person to whom presentment is made, the person making presentment must:

(A) exhibit the instrument;

(B) give reasonable identification and, if presentment is made on behalf of another person, reasonable evidence of authority to do so; and

(C) sign a receipt on the instrument for any payment made or surrender the instrument if full payment is made.

(3) Without dishonoring the instrument, the party to whom presentment is made may:

(A) return the instrument for lack of a necessary endorsement; or

(B) refuse payment or acceptance for failure of the presentment to comply with the terms of the instrument, an agreement of the parties, or other applicable law or rule.

(4) The party to whom presentment is made may treat presentment as occurring on the next business day after the day of presentment if the party to whom presentment is made has established a cut-off hour not earlier than 2 p.m. for the receipt and processing of instruments presented for payment or acceptance and presentment is made after the cut-off hour.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-502
Dishonor

Sec. 502. (a) Dishonor of a note is governed by the following rules:

(1) If the note is payable on demand, the note is dishonored if presentment is duly made to the maker and the note is not paid on the day of presentment.

(2) If the note is not payable on demand and is payable at or through a bank or the terms of the note require presentment, the note is dishonored if presentment is duly made and the note is not paid on the day it becomes payable or the day of presentment, whichever is later.

(3) If the note is not payable on demand and subdivision (2) does not apply, the note is dishonored if it is not paid on the day it becomes payable.

(b) Dishonor of an unaccepted draft other than a documentary draft is governed by the following rules:

(1) If a check is duly presented for payment to the payor bank otherwise than for immediate payment over the counter, the check is dishonored if the payor bank makes timely return of the check or sends timely notice of dishonor or nonpayment under IC 26-1-4-301 or IC 26-1-4-302, or becomes accountable for the amount of the check under IC 26-1-4-302.

(2) If a draft is payable on demand and subdivision (1) does not apply, the draft is dishonored if presentment for payment is duly made to the drawee and the draft is not paid on the day of presentment.

(3) If a draft is payable on a date stated in the draft, the draft is dishonored if:

(A) presentment for payment is duly made to the drawee and payment is not made on the day the draft becomes payable or the day of presentment, whichever is later; or

(B) presentment for acceptance is duly made before the day the draft becomes payable and the draft is not accepted on the day of presentment.

(4) If a draft is payable on elapse of a period of time after sight or acceptance, the draft is dishonored if presentment for acceptance is duly made and the draft is not accepted on the day of presentment.

(c) Dishonor of an unaccepted documentary draft occurs

according to the rules stated in subsection (b)(2), (b)(3), and (b)(4), except that payment or acceptance may be delayed without dishonor until no later than the close of the third business day of the drawee following the day on which payment or acceptance is required by those subdivisions.

(d) Dishonor of an accepted draft is governed by the following rules:

(1) If the draft is payable on demand, the draft is dishonored if presentment for payment is duly made to the acceptor and the draft is not paid on the day of presentment.

(2) If the draft is not payable on demand, the draft is dishonored if presentment for payment is duly made to the acceptor and payment is not made on the day it becomes payable or the day of presentment, whichever is later.

(e) In any case in which presentment is otherwise required for dishonor under this section and presentment is excused under IC 26-1-3.1-504, dishonor occurs without presentment if the instrument is not duly accepted or paid.

(f) If a draft is dishonored because timely acceptance of the draft was not made and the person entitled to demand acceptance consents to a late acceptance, from the time of acceptance the draft is treated as never having been dishonored.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-502.5
Surcharge after dishonor

Sec. 502.5. (a) Except as provided in subsection (b), a person to whom a check, a draft, an order, or like instrument is tendered may, if the instrument is dishonored or returned unpaid for any reason, charge and collect from the maker or drawer, or the person for whose benefit the instrument was given, an amount not to exceed twenty dollars ($20) plus an amount equal to the actual charge by the depository institution for each returned or dishonored instrument. The charge shall not be considered an interest charge, a finance charge, a time price differential, or any charge of a similar nature.

(b) To the extent applicable to a federally chartered bank, if a check is dishonored, a bank, trust, banc, banco, or bancorp may not charge any party other than the maker or drawer of the check a fee in connection with the dishonoring of the check.

As added by P.L.248-1995, SEC.3. Amended by P.L.213-2007, SEC.32.

IC 26-1-3.1-503
Notice of dishonor

Sec. 503. (a) The obligation of an endorser stated in IC 26-1-3.1-415(a) and the obligation of a drawer stated in IC 26-1-3.1-414(d) may not be enforced unless:

(1) the endorser or drawer is given notice of dishonor of the

instrument complying with this section; or

(2) notice of dishonor is excused under IC 26-1-3.1-504(b).

(b) Notice of dishonor may be given by any person; may be given by any commercially reasonable means, including an oral, written, or electronic communication; and is sufficient if it reasonably identifies the instrument and indicates that the instrument has been dishonored or has not been paid or accepted. Return of an instrument given to a bank for collection is sufficient notice of dishonor.

(c) Subject to IC 26-1-3.1-504(c), with respect to an instrument taken for collection by a collecting bank, notice of dishonor must be given:

(1) by the bank before midnight of the next banking day following the banking day on which the bank receives notice of dishonor of the instrument; or

(2) by any other person within thirty (30) days following the day on which the person receives notice of dishonor.

With respect to any other instrument, notice of dishonor must be given within thirty (30) days following the day on which dishonor occurs.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-504

Excused presentment and notice of dishonor

Sec. 504. (a) Presentment for payment or acceptance of an instrument is excused if:

(1) the person entitled to present the instrument cannot with reasonable diligence make presentment;

(2) the maker or acceptor has repudiated an obligation to pay the instrument or is dead or in insolvency proceedings;

(3) by the terms of the instrument presentment is not necessary to enforce the obligation of endorsers or the drawer;

(4) the drawer or endorser whose obligation is being enforced has waived presentment or otherwise has no reason to expect or right to require that the instrument be paid or accepted; or

(5) the drawer instructed the drawee not to pay or accept the draft or the drawee was not obligated to the drawer to pay the draft.

(b) Notice of dishonor is excused if:

(1) by the terms of the instrument notice of dishonor is not necessary to enforce the obligation of a party to pay the instrument; or

(2) the party whose obligation is being enforced waived notice of dishonor.

A waiver of presentment is also a waiver of notice of dishonor.

(c) Delay in giving notice of dishonor is excused if the delay was caused by circumstances beyond the control of the person giving the notice and the person giving the notice exercised reasonable diligence after the cause of the delay ceased to operate.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-505
Evidence of dishonor

Sec. 505. (a) The following are admissible as evidence and create a presumption of dishonor and of any notice of dishonor stated:

(1) A document regular in form as provided in subsection (b) which purports to be a protest.

(2) A purported stamp or writing of the drawee, payor bank, or presenting bank on or accompanying the instrument stating that acceptance or payment has been refused unless reasons for the refusal are stated and the reasons are not consistent with dishonor.

(3) A book or record of the drawee, payor bank, or collecting bank, kept in the usual course of business which shows dishonor, even if there is no evidence of who made the entry.

(b) A protest is a certificate of dishonor made by a United States consul or vice consul, or a notary public or other person authorized to administer oaths by the law of the place where dishonor occurs. It may be made upon information satisfactory to that person. The protest must identify the instrument and certify either that presentment has been made or, if not made, the reason why it was not made, and that the instrument has been dishonored by nonacceptance or nonpayment. The protest may also certify that notice of dishonor has been given to some or all parties.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-601
Discharge and effect of discharge

Sec. 601. (a) The obligation of a party to pay the instrument is discharged as stated in IC 26-1-3.1 or by an act or agreement with the party which would discharge an obligation to pay money under a simple contract.

(b) Discharge of the obligation of a party is not effective against a person acquiring rights of a holder in due course of the instrument without notice of the discharge.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-602
Payment

Sec. 602. (a) Subject to subsection (e), an instrument is paid to the extent payment is made:

(1) by or on behalf of a party obliged to pay the instrument; and

(2) to a person entitled to enforce the instrument.

(b) Subject to subsection (e), a note is paid to the extent payment is made by or on behalf of a party obliged to pay the note to a person that formerly was entitled to enforce the note only if at the time of the payment the party obliged to pay has not received adequate

notification that the note has been transferred and that payment is to be made to the transferee. A notification is adequate only if it is signed by the transferor or the transferee, reasonably identifies the transferred note, and provides an address at which payments subsequently are to be made. Upon request, a transferee shall seasonably furnish reasonable proof that the note has been transferred. Unless the transferee complies with the request, a payment to the person that formerly was entitled to enforce the note is effective for purposes of subsection (c) even if the party obliged to pay the note has received a notification under this subsection.

(c) Subject to subsection (e), to the extent a payment is made under subsections (a) and (b), the obligation of the party obliged to pay the instrument is discharged even though payment is made with knowledge of a claim to the instrument under IC 26-1-3.1-306 by another person.

(d) Subject to subsection (e), a transferee, or any party that has acquired rights in the instrument directly or indirectly from a transferee, including any such party that has rights as a holder in due course, is considered to have notice of any payment that is made under subsection (b) after the date that the note is transferred to the transferee but before the party obliged to pay the note receives adequate notification of the transfer.

(e) The obligation of a party to pay the instrument is not discharged under subsections (a) through (d) if:

(1) a claim to the instrument under IC 26-1-3.1-306 is enforceable against the party receiving payment and (i) payment is made with knowledge by the payor that payment is prohibited by injunction or similar process of a court of competent jurisdiction, or (ii) in the case of an instrument other than a cashier's check, teller's check, or certified check, the party making payment accepted, from the person having a claim to the instrument, indemnity against loss resulting from refusal to pay the person entitled to enforce the instrument; or

(2) the person making payment knows that the instrument is a stolen instrument and pays a person it knows is in wrongful possession of the instrument.

(f) As used in this section, "signed", with respect to a record that is not a writing, includes the attachment to or logical association with the record of an electronic symbol, sound, or process with the present intent to adopt or accept the record.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.12.

IC 26-1-3.1-603

Tender of payment

Sec. 603. (a) If tender of payment of an obligation to pay an instrument is made to a person entitled to enforce the instrument, the effect of tender is governed by principles of law applicable to tender

of payment under a simple contract.

(b) If tender of payment of an obligation to pay an instrument is made to a person entitled to enforce the instrument and the tender is refused, there is discharge, to the extent of the amount of the tender, of the obligation of an endorser or accommodation party having a right of recourse with respect to the obligation to which the tender relates.

(c) If tender of payment of an amount due on an instrument is made to a person entitled to enforce the instrument, the obligation of the obligor to pay interest after the due date on the amount tendered is discharged. If presentment is required with respect to an instrument and the obligor is able and ready to pay on the due date at every place of payment stated in the instrument, the obligor is considered to have made tender of payment on the due date to the person entitled to enforce the instrument.

As added by P.L.222-1993, SEC.5.

IC 26-1-3.1-604

Discharge by cancellation or renunciation

Sec. 604. (a) A person entitled to enforce an instrument, with or without consideration, may discharge the obligation of a party to pay the instrument:

(1) by an intentional voluntary act, such as surrender of the instrument to the party, destruction, mutilation, or cancellation of the instrument, cancellation or striking out of the party's signature, or the addition of words to the instrument indicating discharge; or

(2) by agreeing not to sue or otherwise renouncing rights against the party by a signed record.

(b) Cancellation or striking out of an endorsement under subsection (a) does not affect the status and rights of a party derived from the endorsement.

(c) As used in this section, "signed", with respect to a record that is not a writing, includes the attachment to or logical association with the record of an electronic symbol, sound, or process with the present intent to adopt or accept the record.

As added by P.L.222-1993, SEC.5. Amended by P.L.135-2009, SEC.13.

IC 26-1-3.1-605

Release or extension of an obligor's obligation

Sec. 605. (a) If a person entitled to enforce an instrument releases the obligation of a principal obligor in whole or in part, and another party to the instrument is a secondary obligor with respect to the obligation of that principal obligor, the following rules apply:

(1) Any obligations of the principal obligor to the secondary obligor with respect to any previous payment by the secondary obligor are not affected. Unless the terms of the release preserve

the secondary obligor's recourse, the principal obligor is discharged, to the extent of the release, from any other duties to the secondary obligor under this article.

(2) Unless the terms of the release provide that the person entitled to enforce the instrument retains the right to enforce the instrument against the secondary obligor, the secondary obligor is discharged to the same extent as the principal obligor from any unperformed part of its obligation on the instrument. If the instrument is a check and the obligation of the secondary obligor is based on an endorsement of the check, the secondary obligor is discharged without regard to the language or circumstances of the discharge or other release.

(3) If the secondary obligor is not discharged under subdivision (2), the secondary obligor is discharged to the extent of the value of the consideration for the release, and to the extent that the release would otherwise cause the secondary obligor a loss.

(b) If a person entitled to enforce an instrument grants a principal obligor an extension of the time at which one (1) or more payments are due on the instrument, and another party to the instrument is a secondary obligor with respect to the obligation of that principal obligor, the following rules apply:

(1) Any obligations of the principal obligor to the secondary obligor with respect to any previous payment by the secondary obligor are not affected. Unless the terms of the extension preserve the secondary obligor's recourse, the extension correspondingly extends the time for performance of any other duties owed to the secondary obligor by the principal obligor under this article.

(2) The secondary obligor is discharged to the extent that the extension would otherwise cause the secondary obligor a loss.

(3) To the extent that the secondary obligor is not discharged under subdivision (2), the secondary obligor may perform its obligations to a person entitled to enforce the instrument as if the time for payment had not been extended or, unless the terms of the extension provide that the person entitled to enforce the instrument retains the right to enforce the instrument against the secondary obligor as if the time for payment had not been extended, may treat the time for performance of its obligations as having been extended correspondingly.

(c) If a person entitled to enforce an instrument agrees, with or without consideration, to a modification of the obligation of a principal obligor other than a complete or partial release or an extension of the due date, and another party to the instrument is a secondary obligor with respect to the obligation of that principal obligor, the following rules apply:

(1) Any obligations of the principal obligor to the secondary obligor with respect to any previous payment by the secondary obligor are not affected. The modification correspondingly

modifies any other duties owed to the secondary obligor by the principal obligor under this article.

(2) The secondary obligor is discharged from any unperformed part of its obligation to the extent that the modification would otherwise cause the secondary obligor a loss.

(3) To the extent that the secondary obligor is not discharged under subdivision (2), the secondary obligor may satisfy its obligation on the instrument as if the modification had not occurred, or treat its obligation on the instrument as having been modified correspondingly.

(d) If the obligation of a principal obligor is secured by an interest in collateral, another party to the instrument is a secondary obligor with respect to that obligation, and a person entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of the secondary obligor is discharged to the extent of the impairment. The value of an interest in collateral is impaired to the extent the value of the interest is reduced to an amount less than the amount of the recourse of the secondary obligor, or the reduction in value of the interest causes an increase in the amount by which the amount of the recourse exceeds the value of the interest. For purposes of this subsection, impairing the value of an interest in collateral includes failure to obtain or maintain perfection or recordation of the interest in collateral, release of collateral without substitution of collateral of equal value or equivalent reduction of the underlying obligation, failure to perform a duty to preserve the value of collateral owed, under IC 26-1-9.1 or other law, to a debtor or other person secondarily liable, and failure to comply with applicable law in disposing of or otherwise enforcing the interest in collateral.

(e) A secondary obligor is not discharged under subsection (a)(3), (b), (c), or (d) unless the person entitled to enforce the instrument knows that the person is a secondary obligor or has notice under IC 26-1-3.1-419(c) that the instrument was signed for accommodation.

(f) A secondary obligor is not discharged under this section if the secondary obligor consents to the event or conduct that is the basis of the discharge, or the instrument or a separate agreement of the party provides for waiver of discharge under this section specifically or by general language indicating that parties waive defenses based on suretyship or impairment of collateral. Unless the circumstances indicate otherwise, consent by the principal obligor to an act that would lead to a discharge under this section constitutes consent to that act by the secondary obligor if the secondary obligor controls the principal obligor or deals with the person entitled to enforce the instrument on behalf of the principal obligor.

(g) A release or extension preserves a secondary obligor's recourse if the terms of the release or extension provide that:

(1) the person entitled to enforce the instrument retains the right to enforce the instrument against the secondary obligor; and

(2) the recourse of the secondary obligor continues as if the release or extension had not been granted.

(h) Except as otherwise provided in subsection (i), a secondary obligor asserting discharge under this section has the burden of persuasion both with respect to the occurrence of the acts alleged to harm the secondary obligor and loss or prejudice caused by those acts.

(i) If the secondary obligor demonstrates prejudice caused by an impairment of its recourse, and the circumstances of the case indicate that the amount of loss is not reasonably susceptible of calculation or requires proof of facts that are not ascertainable, it is presumed that the act impairing recourse caused a loss or impairment equal to the liability of the secondary obligor on the instrument. In that event, the burden of persuasion as to any lesser amount of the loss is on the person entitled to enforce the instrument.

As added by P.L.222-1993, SEC.5. Amended by P.L.57-2000, SEC.28; P.L.135-2009, SEC.14.

IC 26-1-4

Chapter 4. Bank Deposits and Collections

IC 26-1-4-101

Short title

Sec. 101. IC 26-1-4 may be cited as Uniform Commercial Code – Bank Deposits and Collections.

(Formerly: Acts 1963, c.317, s.4-101.) As amended by P.L.152-1986, SEC.205; P.L.222-1993, SEC.6.

IC 26-1-4-102

Applicability

Sec. 102. (a) To the extent that items within IC 26-1-4 are also within IC 26-1-3.1 and IC 26-1-8.1, they are subject to IC 26-1-3.1 and IC 26-1-8.1. If there is conflict, IC 26-1-4 governs IC 26-1-3.1, but IC 26-1-8.1 governs IC 26-1-4.

(b) The liability of a bank for action or nonaction with respect to an item handled by it for purposes of presentment, payment, or collection is governed by the law of the place where the bank is located. In the case of action or nonaction by or at a branch or separate office of a bank, its liability is governed by the law of the place where the branch or separate office is located.

(Formerly: Acts 1963, c.317, s.4-102.) As amended by P.L.152-1986, SEC.206; P.L.222-1993, SEC.7; P.L.247-1995, SEC.5.

IC 26-1-4-102.5

Application of bank provisions to supervised financial organizations

Sec. 102.5. (a) As used in this section, "supervised financial organization" means a person, other than an insurance company or other organization primarily engaged in an insurance business, that is:

(1) organized, chartered, or holding an authorization certificate under the laws of a state or of the United States that authorizes the person to make loans and to receive deposits, including a savings, share, certificate, or deposit account; and

(2) subject to supervision by an official or agency of a state or of the United States.

(b) The provisions of IC 26-1-4 which apply to a bank apply equally to any supervised financial organization which is authorized by state or federal law to permit persons to make withdrawals or payments from accounts by negotiable instruments.

As added by Acts 1981, P.L.231, SEC.2. Amended by P.L.152-1986, SEC.207; P.L.35-2010, SEC.95.

IC 26-1-4-103

Variation by agreement; measure of damages; action constituting ordinary care

Sec. 103. (a) The effect of the provisions of IC 26-1-4 may be varied by agreement, but the parties to the agreement cannot disclaim a bank's responsibility for its lack of good faith or failure to exercise ordinary care or limit the measure of damages for the lack or failure. However, the parties may determine by agreement the standards by which the bank's responsibility is to be measured if those standards are not manifestly unreasonable.

(b) Federal reserve regulations and operating circulars, clearing-house rules, and the like have the effect of agreements under subsection (a), whether or not specifically assented to by all parties interested in items handled.

(c) Action or nonaction approved by IC 26-1-4 or pursuant to federal reserve regulations or operating circulars is the exercise of ordinary care and, in the absence of special instructions, action or nonaction consistent with clearing-house rules and the like or with a general banking usage not disapproved by IC 26-1-4 is prima facie the exercise of ordinary care.

(d) The specification or approval of certain procedures by IC 26-1-4 is not disapproval of other procedures that may be reasonable under the circumstances.

(e) The measure of damages for failure to exercise ordinary care in handling an item is the amount of the item reduced by an amount that could not have been realized by the exercise of ordinary care. If there is also bad faith it includes any other damages the party suffered as a proximate consequence.

(Formerly: Acts 1963, c.317, s.4-103.) As amended by P.L.152-1986, SEC.208; P.L.222-1993, SEC.8.

IC 26-1-4-104
Definitions and index of definitions

Sec. 104. (a) In IC 26-1-4, unless the context otherwise requires:

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

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

(3) "Banking day" means the part of a day on which a bank is open to the public for carrying on substantially all of its banking functions, but does not include Saturday, Sunday, or a legal holiday.

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

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

(6) "Documentary draft" means a draft to be presented for acceptance or payment if specified documents, certificated

securities (IC 26-1-8.1-102), or instructions for uncertificated securities (IC 26-1-8.1-102) or other certificates, statements, or the like are to be received by the drawee or other payor before acceptance or payment of the draft.

(7) "Draft" means a draft (as defined in IC 26-1-3.1-104) or an item, other than an instrument, that is an order.

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

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

(10) "Item" means an instrument or a promise or order to pay money handled by a bank for collection or payment. The term does not include a payment order governed by IC 26-1-4.1 or a credit or debit card slip.

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

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

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

(b) Other definitions applying to IC 26-1-4 and the sections in which they appear are:

"Agreement for electronic presentment". IC 26-1-4-110.
"Bank". IC 26-1-4-105.
"Collecting bank". IC 26-1-4-105.
"Depositary bank". IC 26-1-4-105.
"Intermediary bank". IC 26-1-4-105.
"Payor bank". IC 26-1-4-105.
"Presenting bank". IC 26-1-4-105.
"Presentment notice". IC 26-1-4-110.

(c) "Control" as provided in IC 26-1-7-106 and the following definitions in IC 26-1-3.1 apply to IC 26-1-4:

"Acceptance". IC 26-1-3.1-409.
"Alteration". IC 26-1-3.1-407.
"Cashier's check". IC 26-1-3.1-104.
"Certificate of deposit". IC 26-1-3.1-104.
"Certified check". IC 26-1-3.1-409.
"Check". IC 26-1-3.1-104.
"Holder in due course". IC 26-1-3.1-302.
"Instrument". IC 26-1-3.1-104.
"Notice of dishonor". IC 26-1-3.1-503.
"Order". IC 26-1-3.1-103.

"Ordinary care". IC 26-1-3.1-103.
"Person entitled to enforce". IC 26-1-3.1-301.
"Presentment". IC 26-1-3.1-501.
"Promise". IC 26-1-3.1-103.
"Prove". IC 26-1-3.1-103.
"Record". IC 26-1-1-201(33b).
"Remotely-created consumer item". IC 26-1-3.1-103.
"Teller's check". IC 26-1-3.1-104.
"Unauthorized signature". IC 26-1-3.1-403.

(d) In addition, IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout IC 26-1-4.

(Formerly: Acts 1963, c.317, s.4-104.) As amended by P.L.152-1986, SEC.209; P.L.263-1987, SEC.1; P.L.222-1993, SEC.9; P.L.247-1995, SEC.6; P.L.143-2007, SEC.22; P.L.135-2009, SEC.15.

IC 26-1-4-105
"Bank"; "depositary bank"; "payor bank"; "intermediary bank"; "collecting bank"; "presenting bank"

Sec. 105. In IC 26-1-4:

(1) "Bank" means a person engaged in the business of banking, including a savings bank, savings association, credit union, or trust company.

(2) "Depositary bank" means the first bank to take an item even though it is also the payor bank, unless the item is presented for immediate payment over the counter.

(3) "Payor bank" means a bank that is the drawee of a draft.

(4) "Intermediary bank" means a bank to which an item is transferred in course of collection except the depositary or payor bank.

(5) "Collecting bank" means a bank handling an item for collection except the payor bank.

(6) "Presenting bank" means a bank presenting an item except a payor bank.

(Formerly: Acts 1963, c.317, s.4-105.) As amended by P.L.152-1986, SEC.210; P.L.222-1993, SEC.10; P.L.79-1998, SEC.28.

IC 26-1-4-106
Payable through or payable at bank; collecting bank

Sec. 106. (a) If an item states that it is "payable through" a bank identified in the item:

(1) the item designates the bank as a collecting bank and does not by itself authorize the bank to pay the item; and

(2) the item may be presented for payment only by or through the bank.

(b) If an item states that it is "payable at" a bank identified in the item:

(1) the item designates the bank as a collecting bank and does not by itself authorize the bank to pay the item; and

(2) the item may be presented for payment only by or through the bank.

(c) If a draft names a nonbank drawee and it is unclear whether a bank named in the draft is a co-drawee or a collecting bank, the bank is a collecting bank.

(Formerly: Acts 1963, c.317, s.4-106.) As amended by P.L.152-1986, SEC.211; P.L.222-1993, SEC.11.

IC 26-1-4-107

Separate office of bank

Sec. 107. A branch or separate office of a bank is a separate bank for the purpose of computing the time within which and determining the place at or to which action may be taken or notices or orders must be given under IC 26-1-4 and under IC 26-1-3.1.

(Formerly: Acts 1963, c.317, s.4-107.) As amended by Acts 1977, P.L.278, SEC.1; P.L.263-1987, SEC.2; P.L.222-1993, SEC.12.

IC 26-1-4-108

Time of receipt of items

Sec. 108. (a) For the purpose of allowing time to process items, prove balances, and make the necessary entries on its books to determine its position for the day, a bank may fix an afternoon hour of 2:00 p.m. or later as a cutoff hour for the handling of money and items and the making of entries on its books.

(b) An item or deposit of money received on any day after a cutoff hour so fixed or after the close of the banking day may be treated as being received at the opening of the next banking day.

(Formerly: Acts 1963, c.317, s.4-108.) As amended by P.L.152-1986, SEC.212; P.L.222-1993, SEC.13.

IC 26-1-4-109

Delays

Sec. 109. (a) Unless otherwise instructed, a collecting bank in a good faith effort to secure payment of a specific item drawn on a payor other than a bank, and with or without the approval of any person involved, may waive, modify, or extend time limits imposed or permitted by IC 26-1 for a period not exceeding two (2) additional banking days without discharge of drawers or endorsers or liability to its transferor or a prior party.

(b) Delay by a collecting bank or payor bank beyond time limits prescribed or permitted by IC 26-1 or by instructions is excused if:

(1) the delay is caused by interruption of communication or computer facilities, suspension of payments by another bank, war, emergency conditions, failure of equipment, or other circumstances beyond the control of the bank; and

(2) the bank exercises such diligence as the circumstances

require.
(Formerly: Acts 1963, c.317, s.4-109.) As amended by P.L.222-1993, SEC.14.

IC 26-1-4-110
Electronic presentment

Sec. 110. (a) "Agreement for electronic presentment" means an agreement, clearing-house rule, or Federal Reserve regulation or operating circular, providing that presentment of an item may be made by transmission of an image of an item or information describing the item ("presentment notice") rather than delivery of the item itself. The agreement may provide for procedures governing retention, presentment, payment, dishonor, and other matters concerning items subject to the agreement.

(b) Presentment of an item under an agreement for presentment is made when the presentment notice is received.

(c) If presentment is made by presentment notice, a reference to "item" or "check" in IC 26-1-4 means the presentment notice unless the context otherwise indicates.
As added by P.L.222-1993, SEC.15.

IC 26-1-4-111
Statute of limitations

Sec. 111. An action to enforce an obligation, duty, or right arising under IC 26-1-4 must be commenced within three (3) years after the cause of action accrues.
As added by P.L.222-1993, SEC.16.

IC 26-1-4-201
Status of collecting banks as agent and provisional status of credits; applicability of chapter; item endorsed "pay any bank"

Sec. 201. (a) Unless a contrary intent clearly appears and before the time that a settlement given by a collecting bank for an item is or becomes final, the bank, with respect to the item, is an agent or subagent of the owner of the item, and any settlement given for the item is provisional. This provision applies regardless of the form of endorsement or lack of endorsement and even though credit given for the item is subject to immediate withdrawal as of right or is in fact withdrawn, but the continuance of ownership of an item by its owner and any rights of the owner to proceeds of the item are subject to rights of a collecting bank, such as those resulting from outstanding advances on the item and rights of recoupment or setoff. If an item is handled by banks for purposes of presentment, payment, collection, or return, the relevant provisions of IC 26-1-4 apply, even though action of the parties clearly establishes that a particular bank has purchased the item and is the owner of it.

(b) After an item has been endorsed with the words "pay any bank" or the like, only a bank may acquire the rights of a holder until

the item has been:

(1) returned to the customer initiating collection; or

(2) specially endorsed by a bank to a person who is not a bank.

(Formerly: Acts 1963, c.317, s.4-201.) As amended by P.L.152-1986, SEC.213; P.L.222-1993, SEC.17.

IC 26-1-4-202

Responsibility for collection or return; when action timely

Sec. 202. (a) A collecting bank must exercise ordinary care in:

(1) presenting an item or sending it for presentment;

(2) sending notice of dishonor or nonpayment or returning an item other than a documentary draft to the bank's transferor after learning that the item has not been paid or accepted, as the case may be;

(3) settling for an item when the bank receives final settlement; and

(4) notifying its transferor of any loss or delay in transit within a reasonable time after discovery thereof.

(b) A collecting bank exercises ordinary care under subsection (a) by taking proper action before its midnight deadline following receipt of an item, notice, or settlement. Taking proper action within a reasonably longer time may constitute the exercise of ordinary care, but the bank has the burden of establishing timeliness.

(c) Subject to subsection (a)(1), a bank is not liable for the insolvency, neglect, misconduct, mistake, or default of another bank or person or for loss or destruction of an item in the possession of others or in transit.

(Formerly: Acts 1963, c.317, s.4-202.) As amended by P.L.152-1986, SEC.214; P.L.222-1993, SEC.18.

IC 26-1-4-203

Effect of instructions

Sec. 203. Subject to of IC 26-1-3.1-420 concerning conversion of instruments and the provisions of both IC 26-1-3.1 and IC 26-1-4 concerning restrictive endorsements (IC 26-1-3.1-206), only a collecting bank's transferor can give instructions that affect the bank or constitute notice to it, and a collecting bank is not liable to prior parties for any action taken pursuant to the instructions or in accordance with any agreement with its transferor.

(Formerly: Acts 1963, c.317, s.4-203.) As amended by P.L.152-1986, SEC.215; P.L.222-1993, SEC.19.

IC 26-1-4-204

Methods of sending and presenting; sending directly to payor bank

Sec. 204. (a) A collecting bank shall send items by reasonably prompt method, taking into consideration relevant instructions, the nature of the item, the number of those items on hand, the cost of collection involved, and the method generally used by it or others to

present those items.

(b) A collecting bank may send:

(1) an item directly to the payor bank;

(2) an item to a nonbank payor if authorized by its transferor; and

(3) an item other than documentary drafts to a nonbank payor, if authorized by Federal Reserve regulation or operating circular, clearing-house rule, or the like.

(c) Presentment may be made by a presenting bank at a place where the payor bank or other payor has requested that presentment be made.

(Formerly: Acts 1963, c.317, s.4-204.) As amended by P.L.222-1993, SEC.20.

IC 26-1-4-205

Depositary bank holder of unendorsed items

Sec. 205. If a customer delivers an item to a depositary bank for collection:

(1) the depositary bank becomes a holder of the item at the time it receives the item for collection if the customer at the time of delivery was a holder of the item, whether or not the customer endorses the item, and, if the bank satisfies the other requirements of IC 26-1-3.1-302, it is a holder in due course; and

(2) the depositary bank warrants to collecting banks, the payor bank or other payor, and the drawer that the amount of the item was paid to the customer or deposited to the customer's account.

(Formerly: Acts 1963, c.317, s.4-205.) As amended by P.L.222-1993, SEC.21.

IC 26-1-4-206

Transfer between banks

Sec. 206. Any agreed method that identifies the transferor bank is sufficient for the item's further transfer to another bank.

(Formerly: Acts 1963, c.317, s.4-206.) As amended by P.L.222-1993, SEC.22.

IC 26-1-4-207

Transfer warranties

Sec. 207. (a) A customer or collecting bank that transfers an item and receives a settlement or other consideration warrants to the transferee and to any subsequent collecting bank that:

(1) the warrantor is a person entitled to enforce the item;

(2) all signatures on the item are authentic and authorized;

(3) the item has not been altered;

(4) the item is not subject to a defense or claim in recoupment (IC 26-1-3.1-305(a)) of any party that can be asserted against the warrantor;

(5) the warrantor has no knowledge of any insolvency proceeding commenced with respect to the maker or acceptor or, in the case of an unaccepted draft, the drawer; and

(6) with respect to a remotely-created consumer item, the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

(b) If an item is dishonored, a customer or collecting bank transferring the item and receiving settlement or other consideration is obliged to pay the amount due on the item:

(1) according to the terms of the item at the time it was transferred; or

(2) if the transfer was of an incomplete item, according to its terms when completed as stated in IC 26-1-3.1-115 and IC 26-1-3.1-407.

The obligation of a transferor is owed to the transferee and to any subsequent collecting bank that takes the item in good faith. A transferor cannot disclaim its obligation under this subsection by an endorsement stating that it is made "without recourse" or otherwise disclaiming liability.

(c) A person to whom the warranties under subsection (a) are made and who took the item in good faith may recover from the warrantor as damages for breach of warranty an amount equal to the loss suffered as a result of the breach, but not more than the amount of the item plus expenses and loss of interest incurred as a result of the breach.

(d) The warranties stated in subsection (a) cannot be disclaimed with respect to checks. Unless notice of a claim for breach of warranty is given to the warrantor within thirty (30) days after the claimant has reason to know of the breach and the identity of the warrantor, the warrantor is discharged to the extent of any loss caused by the delay in giving notice of the claim.

(e) A cause of action for breach of warranty under this section accrues when the claimant has reason to know of the breach.

(Formerly: Acts 1963, c.317, s.4-207.) As amended by P.L.222-1993, SEC.23; P.L.135-2009, SEC.16.

IC 26-1-4-208

Presentment warranties

Sec. 208. (a) If an unaccepted draft is presented to the drawee for payment or acceptance and the drawee pays or accepts the draft, (i) the person obtaining payment or acceptance, at the time of presentment, and (ii) a previous transferor of the draft, at the time of transfer, warrant to the drawee that pays or accepts the draft in good faith that:

(1) the warrantor is, or was, at the time the warrantor transferred the draft, a person entitled to enforce the draft or authorized to obtain payment or acceptance of the draft on behalf of a person entitled to enforce the draft;

(2) the draft has not been altered;

(3) the warrantor has no knowledge that the signature of the purported drawer of the draft is unauthorized; and

(4) with respect to a remotely-created consumer item, the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

(b) A drawee making payment may recover from a warrantor damages for breach of warranty equal to the amount paid by the drawee less the amount the drawee received or is entitled to receive from the drawer because of the payment. In addition, the drawee is entitled to compensation for expenses and loss of interest resulting from the breach. The right of the drawee to recover damages under this subsection is not affected by any failure of the drawee to exercise ordinary care in making payment. If the drawee accepts the draft:

(1) breach of warranty is a defense to the obligation of the acceptor; and

(2) if the acceptor makes payment with respect to the draft, the acceptor is entitled to recover from a warrantor for breach of warranty the amounts stated in this subsection.

(c) If a drawee asserts a claim for breach of warranty under subsection (a) based on an unauthorized endorsement of the draft or an alteration of the draft, the warrantor may defend by proving that the endorsement is effective under IC 26-1-3.1-404 or IC 26-1-3.1-405 or the drawer is precluded under IC 26-1-3.1-406 or IC 26-1-4-406 from asserting against the drawee the unauthorized endorsement or alteration.

(d) If:

(1) a dishonored draft is presented for payment to the drawer or an endorser; or

(2) any other item is presented for payment to a party obliged to pay the item;

and the item is paid, the person obtaining payment and a prior transferor of the item warrant to the person making payment in good faith that the warrantor is, or was, at the time the warrantor transferred the item, a person entitled to enforce the item or authorized to obtain payment on behalf of a person entitled to enforce the item. The person making payment may recover from any warrantor for breach of warranty an amount equal to the amount paid plus expenses and loss of interest resulting from the breach.

(e) The warranties stated in subsections (a) and (d) cannot be disclaimed with respect to checks. Unless notice of a claim for breach of warranty is given to the warrantor within thirty (30) days after the claimant has reason to know of the breach and the identity of the warrantor, the warrantor is discharged to the extent of any loss caused by the delay in giving notice of the claim.

(f) A cause of action for breach of warranty under this section accrues when the claimant has reason to know of the breach.

(Formerly: Acts 1963, c.317, s.4-208.) As amended by P.L.152-1986, SEC.216; P.L.222-1993, SEC.24; P.L.135-2009, SEC.17.

IC 26-1-4-209
Encoding and retention warranties

Sec. 209. (a) A person who encodes information on or with respect to an item after issue warrants to any subsequent collecting bank and to the payor bank or other payor that the information is correctly encoded. If the customer of a depositary bank encodes, that bank also makes the warranty.

(b) A person who undertakes to retain an item pursuant to an agreement for electronic presentment warrants to any subsequent collecting bank and to the payor bank or other payor that retention and presentment of the item comply with the agreement. If a customer of a depositary bank undertakes to retain an item, that bank also makes this warranty.

(c) A person to whom warranties are made under this section and who took the item in good faith may recover from the warrantor as damages for breach of warranty an amount equal to the loss suffered as a result of the breach, plus expenses and loss of interest incurred as a result of the breach.

(Formerly: Acts 1963, c.317, s.4-209.) As amended by P.L.152-1986, SEC.217; P.L.222-1993, SEC.25.

IC 26-1-4-210
Security interest of collecting bank in items, accompanying documents, and proceeds

Sec. 210. (a) A collecting bank has a security interest in an item and any accompanying documents or the proceeds of either:

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

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

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

(b) If credit given for several items received at one (1) time or under a single agreement is withdrawn or applied in part, the security interest remains upon all the items, any accompanying documents, or the proceeds of either. For the purpose of this section, credits first given are first withdrawn.

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

and is subject to IC 26-1-9.1, but:

(1) no security agreement is necessary to make the security interest enforceable (IC 26-1-9.1-203(b)(3)(A));

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

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

(Formerly: Acts 1963, c.317, s.4-210.) As amended by P.L.152-1986, SEC.218; P.L.222-1993, SEC.26; P.L.57-2000, SEC.29; P.L.1-2002, SEC.100; P.L.143-2007, SEC.23.

IC 26-1-4-211

When bank gives value for purposes of holder in due course

Sec. 211. For purposes of determining its status as a holder in due course, a bank has given value to the extent it has a security interest in an item, if the bank otherwise complies with the requirements of IC 26-1-3.1-302 on what constitutes a holder in due course.

(Formerly: Acts 1963, c.317, s.4-211.) As amended by P.L.222-1993, SEC.27.

IC 26-1-4-212

Presentment by notice of item not payable by, through, or at bank; liability of drawer or endorser

Sec. 212. (a) Unless otherwise instructed, a collecting bank may present an item not payable by, through, or at a bank by sending to the party to accept or pay a record providing notice that the bank holds the item for acceptance or payment. The notice must be sent in time to be received on or before the day when presentment is due and the bank must meet any requirement of the party to accept or pay under IC 26-1-3.1-501 by the close of the bank's next banking day after it knows of the requirement.

(b) If presentment is made by notice and payment, acceptance, or request for compliance with a requirement under IC 26-1-3.1-501 is not received by the close of business on the day after maturity or, in the case of demand items, by the close of business on the third banking day after notice was sent, the presenting bank may treat the item as dishonored and charge any drawer or endorser by sending it notice of the facts.

(Formerly: Acts 1963, c.317, s.4-212.) As amended by P.L.152-1986, SEC.219; P.L.222-1993, SEC.28; P.L.135-2009, SEC.18.

IC 26-1-4-213

Medium and time of settlement by bank

Sec. 213. (a) With respect to settlement by a bank, the medium and time of settlement may be prescribed by Federal Reserve regulations or circulars, clearing-house rules, and the like, or agreement. In the absence of such prescription:

(1) the medium of settlement is cash or credit to an account in

a Federal Reserve bank of or specified by the person to receive settlement; and

(2) the time of settlement is:

(A) with respect to tender of settlement by cash, a cashier's check, or teller's check, when the cash or check is sent or delivered;

(B) with respect to tender of settlement by credit in an account in a Federal Reserve Bank, when the credit is made;

(C) with respect to tender of settlement by a credit or debit to an account in a bank, when the credit or debit is made or, in the case of tender of settlement by authority to charge an account, when the authority is sent or delivered; or

(D) with respect to tender of settlement by a funds transfer, when payment is made under IC 26-1-4.1-406(a) to the person receiving settlement.

(b) If the tender of settlement is not by a medium authorized by subsection (a) or the time of settlement is not fixed by subsection (a), no settlement occurs until the tender of settlement is accepted by the person receiving settlement.

(c) If settlement for an item is made by cashier's check or teller's check and the person receiving settlement, before its midnight deadline:

(1) presents or forwards the check for collection, settlement is final when the check is finally paid; or

(2) fails to present or forward the check for collection, settlement is final at the midnight deadline of the person receiving settlement.

(d) If settlement for an item is made by giving authority to charge the account of the bank giving settlement in the bank receiving settlement, settlement is final when the charge is made by the bank receiving settlement if there are funds available in the account for the amount of the item.

(Formerly: Acts 1963, c.317, s.4-213.) As amended by P.L.152-1986, SEC.220; P.L.243-1989, SEC.1; P.L.222-1993, SEC.29.

IC 26-1-4-214

Right of charge-back or refund; liability of collecting bank; return of item

Sec. 214. (a) If a collecting bank has made provisional settlement with its customer for an item and fails by reason of dishonor, suspension of payments by a bank, or otherwise to receive settlement for the item which is or becomes final, the bank may revoke the settlement given by it, charge back the amount of any credit given for the item to its customer's account, or obtain refund from its customer, whether or not it is able to return the item, if by its midnight deadline or within a longer reasonable time after it learns the facts it returns the item or sends notification of the facts. If the return or notice is delayed beyond the bank's midnight deadline or a longer reasonable

time after it learns the facts, the bank may revoke the settlement, charge back the credit, or obtain refund from its customer, but it is liable for any loss resulting from the delay. These rights to revoke, charge back, and obtain refund terminate if and when a settlement for the item received by the bank is or becomes final.

(b) A collecting bank returns an item when it is sent or delivered to the bank's customer or transferor or under its instructions.

(c) A depositary bank that is also the payor may charge back the amount of an item to its customer's account or obtain refund in accordance with the section governing return of an item received by a payor bank for credit on its books (IC 26-1-4-301).

(d) The right to charge back is not affected by:

(1) previous use of a credit given for the item; or

(2) failure by any bank to exercise ordinary care with respect to the item, but a bank so failing remains liable.

(e) A failure to charge back or claim refund does not affect other rights of the bank against the customer or any other party.

(f) If credit is given in dollars as the equivalent of the value of an item payable in foreign money, the dollar amount of any charge-back or refund must be calculated on the basis of the bank-offered spot rate for the foreign money prevailing on the day when the person entitled to the charge-back or refund learns that it will not receive payment in ordinary course.

(Formerly: Acts 1963, c.317, s.4-214.) As amended by P.L.152-1986, SEC.221; P.L.222-1993, SEC.30.

IC 26-1-4-215

Final payment of item by payor bank; when provisional debits and credits become final; when certain credits become available for withdrawal

Sec. 215. (a) An item is finally paid by a payor bank when the bank has first done any of the following:

(1) Paid the item in cash.

(2) Settled for the item without having a right to revoke the settlement under statute, clearing-house rule, or agreement.

(3) Made a provisional settlement for the item and failed to revoke the settlement in the time and manner permitted by statute, clearing-house rule, or agreement.

(b) If provisional settlement for an item does not become final, the item is not finally paid.

(c) If provisional settlement for an item between the presenting and payor banks is made through a clearing house or by debits or credits in an account between them, then to the extent that provisional debits or credits for the item are entered in accounts between the presenting and payor banks or between the presenting and successive prior collecting banks seriatim, they become final upon final payment of the items by the payor bank.

(d) If a collecting bank receives a settlement for an item which is

or becomes final, the bank is accountable to its customer for the amount of the item and any provisional credit given for the item in an account with its customer becomes final.

(e) Subject to (i) applicable law stating a time for availability of funds and (ii) any right of the bank to apply the credit to an obligation of the customer, credit given by a bank for an item in a customer's account becomes available for withdrawal as of right:

(1) if the bank has received a provisional settlement for the item, when the settlement becomes final and the bank has had a reasonable time to receive return of the item and the item has not been received within that time; or

(2) if the bank is both the depositary bank and the payor bank, and the item is finally paid, at the opening of the bank's second banking day following receipt of the item.

(f) Subject to applicable law stating a time for availability of funds and any right of a bank to apply a deposit to an obligation of the depositor, a deposit of money becomes available for withdrawal as of right at the opening of the bank's next banking day after receipt of the deposit.

As added by P.L.222-1993, SEC.31.

IC 26-1-4-216

Insolvency and preference

Sec. 216. (a) If an item is in or comes into the possession of a payor or collecting bank that suspends payment and the item has not been finally paid, the item must be returned by the receiver, trustee, or agent in charge of the closed bank to the presenting bank or the closed bank's customer.

(b) If a payor bank finally pays an item and suspends payments without making a settlement for the item with its customer or the presenting bank which settlement is or becomes final, the owner of the item has a preferred claim against the payor bank.

(c) If a payor bank gives or a collecting bank gives or receives a provisional settlement for an item and thereafter suspends payments, the suspension does not prevent or interfere with the settlement's becoming final if the finality occurs automatically upon the lapse of certain time or the happening of certain events.

(d) If a collecting bank receives from subsequent parties settlement for an item, which settlement is or becomes final and the bank suspends payments without making a settlement for the item with its customer which settlement is or becomes final, the owner of the item has a preferred claim against the collecting bank.

As added by P.L.222-1993, SEC.32.

IC 26-1-4-301

Deferred posting; recovery of payment by return of items; time of dishonor; return of items by payor bank

Sec. 301. (a) If a payor bank settles for a demand item other than

a documentary draft presented otherwise than for immediate payment over the counter before midnight of the banking day of receipt, the payor bank may revoke the settlement and recover the settlement if, before it has made final payment and before its midnight deadline, it:

(1) returns the item;

(2) returns an image of the item, if the party to which the return is made has entered into an agreement to accept an image as a return of the item and the image is returned in accordance with that agreement; or

(3) sends a record providing notice of dishonor or nonpayment if the item is unavailable for return.

(b) If a demand item is received by a payor bank for credit on its books, it may return the item or send notice of dishonor and may revoke any credit given or recover the amount thereof withdrawn by its customer, if it acts within the time limit and in the manner specified in subsection (a).

(c) Unless previous notice of dishonor has been sent, an item is dishonored at the time when for purposes of dishonor it is returned or notice sent in accordance with this section.

(d) An item is returned:

(1) as to an item received through a clearing-house, when it is delivered to the presenting or last collecting bank or to the clearing-house or is sent or delivered in accordance with its rules; or

(2) in all other cases, when it is sent or delivered to the bank's customer or transferor or pursuant to instructions.

(Formerly: Acts 1963, c.317, s.4-301.) As amended by P.L.152-1986, SEC.222; P.L.222-1993, SEC.33; P.L.135-2009, SEC.19.

IC 26-1-4-302

Payor bank's responsibility for late return of item

Sec. 302. (a) If an item is presented to and received by a payor bank, the bank is accountable for the amount of:

(1) a demand item, other than a documentary draft, whether properly payable or not, if the bank, in any case in which it is not also the depositary bank, retains the item beyond midnight of the banking day of receipt without settling for it or, whether or not it is also the depositary bank, does not pay or return the item or send notice of dishonor until after its midnight deadline; or

(2) any other properly payable item unless, within the time allowed for acceptance or payment of that item, the bank either accepts or pays the item or returns it and accompanying documents.

(b) The liability of a payor bank to pay an item under subsection (a) is subject to defenses based on breach of a presentment warranty (IC 26-1-4-208) or proof that the person seeking enforcement of the liability presented or transferred the item for the purpose of

defrauding the payor bank.
(Formerly: Acts 1963, c.317, s.4-302.) As amended by P.L.152-1986, SEC.223; P.L.222-1993, SEC.34.

IC 26-1-4-303
When items subject to notice, stop-payment order, legal process, or setoff; order in which items may be charged or certified

Sec. 303. (a) Any knowledge, notice, or stop-payment order received by, legal process served upon, or setoff exercised by a payor bank comes too late to terminate, suspend, or modify the bank's right or duty to pay an item or to charge its customer's account for the item if the knowledge, notice, stop-payment order, or legal process is received or served and a reasonable time for the bank to act thereon expires or the setoff is exercised after the earliest of the following:

(1) The bank accepts or certifies the item.

(2) The bank pays the item in cash.

(3) The bank settles for the item without having a right to revoke the settlement under statute, clearing-house rule, or agreement.

(4) The bank becomes accountable for the amount of the item under IC 26-1-4-302 dealing with the payor bank's responsibility for late return of items.

(5) With respect to checks, a cutoff hour not earlier than one (1) hour after the opening of the next banking day after the banking day on which the bank received the check and not later than the close of that next banking day or, if no cutoff hour is fixed, the close of the next banking day after the banking day on which the bank received the check.

(b) Subject to subsection (a), items may be accepted, paid, certified, or charged to the indicated account of its customer in any order.
(Formerly: Acts 1963, c.317, s.4-303.) As amended by P.L.152-1986, SEC.224; P.L.222-1993, SEC.35.

IC 26-1-4-401
When bank may charge customer's account

Sec. 401. (a) A bank may charge against the account of a customer an item that is properly payable from that account even though the charge creates an overdraft. An item is properly payable if it is authorized by the customer and is in accordance with any agreement between the customer and the bank.

(b) A customer is not liable for the amount of an overdraft if the customer neither signed the item nor benefited from the proceeds of the item.

(c) A bank may charge against the account of a customer a check that is otherwise properly payable from the account, even though payment was made before the date of the check, unless the customer has given notice to the bank of the postdating describing the check

with reasonable certainty. The notice is effective for the period stated in IC 26-1-4-403(b) for stop-payment orders, and must be received at such time and in such manner as to afford the bank a reasonable opportunity to act on it before the bank takes any action with respect to the check described in IC 26-1-4-303. If a bank charges against the account of a customer a check before the date stated in the notice of postdating, the bank is liable for damages for the loss resulting from its act. The loss may include damages for dishonor of subsequent items under IC 26-1-4-402.

(d) A bank that in good faith makes payment to a holder may charge the indicated account of its customer according to:

(1) the original terms of the altered item; or

(2) the terms of the completed item, even though the bank knows the item has been completed unless the bank has notice that the completion was improper.

(Formerly: Acts 1963, c.317, s.4-401.) As amended by P.L.222-1993, SEC.36.

IC 26-1-4-402

Bank's liability to customer for wrongful dishonor; time of determining insufficiency of account

Sec. 402. (a) Except as otherwise provided in IC 26-1-4, a payor bank wrongfully dishonors an item if it dishonors an item that is properly payable, but a bank may dishonor an item that would create an overdraft unless it has agreed to pay the overdraft.

(b) A payor bank is liable to its customer for damages proximately caused by the wrongful dishonor of an item. Liability is limited to actual damages proved and may include damages for an arrest or prosecution of the customer or other consequential damages. Whether any consequential damages are proximately caused by the wrongful dishonor is a question of fact to be determined in each case.

(c) A payor bank's determination of the customer's account balance on which a decision to dishonor for insufficiency of available funds is based may be made at any time between the time the item is received by the payor bank and the time that the payor bank returns the item or gives notice in lieu of return, and no more than one (1) determination need be made. If, at the election of the payor bank, a subsequent balance determination is made for the purpose of reevaluating the bank's decision to dishonor the item, the account balance at that time is determinative of whether a dishonor for insufficiency of available funds is wrongful.

(Formerly: Acts 1963, c.317, s.4-402.) As amended by P.L.222-1993, SEC.37.

IC 26-1-4-403

Customer's right to stop payment; burden of proof of loss

Sec. 403. (a) A customer or any person authorized to draw on the account if there is more than one (1) person may stop payment of any

item drawn on the customer's account or close the account by an order to the bank describing the item or account with reasonable certainty received at a time and in a manner that affords the bank a reasonable opportunity to act on it before any action by the bank with respect to the item described in IC 26-1-4-303. If the signature of more than one (1) person is required to draw on an account, any of these persons may stop payment or close the account.

(b) A stop-payment order is effective for six (6) months, but it lapses after fourteen (14) calendar days if the original order was oral and was not confirmed in a record within that period. A stop-payment order may be renewed for additional six (6) month periods by a record given to the bank within a period during which the stop-payment order is effective.

(c) The burden of establishing the fact and amount of loss resulting from the payment of an item contrary to a stop-payment order or order to close an account is on the customer. The loss from payment of an item contrary to a stop-payment order may include damages for dishonor of subsequent items under IC 26-1-4-402.

(Formerly: Acts 1963, c.317, s.4-403.) As amended by P.L.152-1986, SEC.225; P.L.222-1993, SEC.38; P.L.135-2009, SEC.20.

IC 26-1-4-404

Bank not obligated to pay check more than six months old

Sec. 404. A bank is under no obligation to a customer having a checking account to pay a check, other than a certified check, which is presented more than six (6) months after its date, but it may charge its customer's account for a payment made thereafter in good faith.

(Formerly: Acts 1963, c.317, s.4-404.)

IC 26-1-4-405

Death or incompetence of customer

Sec. 405. (a) A payor or collecting bank's authority to accept, pay, or collect an item or to account for proceeds of its collection, if otherwise effective, is not rendered ineffective by the mental incompetence of a customer of either bank existing at the time the item is issued or its collection is undertaken if the bank does not know of an adjudication of incompetence. Neither death nor mental incompetence of a customer revokes the authority to accept, pay, collect, or account until the bank knows of the fact of death or of an adjudication of incompetence and has reasonable opportunity to act on it.

(b) Even with knowledge, a bank may for ten (10) days after the date of death pay or certify checks drawn on or before that date unless ordered to stop payment by a person claiming an interest in the account.

(Formerly: Acts 1963, c.317, s.4-405.) As amended by P.L.33-1989, SEC.25; P.L.222-1993, SEC.39.

IC 26-1-4-406

Customer's duty to discover and report unauthorized signature or alteration

Sec. 406. (a) A bank that sends or makes available to a customer a statement of account showing payment of items for the account shall either return or make available to the customer the items paid or provide information in the statement of account sufficient to allow the customer reasonably to identify the items paid. The statement of account provides sufficient information if the item is described by item number, amount, and date of payment.

(b) If the items are not returned to the customer, the person retaining the items shall either retain the items or, if the items are destroyed, maintain the capacity to furnish legible copies of the items until the expiration of seven (7) years after receipt of the items. A customer may request an item from the bank that paid the item, and that bank must provide in a reasonable time either the item or, if the item has been destroyed or is not otherwise obtainable, a legible copy of the item.

(c) If a bank sends or makes available a statement of account or items under subsection (a), the customer must exercise reasonable promptness in examining the statement or the items to determine whether any payment was not authorized because of an alteration of an item or because a purported signature by or on behalf of the customer was not authorized. If, based on the statement or items provided, the customer should reasonably have discovered the unauthorized payment, the customer must promptly notify the bank of the relevant facts.

(d) If the bank proves that the customer failed, with respect to an item, to comply with the duties imposed on the customer by subsection (c) the customer is precluded from asserting against the bank:

(1) the customer's unauthorized signature or any alteration on the item, if the bank also proves that it suffered a loss by reason of the failure; and

(2) the customer's unauthorized signature or alteration by the same wrongdoer on any other item paid in good faith by the bank if the payment was made before the bank received notice from the customer of the unauthorized signature or alteration and after the customer had been afforded a reasonable period of time, not exceeding thirty (30) days, in which to examine the item or statement of account and notify the bank.

(e) If subsection (d) applies and the customer proves that the bank failed to exercise ordinary care in paying the item and that the failure substantially contributed to loss, the loss is allocated between the customer precluded and the bank asserting the preclusion according to the extent to which the failure of the customer to comply with subsection (c) and the failure of the bank to exercise ordinary care contributed to the loss. If the customer proves that the bank did not

pay the item in good faith, the preclusion under subsection (d) does not apply.

(f) Without regard to care or lack of care of either the customer or the bank, a customer who does not within one (1) year after the statement or items are made available to the customer (subsection (a)) discover and report the customer's unauthorized signature on or any alteration on the item is precluded from asserting against the bank the unauthorized signature or alteration. If there is a preclusion under this subsection, the payor bank may not recover for breach of warranty under IC 26-1-4-208 with respect to the unauthorized signature or alteration to which the preclusion applies.

(Formerly: Acts 1963, c.317, s.4-406.) As amended by P.L.222-1993, SEC.40.

IC 26-1-4-407

Payor bank's right to subrogation on improper payment

Sec. 407. If a payor bank has paid an item over the order of the drawer or maker to stop payment, or after an account has been closed, or otherwise under circumstances giving a basis for objection by the drawer or maker, to prevent unjust enrichment and only to the extent necessary to prevent loss to the bank by reason of its payment of the item, the payor bank is subrogated to the rights:

(1) of any holder in due course on the item against the drawer or maker;

(2) of the payee or any other holder of the item against the drawer or maker either on the item or under the transaction out of which the item arose; and

(3) of the drawer or maker against the payee or any other holder of the item with respect to the transaction out of which the item arose.

(Formerly: Acts 1963, c.317, s.4-407.) As amended by P.L.222-1993, SEC.41.

IC 26-1-4-501

Handling of documentary drafts; duty to send for presentment and to notify customer of dishonor

Sec. 501. A bank that takes a documentary draft for collection shall present or send the draft and accompanying documents for presentment and, upon learning that the draft has not been paid or accepted in due course, shall seasonably notify its customer of the fact even though it may have discounted or bought the draft or extended credit available for withdrawal as of right.

(Formerly: Acts 1963, c.317, s.4-501.) As amended by P.L.222-1993, SEC.42.

IC 26-1-4-502

Presentment of "on arrival" drafts

Sec. 502. If a draft or the relevant instructions require presentment

"on arrival", "when goods arrive" or the like, the collecting bank need not present until in its judgment a reasonable time for arrival of the goods has expired. Refusal to pay or accept because the goods have not arrived is not dishonor; the bank must notify its transferor of the refusal but need not present the draft again until it is instructed to do so or learns of the arrival of the goods.

(Formerly: Acts 1963, c.317, s.4-502.) As amended by P.L.222-1993, SEC.43.

IC 26-1-4-503

Responsibility of presenting bank for documents and goods; report of reasons for dishonor; referee in case needed

Sec. 503. Unless otherwise instructed and except as provided in IC 26-1-5.1, a bank presenting a documentary draft:

(1) must deliver the documents to the drawee on acceptance of the draft if it is payable more than three (3) days after presentment; otherwise, only on payment; and

(2) upon dishonor, either in the case of presentment for acceptance or presentment for payment, may seek and follow instructions from any referee in case of need designated in the draft, or if the presenting bank does not choose to utilize the referee's services, it must use diligence and good faith to ascertain the reason for dishonor, must notify its transferor of the dishonor and of the results of its effort to ascertain the reasons therefor, and must request instructions.

However the presenting bank is under no obligation with respect to goods represented by the documents except to follow any reasonable instructions seasonably received. It has a right to reimbursement for any expense incurred in following instructions and to prepayment of or indemnity for those expenses.

(Formerly: Acts 1963, c.317, s.4-503.) As amended by P.L.152-1986, SEC.226; P.L.222-1993, SEC.44; P.L.183-1996, SEC.3.

IC 26-1-4-504

Privilege of presenting bank to deal with goods; security interest for expenses

Sec. 504. (a) A presenting bank that, following the dishonor of a documentary draft, has seasonably requested instructions but does not receive them within a reasonable time may store, sell, or otherwise deal with the goods in any reasonable manner.

(b) For its reasonable expenses incurred by action under subsection (a) the presenting bank has a lien upon the goods or their proceeds, which may be foreclosed in the same manner as an unpaid seller's lien.

(Formerly: Acts 1963, c.317, s.4-504.) As amended by P.L.222-1993, SEC.45.

IC 26-1-4.1
Chapter 4.1. Fund Transfers

IC 26-1-4.1-101
Short title
Sec. 101. IC 26-1-4.1 may be cited as the Uniform Commercial Code-Funds Transfers.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-102
Subject matter
Sec. 102. Except as otherwise provided in IC 26-1-4.1-108, this chapter applies to funds transfers defined in IC 26-1-4.1-104.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-103
Payment order—definitions
Sec. 103. (a) In IC 26-1-4.1:
(1) "Payment order" means an instruction of a sender to a receiving bank, transmitted orally, electronically, or in writing, to pay, or to cause another bank to pay, a fixed or determinable amount of money to a beneficiary if:
(i) the instruction does not state a condition to payment to the beneficiary other than time of payment;
(ii) the receiving bank is to be reimbursed by debiting an account of, or otherwise receiving payment from, the sender; and
(iii) the instruction is transmitted by the sender directly to the receiving bank or to an agent, funds-transfer system, or communication system for transmittal to the receiving bank.
(2) "Beneficiary" means the person to be paid by the beneficiary's bank.
(3) "Beneficiary's bank" means the bank identified in a payment order in which an account of the beneficiary is to be credited pursuant to the order or which otherwise is to make payment to the beneficiary if the order does not provide for payment to an account.
(4) "Receiving bank" means the bank to which the sender's instruction is addressed.
(5) "Sender" means the person giving the instruction to the receiving bank.
(b) If an instruction complying with subsection (a)(1) is to make more than one (1) payment to a beneficiary, the instruction is a separate payment order with respect to each payment.

(c) A payment order is issued when it is sent to the receiving bank.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-104
Funds transfer—definitions

Sec. 104. In IC 26-1-4.1:

(a) "Funds transfer" means the series of transactions, beginning with the originator's payment order, made for the purpose of making payment to the beneficiary of the order. The term includes any payment order issued by the originator's bank or an intermediary bank intended to carry out the originator's payment order. A funds transfer is completed by acceptance by the beneficiary's bank of a payment order for the benefit of the beneficiary of the originator's payment order.

(b) "Intermediary bank" means a receiving bank other than the originator's bank or the beneficiary's bank.

(c) "Originator" means the sender of the first payment order in a funds transfer.

(d) "Originator's bank" means (i) the receiving bank to which the payment order of the originator is issued if the originator is not a bank, or (ii) the originator if the originator is a bank.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-105
Other definitions

Sec. 105. (a) In IC 26-1-4.1:

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

(2) "Bank" means a person engaged in the business of banking and includes a savings bank, savings association, credit union, and trust company. A branch or separate office of a bank is a separate bank for purposes of IC 26-1-4.1.

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

(4) "Funds-transfer business day" of a receiving bank means the part of a day during which the receiving bank is open for the receipt, processing, and transmittal of payment orders and

cancellations and amendments of payment orders.

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

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

(7) "Prove" with respect to a fact means to meet the burden of establishing the fact (IC 26-1-1-201(8)).

(b) Other definitions applying to IC 26-1-4.1 and the sections in which they appear are:

"Acceptance". IC 26-1-4.1-209.
"Beneficiary". IC 26-1-4.1-103.
"Beneficiary's bank". IC 26-1-4.1-103.
"Executed". IC 26-1-4.1-301.
"Execution date". IC 26-1-4.1-301.
"Funds transfer". IC 26-1-4.1-104.
"Funds-transfer system rule". IC 26-1-4.1-501.
"Intermediary bank". IC 26-1-4.1-104.
"Originator". IC 26-1-4.1-104.
"Originator's bank". IC 26-1-4.1-104.
"Payment by beneficiary's bank to beneficiary". IC 26-1-4.1-405.
"Payment by originator to beneficiary". IC 26-1-4.1-406.
"Payment by sender to receiving bank". IC 26-1-4.1-403.
"Payment date". IC 26-1-4.1-401.
"Payment order". IC 26-1-4.1-103.
"Receiving bank". IC 26-1-4.1-103.
"Security procedure". IC 26-1-4.1-201.
"Sender". IC 26-1-4.1-103.

(c) The following definitions in IC 26-1-4 apply to this IC 26-1-4.1:

"Clearing house". IC 26-1-4-104.
"Item". IC 26-1-4-104.
"Suspends payments". IC 26-1-4-104.

(d) In addition IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout IC 26-1-4.1.

As added by P.L.189-1991, SEC.4. Amended by P.L.79-1998, SEC.29.

IC 26-1-4.1-106
Time payment order is received

Sec. 106. (a) The time of receipt of a payment order or communication canceling or amending a payment order is determined by the rules applicable to receipt of a notice stated in IC 26-1-1-201(27). A receiving bank may fix a cut-off time or times on a funds-transfer business day for the receipt and processing of payment orders and communications canceling or amending payment orders. Different cut-off times may apply to payment orders, cancellations, or amendments, or to different categories of payment orders, cancellations, or amendments. A cut-off time may apply to senders generally or different cut-off times may apply to different senders or categories of payment orders. If a payment order or communication canceling or amending a payment order is received after the close of a funds-transfer business day or after the appropriate cut-off time on a funds-transfer business day, the receiving bank may treat the payment order or communication as received at the opening of the next funds-transfer business day.

(b) If IC 26-1-4.1 refers to an execution date or payment date or states a day on which a receiving bank is required to take action, and the date or day does not fall on a funds-transfer business day, the next day that is a funds-transfer business day is treated as the date or day stated, unless the contrary is stated in IC 26-1-4.1.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-107

Federal reserve regulations and operating circulars

Sec. 107. Regulations of the Board of Governors of the Federal Reserve System and operating circulars of the Federal Reserve Banks supersede any inconsistent provision of IC 26-1-4.1 to the extent of the inconsistency.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-108

Exclusion of consumer transactions governed by federal law

Sec. 108. (a) Except as provided by subsection (b), IC 26-1-4.1 does not apply to a funds transfer any part of which is governed by the Electronic Fund Transfer Act of 1978 (Title XX, Public Law 95-630, 92 Stat. 3728, 15 U.S.C. 1693 et seq.) as amended from time to time.

(b) IC 26-1-4.1 applies to a funds transfer that is a remittance transfer as defined in the Electronic Fund Transfer Act (15 U.S.C. 1693o-1) as amended from time to time, unless the remittance transfer is an electronic fund transfer as defined in the Electronic Fund Transfer Act (15 U.S.C. 1693a) as amended from time to time.

(c) In a funds transfer to which IC 26-1-4.1 applies, in the event

of an inconsistency between an applicable provision of IC 26-1-4.1 and an applicable provision of the Electronic Fund Transfer Act, the provision of the Electronic Fund Transfer Act governs to the extent of the inconsistency.
As added by P.L.189-1991, SEC.4. Amended by P.L.39-2013, SEC.1.

IC 26-1-4.1-201
"Security procedure"

Sec. 201. "Security procedure" means a procedure established by agreement of a customer and a receiving bank for the purpose of (i) verifying that a payment order or communication amending or canceling a payment order is that of the customer, or (ii) detecting error in the transmission or the content of the payment order or communication. A security procedure may require the use of algorithms or other codes, identifying words or numbers, encryption, callback procedures, or similar security devices. Comparison of a signature on a payment order or communication with an authorized specimen signature of the customer is not by itself a security procedure.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-202
Authorized and verified payment orders

Sec. 202. (a) A payment order received by the receiving bank is the authorized order of the person identified as sender if that person authorized the order or is otherwise bound by it under the law of agency.

(b) If a bank and its customer have agreed that the authenticity of payment orders issued to the bank in the name of the customer as sender will be verified pursuant to a security procedure, a payment order received by the receiving bank is effective as the order of the customer, whether or not authorized, if (i) the security procedure is a commercially reasonable method of providing security against unauthorized payment orders, and (ii) the bank proves that it accepted the payment order in good faith and in compliance with the security procedure and any written agreement or instruction of the customer restricting acceptance of payment orders issued in the name of the customer. The bank is not required to follow an instruction that violates a written agreement with the customer or notice of which is not received at a time and in a manner affording the bank a reasonable opportunity to act on it before the payment order is accepted.

(c) Commercial reasonableness of a security procedure is a question of law to be determined by considering the wishes of the

customer expressed to the bank, the circumstances of the customer known to the bank, including the size, type, and frequency of payment orders normally issued by the customer to the bank, alternative security procedures offered to the customer, and security procedures in general use by customers and receiving banks similarly situated. A security procedure is deemed to be commercially reasonable if (i) the security procedure was chosen by the customer after the bank offered, and the customer refused, a security procedure that was commercially reasonable for that customer, and (ii) the customer expressly agreed in writing to be bound by any payment order, whether or not authorized, issued in its name and accepted by the bank in compliance with the security procedure chosen by the customer.

(d) The term "sender" in IC 26-1-4.1 includes the customer in whose name a payment order is issued if the order is the authorized order of the customer under subsection (a), or it is effective as the order of the customer under subsection (b).

(e) This section applies to amendments and cancellations of payment orders to the same extent it applies to payment orders.

(f) Except as provided in this section and in IC 26-1-4.1-203(a)(1), rights and obligations arising under this section or IC 26-1-4.1-203 may not be varied by agreement.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-203

Unenforceability of certain verified payment orders

Sec. 203. (a) If an accepted payment order is not, under IC 26-1-4.1-202(a), an authorized order of a customer identified as sender, but is effective as an order of the customer pursuant to IC 26-1-4.1-202(b), the following rules apply:

(1) By express written agreement, the receiving bank may limit the extent to which it is entitled to enforce or retain payment of the payment order.

(2) The receiving bank is not entitled to enforce or retain payment of the payment order if the customer proves that the order was not caused, directly or indirectly, by a person:

(i) entrusted at any time with duties to act for the customer with respect to payment orders or the security procedure; or

(ii) who obtained access to transmitting facilities of the customer or who obtained, from a source controlled by the customer and without authority of the receiving bank, information facilitating breach of the security procedure, regardless of how the information was obtained or whether

the customer was at fault. Information includes any access device, computer software, or the like.

(b) This section applies to amendments of payment orders to the same extent it applies to payment orders.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-204

Refund of payment and duty of customer to report with respect to unauthorized payment order

Sec. 204. (a) If a receiving bank accepts a payment order issued in the name of its customer as sender which is (i) not authorized and not effective as the order of the customer under IC 26-1-2.1-202, or (ii) not enforceable, in whole or in part, against the customer under IC 26-1-4.1-203, the bank shall refund any payment of the payment order received from the customer to the extent the bank is not entitled to enforce payment and shall pay interest on the refundable amount calculated from the date the bank received payment to the date of the refund. However, the customer is not entitled to interest from the bank on the amount to be refunded if the customer fails to exercise ordinary care to determine that the order was not authorized by the customer and to notify the bank of the relevant facts within a reasonable time not exceeding ninety (90) days after the date the customer received notification from the bank that the order was accepted or that the customer's account was debited with respect to the order. The bank is not entitled to any recovery from the customer on account of a failure by the customer to give notification as stated in this section.

(b) Reasonable time under subsection (a) may be fixed by agreement as stated in IC 26-1-1-204(1), but the obligation of a receiving bank to refund payment as stated in subsection (a) may not otherwise be varied by agreement.

As added by P.L.189-1991, SEC.4. Amended by P.L.1-1992, SEC.138.

IC 26-1-4.1-205

Erroneous payment orders

Sec. 205. (a) If an accepted payment order was transmitted pursuant to a security procedure for the detection of error and the payment order (i) erroneously instructed payment to a beneficiary not intended by the sender, (ii) erroneously instructed payment in an amount greater than the amount intended by the sender, or (iii) was an erroneously transmitted duplicate of a payment order previously sent by the sender, the following rules apply:

(1) If the sender proves that the sender or a person acting on

behalf of the sender pursuant to IC 26-1-4.1-206 complied with the security procedure and that the error would have been detected if the receiving bank had also complied, the sender is not obligated to pay the order to the extent stated in subdivisions (2) and (3).

(2) If the funds transfer is completed on the basis of an erroneous payment order described in clause (i) or (iii) of subsection (a), the sender is not obliged to pay the order and the receiving bank is entitled to recover from the beneficiary any amount paid to the beneficiary to the extent allowed by the law governing mistake and restitution.

(3) If the funds transfer is completed on the basis of a payment order described in clause (ii) of subsection (a), the sender is not obligated to pay the order to the extent the amount received by the beneficiary is greater than the amount intended by the sender. In that case, the receiving bank is entitled to recover from the beneficiary the excess amount received to the extent allowed by the law governing mistake and restitution.

(b) If (i) the sender of an erroneous payment order described in subsection (a) is not obligated to pay all or part of the order, and (ii) the sender receives notification from the receiving bank that the order was accepted by the bank or that the sender's account was debited with respect to the order, the sender has a duty to exercise ordinary care, on the basis of information available to the sender, to discover the error with respect to the order and to advise the bank of the relevant facts within a reasonable time, not exceeding ninety (90) days, after the bank's notification was received by the sender. If the bank proves that the sender failed to perform that duty, the sender is liable to the bank for the loss the bank proves it incurred as a result of the failure, but the liability of the sender may not exceed the amount of the sender's order.

(c) This section applies to amendments to payment orders to the same extent it applies to payment orders.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-206

Transmission of payment order through funds-transfer or other communication system

Sec. 206. (a) If a payment order addressed to a receiving bank is transmitted to a funds-transfer system or other third-party communication system for transmittal to the bank, the system is deemed to be an agent of the sender for the purpose of transmitting the payment order to the bank. If there is a discrepancy between the terms of the payment order transmitted to the system and the terms

of the payment order transmitted by the system to the bank, the terms of the payment order of the sender are those transmitted by the system. This section does not apply to a funds-transfer system of the Federal Reserve Banks.

(b) This section applies to cancellations and amendments of payment orders to the same extent it applies to payment orders.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-207

Misdescription of beneficiary

Sec. 207. (a) Subject to subsection (b), if, in a payment order received by the beneficiary's bank, the name, bank account number, or other identification of the beneficiary refers to a nonexistent or unidentifiable person or account, no person has rights as a beneficiary of the order and acceptance of the order cannot occur.

(b) If a payment order received by the beneficiary's bank identifies the beneficiary both by name and by an identifying or bank account number and the name and number identify different persons, the following rules apply:

(1) Except as otherwise provided in subsection (c), if the beneficiary's bank does not know that the name and number refer to different persons, it may rely on the number as the proper identification of the beneficiary of the order. The beneficiary's bank need not determine whether the name and number refer to the same person.

(2) If the beneficiary's bank pays the person identified by name or knows that the name and number identify different persons, no person has rights as beneficiary except the person paid by the beneficiary's bank if that person was entitled to receive payment from the originator of the funds transfer. If no person has rights as beneficiary, acceptance of the order cannot occur.

(c) If (i) a payment order described in subsection (b) is accepted, (ii) the originator's payment order described the beneficiary inconsistently by name and number, and (iii) the beneficiary's bank pays the person identified by number as permitted by subsection (b)(1), the following rules apply:

(1) If the originator is a bank, the originator is obliged to pay its order.

(2) If the originator is not a bank and proves that the person identified by number was not entitled to receive payment from the originator, the originator is not obliged to pay its order unless the originator's bank proves that the originator, before acceptance of the originator's order, had notice that payment of

a payment order issued by the originator might be made by the beneficiary's bank on the basis of an identifying or bank account number even if it identifies a person different from the named beneficiary. Proof of notice may be made by any admissible evidence. The originator's bank satisfies the burden of proof if it proves that the originator, before the payment order was accepted, signed a writing stating the information to which the notice relates.

(d) In a case governed by subsection (b)(1), if the beneficiary's bank rightfully pays the person identified by number and that person was not entitled to receive payment from the originator, the amount paid may be recovered from that person to the extent allowed by the law governing mistake and restitution as follows:

(1) If the originator is obliged to pay its payment order as stated in subsection (c), the originator has the right to recover.

(2) If the originator is not a bank and is not obliged to pay its payment order, the originator's bank has the right to recover.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-208

Misdescription of intermediary bank or beneficiary's bank

Sec. 208. (a) This subsection applies to a payment order identifying an intermediary bank or the beneficiary's bank only by an identifying number.

(1) The receiving bank may rely on the number as the proper identification of the intermediary or beneficiary's bank and need not determine whether the number identifies a bank.

(2) The sender is obliged to compensate the receiving bank for any loss and expenses incurred by the receiving bank as a result of its reliance on the number in executing or attempting to execute the order.

(b) This subsection applies to a payment order identifying an intermediary bank or the beneficiary's bank both by name and an identifying number if the name and number identify different persons.

(1) If the sender is a bank, the receiving bank may rely on the number as the proper identification of the intermediary or beneficiary's bank if the receiving bank, when it executes the sender's order, does not know that the name and number identify different persons. The receiving bank need not determine whether the name and number refer to the same person or whether the number refers to a bank. The sender is obliged to compensate the receiving bank for any loss and

expenses incurred by the receiving bank as a result of its reliance on the number in executing or attempting to execute the order.

(2) If the sender is not a bank and the receiving bank proves that the sender, before the payment order was accepted, had notice that the receiving bank might rely on the number as the proper identification of the intermediary or beneficiary's bank even if it identifies a person different from the bank identified by name, the rights and obligations of the sender and the receiving bank are governed by subdivision (1), as though the sender were a bank. Proof of notice may be made by any admissible evidence. The receiving bank satisfies the burden of proof if it proves that the sender, before the payment order was accepted, signed a writing stating the information to which the notice relates.

(3) Regardless of whether the sender is a bank, the receiving bank may rely on the name as the proper identification of the intermediary or beneficiary's bank if the receiving bank, at the time it executes the sender's order, does not know that the name and number identify different persons. The receiving bank need not determine whether the name and number refer to the same person.

(4) If the receiving bank knows that the name and number identify different persons, reliance on either the name or the number in executing the sender's payment order is a breach of the obligation stated in IC 26-1-4.1-302(a)(1).

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-209

Acceptance of payment order

Sec. 209. (a) Subject to subsection (d), a receiving bank other than the beneficiary's bank accepts a payment order when it executes the order.

(b) Subject to subsections (c) and (d), a beneficiary's bank accepts a payment order at the earliest of the following times:

(1) when the bank:

(i) pays the beneficiary as stated in IC 26-1-4.1-405(a) or IC 26-1-4.1-405(b); or

(ii) notifies the beneficiary of receipt of the order or that the account of the beneficiary has been credited with respect to the order unless the notice indicates that the bank is rejecting the order or that funds with respect to the order may not be withdrawn or used until receipt of payment from the sender of the order;

(2) when the bank receives payment of the entire amount of the sender's order pursuant to IC 26-1-4.1-403(a)(1) or IC 26-1-4.1-403(a)(2); or

(3) the opening of the next funds-transfer business day of the bank following the payment date of the order if, at that time, the amount of the sender's order is fully covered by a withdrawable credit balance in an authorized account of the sender or the bank has otherwise received full payment from the sender, unless the order was rejected before that time or is rejected within:

(i) one (1) hour after that time; or

(ii) one (1) hour after the opening of the next business day of the sender following the payment date if that time is later.

If notice of rejection is received by the sender after the payment date and the authorized account of the sender does not bear interest, the bank is obliged to pay interest to the sender on the amount of the order for the number of days elapsing after the payment date to the day the sender receives notice or learns that the order was not accepted, counting that day as an elapsed day. If the withdrawable credit balance during that period falls below the amount of the order, the amount of interest payable is reduced accordingly.

(c) Acceptance of a payment order cannot occur before the order is received by the receiving bank. Acceptance does not occur under subsection (b)(2) or (b)(3) if the beneficiary of the payment order does not have an account with the receiving bank, the account has been closed, or the receiving bank is not permitted by law to receive credits for the beneficiary's account.

(d) A payment order issued to the originator's bank cannot be accepted until the payment date if the bank is the beneficiary's bank, or the execution date if the bank is not the beneficiary's bank. If the originator's bank executes the originator's payment order before the execution date or pays the beneficiary of the originator's payment order before the payment date and the payment order is subsequently canceled pursuant to IC 26-1-4.1-211(b), the bank may recover from the beneficiary any payment received to the extent allowed by the law governing mistake and restitution.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-210

Rejection of payment order

Sec. 210. (a) A payment order is rejected by the receiving bank by a notice of rejection transmitted to the sender orally, electronically,

or in writing. A notice of rejection need not use any particular words and is sufficient if it indicates that the receiving bank is rejecting the order or will not execute or pay the order. Rejection is effective when the notice is given if transmission is by a means that is reasonable in the circumstances. If notice of rejection is given by a means that is not reasonable, rejection is effective when the notice is received. If an agreement of the sender and receiving bank establishes the means to be used to reject a payment order, (i) any means complying with the agreement is reasonable and (ii) any means not complying is not reasonable unless no significant delay in receipt of the notice resulted from the use of the noncomplying means.

(b) This subsection applies if a receiving bank other than the beneficiary's bank fails to execute a payment order despite the existence on the execution date of a withdrawable credit balance in an authorized account of the sender sufficient to cover the order. If the sender does not receive notice of rejection of the order on the execution date and the authorized account of the sender does not bear interest, the bank is obliged to pay interest to the sender on the amount of the order for the number of days elapsing after the execution date to the earlier of the day the order is canceled pursuant to IC 26-1-4.1-211(d) or the day the sender receives notice or learns that the order was not executed, counting the final day of the period as an elapsed day. If the withdrawable credit balance during that period falls below the amount of the order, the amount of interest is reduced accordingly.

(c) If a receiving bank suspends payments, all unaccepted payment orders issued to it are deemed rejected at the time the bank suspends payments.

(d) Acceptance of a payment order precludes a later rejection of the order. Rejection of a payment order precludes a later acceptance of the order.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-211

Cancellation and amendment of payment order

Sec. 211. (a) A communication of the sender of a payment order canceling or amending the order may be transmitted to the receiving bank orally, electronically, or in writing. If a security procedure is in effect between the sender and the receiving bank, the communication is not effective to cancel or amend the order unless the communication is verified pursuant to the security procedure or the bank agrees to the cancellation or amendment.

(b) Subject to subsection (a), a communication by the sender canceling or amending a payment order is effective to cancel or amend the order if notice of the communication is received at a time and in a manner affording the receiving bank a reasonable opportunity to act on the communication before the bank accepts the payment order.

(c) After a payment order has been accepted, cancellation or amendment of the order is not effective unless the receiving bank agrees or a funds-transfer system rule allows cancellation or amendment without agreement of the bank.

(1) With respect to a payment order accepted by a receiving bank other than the beneficiary's bank, cancellation or amendment is not effective unless a conforming cancellation or amendment of the payment order issued by the receiving bank is also made.

(2) With respect to a payment order accepted by the beneficiary's bank, cancellation or amendment is not effective unless the order was issued in execution of an unauthorized payment order, or because of a mistake by a sender in the funds transfer which resulted in the issuance of a payment order:

(i) that is a duplicate of a payment order previously issued by the sender;

(ii) that orders payment to a beneficiary not entitled to receive payment from the originator; or

(iii) that orders payment in an amount greater than the amount the beneficiary was entitled to receive from the originator. If the payment order is canceled or amended, the beneficiary's bank is entitled to recover from the beneficiary any amount paid to the beneficiary to the extent allowed by the law governing mistake and restitution.

(d) An unaccepted payment order is canceled by operation of law at the close of the fifth funds-transfer business day of the receiving bank after the execution date or payment date of the order.

(e) A canceled payment order cannot be accepted. If an accepted payment order is canceled, the acceptance is nullified and no person has any right or obligation based on the acceptance. Amendment of a payment order is deemed to be cancellation of the original order at the time of amendment and issue of a new payment order in the amended form at the same time.

(f) Unless otherwise provided in an agreement of the parties or in a funds-transfer system rule, if the receiving bank, after accepting a payment order, agrees to cancellation or amendment of the order by the sender or is bound by a funds-transfer system rule allowing

cancellation or amendment without the bank's agreement, the sender, whether or not cancellation or amendment is effective, is liable to the bank for any loss and expenses, including reasonable attorney's fees, incurred by the bank as a result of the cancellation or amendment or attempted cancellation or amendment.

(g) A payment order is not revoked by the death or legal incapacity of the sender unless the receiving bank knows of the death or of an adjudication of incapacity by a court of competent jurisdiction and has reasonable opportunity to act before acceptance of the order.

(h) A funds-transfer system rule is not effective to the extent it conflicts with subsection (c)(2).

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-212

Liability and duty of receiving bank regarding unaccepted payment order

Sec. 212. If a receiving bank fails to accept a payment order that it is obliged by express agreement to accept, the bank is liable for breach of the agreement to the extent provided in the agreement or in IC 26-1-4.1, but does not otherwise have any duty to accept a payment order or, before acceptance, to take any action, or refrain from taking action, with respect to the order except as provided in IC 26-1-4.1 or by express agreement. Liability based on acceptance arises only when acceptance occurs as stated in IC 26-1-4.1-209, and liability is limited to that provided in IC 26-1-4.1. A receiving bank is not the agent of the sender or beneficiary of the payment order it accepts, or of any other party to the funds transfer, and the bank owes no duty to any party to the funds transfer except as provided in IC 26-1-4.1 or by express agreement.

As added by P.L.189-1991, SEC.4. Amended by P.L.1-1992, SEC.139.

IC 26-1-4.1-301

Execution and execution date

Sec. 301. (a) A payment order is "executed" by the receiving bank when it issues a payment order intended to carry out the payment order received by the bank. A payment order received by the beneficiary's bank can be accepted but cannot be executed.

(b) "Execution date" of a payment order means the day on which the receiving bank may properly issue a payment order in execution of the sender's order. The execution date may be determined by instruction of the sender but cannot be earlier than the day the order is received and, unless otherwise determined, is the day the order is

received. If the sender's instruction states a payment date, the execution date is the payment date or an earlier date on which execution is reasonably necessary to allow payment to the beneficiary on the payment date.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-302
Obligations of receiving bank in execution of payment order

Sec. 302. (a) Except as provided in subsections (b) through (d), if the receiving bank accepts a payment order pursuant to IC 26-1-4.1-209(a), the bank has the following obligations in executing the order:

(1) The receiving bank is obliged to issue, on the execution date, a payment order complying with the sender's order and to follow the sender's instructions concerning:

(i) any intermediary bank or funds-transfer system to be used in carrying out the funds transfer; or

(ii) the means by which payment orders are to be transmitted in the funds transfer.

If the originator's bank issues a payment order to an intermediary bank, the originator's bank is obliged to instruct the intermediary bank according to the instruction of the originator. An intermediary bank in the funds transfer is similarly bound by an instruction given to it by the sender of the payment order it accepts.

(2) If the sender's instruction states that the funds transfer is to be carried out telephonically or by wire transfer or otherwise indicates that the funds transfer is to be carried out by the most expeditious means, the receiving bank is obliged to transmit its payment order by the most expeditious available means, and to instruct any intermediary bank accordingly. If a sender's instruction states a payment date, the receiving bank is obliged to transmit its payment order at a time and by means reasonably necessary to allow payment to the beneficiary on the payment date or as soon thereafter as is feasible.

(b) Unless otherwise instructed, a receiving bank executing a payment order may (i) use any funds-transfer system if use of that system is reasonable in the circumstances, and (ii) issue a payment order to the beneficiary's bank or to an intermediary bank through which a payment order conforming to the sender's order can expeditiously be issued to the beneficiary's bank if the receiving bank exercises ordinary care in the selection of the intermediary bank. A receiving bank is not required to follow an instruction of the sender

designating a funds-transfer system to be used in carrying out the funds transfer if the receiving bank, in good faith, determines that it is not feasible to follow the instruction or that following the instruction would unduly delay completion of the funds transfer.

(c) Unless subsection (a)(2) applies or the receiving bank is otherwise instructed, the bank may execute a payment order by transmitting its payment order by first class mail or by any means reasonable in the circumstances. If the receiving bank is instructed to execute the sender's order by transmitting its payment order by a particular means, the receiving bank may issue its payment order by the means stated or by any means as expeditious as the means stated.

(d) Unless instructed by the sender, (i) the receiving bank may not obtain payment of its charges for services and expenses in connection with the execution of the sender's order by issuing a payment order in an amount equal to the amount of the sender's order less the amount of the charges, and (ii) may not instruct a subsequent receiving bank to obtain payment of its charges in the same manner.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-303
Erroneous execution of payment order

Sec. 303. (a) A receiving bank that (i) executes the payment order of the sender by issuing a payment order in an amount greater than the amount of the sender's order, or (ii) issues a payment order in execution of the sender's order and then issues a duplicate order, is entitled to payment of the amount of the sender's order under IC 26-1-4.1-402(c) if that subsection is otherwise satisfied. The bank is entitled to recover from the beneficiary of the erroneous order the excess payment received to the extent allowed by the law governing mistake and restitution.

(b) A receiving bank that executes the payment order of the sender by issuing a payment order in an amount less than the amount of the sender's order is entitled to payment of the amount of the sender's order under IC 26-1-4.1-402(c) if (i) that subsection is otherwise satisfied and (ii) the bank corrects its mistake by issuing an additional payment order for the benefit of the beneficiary of the sender's order. If the error is not corrected, the issuer of the erroneous order is entitled to receive or retain payment from the sender of the order it accepted only to the extent of the amount of the erroneous order. This subsection does not apply if the receiving bank executes the sender's payment order by issuing a payment order in an amount less than the amount of the sender's order for the purpose of obtaining payment of its charges for services and expenses pursuant

to instruction of the sender.

(c) If a receiving bank executes the payment order of the sender by issuing a payment order to a beneficiary different from the beneficiary of the sender's order and the funds transfer is completed on the basis of that error, the sender of the payment order that was erroneously executed and all previous senders in the funds transfer are not obliged to pay the payment orders they issued. The issuer of the erroneous order is entitled to recover from the beneficiary of the order the payment received to the extent allowed by the law governing mistake and restitution.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-304

Duty of sender to report erroneously executed payment order

Sec. 304. If the sender of a payment order that is erroneously executed as stated in IC 26-1-4.1-303 receives notification from the receiving bank that the order was executed or that the sender's account was debited with respect to the order, the sender has a duty to exercise ordinary care to determine, on the basis of information available to the sender, that the order was erroneously executed and to notify the bank of the relevant facts within a reasonable time not exceeding ninety (90) days after the notification from the bank was received by the sender. If the sender fails to perform that duty, the bank is not obliged to pay interest on any amount refundable to the sender under IC 26-1-4.1-402(d) for the period before the bank learns of the execution error. The bank is not entitled to any recovery from the sender on account of a failure by the sender to perform the duty stated in this section.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-305

Liability for late or improper execution or failure to execute payment order

Sec. 305. (a) If a funds transfer is completed but execution of a payment order by the receiving bank in breach of IC 26-1-4.1-302 results in delay in payment to the beneficiary, the bank is obliged to pay interest to either the originator or the beneficiary of the funds transfer for the period of delay caused by the improper execution. Except as provided in subsection (c), additional damages are not recoverable.

(b) If execution of a payment order by a receiving bank in breach of IC 26-1-4.1-302 results in (i) noncompletion of the funds transfer, (ii) failure to use an intermediary bank designated by the originator, or (iii) issuance of a payment order that does not comply with the

terms of the payment order of the originator, the bank is liable to the originator for its expenses in the funds transfer and for incidental expenses and interest losses, to the extent not covered by subsection (a), resulting from the improper execution. Except as provided in subsection (c), additional damages are not recoverable.

(c) In addition to the amounts payable under subsections (a) and (b), damages, including consequential damages, are recoverable to the extent provided in an express written agreement of the receiving bank.

(d) If a receiving bank fails to execute a payment order it was obliged by express agreement to execute, the receiving bank is liable to the sender for its expenses in the transaction and for incidental expenses and interest losses resulting from the failure to execute. Additional damages, including consequential damages, are recoverable to the extent provided in an express written agreement of the receiving bank, but are not otherwise recoverable.

(e) Reasonable attorney's fees are recoverable if demand for compensation under subsection (a) or (b) is made and refused before an action is brought on the claim. If a claim is made for breach of an agreement under subsection (d) and the agreement does not provide for damages, reasonable attorney's fees are recoverable if demand for compensation under subsection (d) is made and refused before an action is brought on the claim.

(f) Except as stated in this section, the liability of a receiving bank under subsections (a) and (b) may not be varied by agreement.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-401
"Payment date"

Sec. 401. "Payment date" of a payment order means the day on which the amount of the order is payable to the beneficiary by the beneficiary's bank. The payment date may be determined by instruction of the sender but cannot be earlier than the day the order is received by the beneficiary's bank and, unless otherwise determined, is the day the order is received by the beneficiary's bank.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-402
Obligation of sender to pay receiving bank

Sec. 402. (a) This section is subject to IC 26-1-4.1-205 and IC 26-1-4.1-207.

(b) With respect to a payment order issued to the beneficiary's bank, acceptance of the order by the bank obliges the sender to pay the bank the amount of the order, but payment is not due until the

payment date of the order.

(c) This subsection is subject to subsection (e) and to IC 26-1-4.1-303. With respect to a payment order issued to a receiving bank other than the beneficiary's bank, acceptance of the order by the receiving bank obliges the sender to pay the bank the amount of the sender's order. Payment by the sender is not due until the execution date of the sender's order. The obligation of that sender to pay its payment order is excused if the funds transfer is not completed by acceptance by the beneficiary's bank of a payment order instructing payment to the beneficiary of that sender's payment order.

(d) If the sender of a payment order pays the order and was not obliged to pay all or part of the amount paid, the bank receiving payment is obliged to refund payment to the extent the sender was not obliged to pay. Except as provided in IC 26-1-4.1-204 and IC 26-1-4.1-304, interest is payable on the refundable amount from the date of payment.

(e) If a funds transfer is not completed as stated in subsection (c) and an intermediary bank is obliged to refund payment as stated in subsection (d) but is unable to do so because not permitted by applicable law or because the bank suspends payments, a sender in the funds transfer that executed a payment order in compliance with an instruction, as stated in IC 26-1-4.1-302(a)(1), to route the funds transfer through that intermediary bank is entitled to receive or retain payment from the sender of the payment order that it accepted. The first sender in the funds transfer that issued an instruction requiring routing through that intermediary bank is subrogated to the right of the bank that paid the intermediary bank to refund as stated in subsection (d).

(f) The right of the sender of a payment order to be excused from the obligation to pay the order as stated in subsection (c) or to receive refund under subsection (d) may not be varied by agreement.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-403
Payment by sender to receiving bank

Sec. 403. (a) Payment of the sender's obligation under IC 26-1-4.1-402 to pay the receiving bank occurs as follows:

(1) If the sender is a bank, payment occurs when the receiving bank receives final settlement of the obligation through a Federal Reserve Bank or through a funds-transfer system.

(2) If the sender is a bank and the sender:

(i) credited an account of the receiving bank with the sender;

or

(ii) caused an account of the receiving bank in another bank to be credited;

payment occurs when the credit is withdrawn or, if not withdrawn, at midnight of the day on which the credit is withdrawable and the receiving bank learns of that fact.

(3) If the receiving bank debits an account of the sender with the receiving bank, payment occurs when the debit is made to the extent the debit is covered by a withdrawable credit balance in the account.

(b) If the sender and receiving bank are members of a funds-transfer system that nets obligations multilaterally among participants, the receiving bank receives final settlement when settlement is complete in accordance with the rules of the system. The obligation of the sender to pay the amount of a payment order transmitted through the funds-transfer system may be satisfied, to the extent permitted by the rules of the system, by setting off and applying against the sender's obligation the right of the sender to receive payment from the receiving bank of the amount of any other payment order transmitted to the sender by the receiving bank through the funds-transfer system. The aggregate balance of obligations owed by each sender to each receiving bank in the funds-transfer system may be satisfied, to the extent permitted by the rules of the system, by setting off and applying against that balance the aggregate balance of obligations owed to the sender by other members of the system. The aggregate balance is determined after the right of setoff stated in the second sentence of this subsection has been exercised.

(c) If two banks transmit payment orders to each other under an agreement that settlement of the obligations of each bank to the other under IC 26-1-4.1-402 will be made at the end of the day or other period, the total amount owed with respect to all orders transmitted by one bank shall be set off against the total amount owed with respect to all orders transmitted by the other bank. To the extent of the setoff, each bank has made payment to the other.

(d) In a case not covered by subsection (a), the time when payment of the sender's obligation under IC 26-1-4.1-402(b) or IC 26-1-4.1-402(c) occurs is governed by applicable principles of law

that determine when an obligation is satisfied.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-404
Obligation of beneficiary's bank to pay and give notice to beneficiary

Sec. 404. (a) Subject to IC 26-1-4.1-211(e), IC 26-1-4.1-405(d), and IC 26-1-4.1-405(e), if a beneficiary's bank accepts a payment order, the bank is obliged to pay the amount of the order to the beneficiary of the order. Payment is due on the payment date of the order, but if acceptance occurs on the payment date after the close of the funds-transfer business day of the bank, payment is due on the next funds-transfer business day. If the bank refuses to pay after demand by the beneficiary and receipt of notice of particular circumstances that will give rise to consequential damages as a result of nonpayment, the beneficiary may recover damages resulting from the refusal to pay to the extent the bank had notice of the damages, unless the bank proves that it did not pay because of a reasonable doubt concerning the right of the beneficiary to payment.

(b) If a payment order accepted by the beneficiary's bank instructs payment to an account of the beneficiary, the bank is obliged to notify the beneficiary of receipt of the order before midnight of the next funds-transfer business day following the payment date. If the payment order does not instruct payment to an account of the beneficiary, the bank is required to notify the beneficiary only if notice is required by the order. Notice may be given by first class mail or any other means reasonable in the circumstances. If the bank fails to give the required notice, the bank is obliged to pay interest to the beneficiary on the amount of the payment order from the day notice should have been given until the day the beneficiary learned of receipt of the payment order by the bank. No other damages are recoverable. Reasonable attorney's fees are also recoverable if demand for interest is made and refused before an action is brought on the claim.

(c) The right of a beneficiary to receive payment and damages as stated in subsection (a) may not be varied by agreement or a funds-transfer system rule. The right of a beneficiary to be notified as stated in subsection (b) may be varied by agreement of the beneficiary or by a funds-transfer system rule if the beneficiary is notified of the rule before initiation of the funds transfer.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-405
Payment by beneficiary's bank to beneficiary

Sec. 405. (a) If the beneficiary's bank credits an account of the beneficiary of a payment order, payment of the bank's obligation under IC 26-1-4.1-404(a) occurs when and to the extent (i) the beneficiary is notified of the right to withdraw the credit, (ii) the bank lawfully applies the credit to a debt of the beneficiary, or (iii) funds with respect to the order are otherwise made available to the beneficiary by the bank.

(b) If the beneficiary's bank does not credit an account of the beneficiary of a payment order, the time when payment of the bank's obligation under IC 26-1-4.1-404(a) occurs is governed by principles of law that determine when an obligation is satisfied.

(c) Except as stated in subsections (d) and (e), if the beneficiary's bank pays the beneficiary of a payment order under a condition to payment or agreement of the beneficiary giving the bank the right to recover payment from the beneficiary if the bank does not receive payment of the order, the condition to payment or agreement is not enforceable.

(d) A funds-transfer system rule may provide that payments made to beneficiaries of funds transfers made through the system are provisional until receipt of payment by the beneficiary's bank of the payment order it accepted. A beneficiary's bank that makes a payment that is provisional under the rule is entitled to refund from the beneficiary if (i) the rule requires that both the beneficiary and the originator be given notice of the provisional nature of the payment before the funds transfer is initiated, (ii) the beneficiary, the beneficiary's bank and the originator's bank agreed to be bound by the rule, and (iii) the beneficiary's bank did not receive payment of the payment order that it accepted. If the beneficiary is obliged to refund payment to the beneficiary's bank, acceptance of the payment order by the beneficiary's bank is nullified and no payment by the originator of the funds transfer to the beneficiary occurs under IC 26-1-4.1-406.

(e) This subsection applies to a funds transfer that includes a payment order transmitted over a funds-transfer system that (i) nets obligations multilaterally among participants, and (ii) has in effect a loss-sharing agreement among participants for the purpose of providing funds necessary to complete settlement of the obligations of one or more participants that do not meet their settlement obligations. If the beneficiary's bank in the funds transfer accepts a payment order and the system fails to complete settlement pursuant to its rules with respect to any payment order in the funds transfer, (i) the acceptance by the beneficiary's bank is nullified and no person has any right or obligation based on the acceptance, (ii) the

beneficiary's bank is entitled to recover payment from the beneficiary, (iii) no payment by the originator to the beneficiary occurs under IC 26-1-4.1-406, and (iv) subject to IC 26-1-4.1-402(e), each sender in the funds transfer is excused from its obligation to pay its payment order under IC 26-1-4.1-402(c) because the funds transfer has not been completed.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-406
Payment by originator to beneficiary; discharge of underlying obligation

Sec. 406. (a) Subject to IC 26-1-4.1-211(e), IC 26-1-4.1-405(d), and IC 26-1-4.1-405(e), the originator of a funds transfer pays the beneficiary of the originator's payment order (i) at the time a payment order for the benefit of the beneficiary is accepted by the beneficiary's bank in the funds transfer and (ii) in an amount equal to the amount of the order accepted by the beneficiary's bank, but not more than the amount of the originator's order.

(b) If payment under subsection (a) is made to satisfy an obligation, the obligation is discharged to the same extent discharge would result from payment to the beneficiary of the same amount in money, unless (i) the payment under subsection (a) was made by a means prohibited by the contract of the beneficiary with respect to the obligation, (ii) the beneficiary, within a reasonable time after receiving notice of receipt of the order by the beneficiary's bank, notified the originator of the beneficiary's refusal of the payment, (iii) funds with respect to the order were not withdrawn by the beneficiary or applied to a debt of the beneficiary, and (iv) the beneficiary would suffer a loss that could reasonably have been avoided if payment had been made by a means complying with the contract. If payment by the originator does not result in discharge under this section, the originator is subrogated to the rights of the beneficiary to receive payment from the beneficiary's bank under IC 26-1-4.1-404(a).

(c) For the purpose of determining whether discharge of an obligation occurs under subsection (b), if the beneficiary's bank accepts a payment order in an amount equal to the amount of the originator's payment order less charges of one or more receiving banks in the funds transfer, payment to the beneficiary is deemed to be in the amount of the originator's order unless upon demand by the beneficiary the originator does not pay the beneficiary the amount of the deducted charges.

(d) Rights of the originator or of the beneficiary of a funds transfer under this section may be varied only by agreement of the

originator and the beneficiary.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-501
Variation by agreement and effect of funds transfer system rule

Sec. 501. (a) Except as otherwise provided in IC 26-1-4.1, the rights and obligations of a party to a funds transfer may be varied by agreement of the affected party.

(b) "Funds-transfer system rule" means a rule of an association of banks (i) governing transmission of payment orders by means of a funds-transfer system of the association or rights and obligations with respect to those orders, or (ii) to the extent the rule governs rights and obligations between banks that are parties to a funds transfer in which a Federal Reserve Bank, acting as an intermediary bank, sends a payment order to the beneficiary's bank. Except as otherwise provided in IC 26-1-4.1, a funds-transfer system rule governing rights and obligations between participating banks using the system may be effective even if the rule conflicts with IC 26-1-4.1 and indirectly affects another party to the funds transfer who does not consent to the rule. A funds-transfer system rule may also govern rights and obligations of parties other than participating banks using the system to the extent stated in IC 26-1-4.1-404(c), IC 26-1-4.1-405(d), and IC 26-1-4.1-507(c).
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-502
Creditor process served on receiving bank; setoff by beneficiary's bank

Sec. 502. (a) As used in this section, "creditor process" means levy, attachment, garnishment, notice of lien, sequestration, or similar process issued by or on behalf of a creditor or other claimant with respect to an account.

(b) This subsection applies to creditor process with respect to an authorized account of the sender of a payment order if the creditor process is served on the receiving bank. For the purpose of determining rights with respect to the creditor process, if the receiving bank accepts the payment order the balance in the authorized account is deemed to be reduced by the amount of the payment order to the extent the bank did not otherwise receive payment of the order, unless the creditor process is served at a time and in a manner affording the bank a reasonable opportunity to act on it before the bank accepts the payment order.

(c) If a beneficiary's bank has received a payment order for payment to the beneficiary's account in the bank, the following rules

apply:

(1) The bank may credit the beneficiary's account. The amount credited may be set off against an obligation owed by the beneficiary to the bank or may be applied to satisfy creditor process served on the bank with respect to the account.

(2) The bank may credit the beneficiary's account and allow withdrawal of the amount credited unless creditor process with respect to the account is served at a time and in a manner affording the bank a reasonable opportunity to act to prevent withdrawal.

(3) If creditor process with respect to the beneficiary's account has been served and the bank has had a reasonable opportunity to act on it, the bank may not reject the payment order except for a reason unrelated to the service of process.

(d) Creditor process with respect to a payment by the originator to the beneficiary pursuant to a funds transfer may be served only on the beneficiary's bank with respect to the debt owed by that bank to the beneficiary. Any other bank served with the creditor process is not obliged to act with respect to the process.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-503

Injunction or restraining order with respect to funds transfer

Sec. 503. For proper cause and in compliance with applicable law, a court may restrain (i) a person from issuing a payment order to initiate a funds transfer, (ii) an originator's bank from executing the payment order of the originator, or (iii) the beneficiary's bank from releasing funds to the beneficiary or the beneficiary from withdrawing the funds. A court may not otherwise restrain a person from issuing a payment order, paying or receiving payment of a payment order, or otherwise acting with respect to a funds transfer.

As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-504

Order in which items and payment orders may be charged to account; order of withdrawals from account

Sec. 504. (a) If a receiving bank has received more than one (1) payment order of the sender or one (1) or more payment orders and other items that are payable from the sender's account, the bank may charge the sender's account with respect to the various orders and items in any sequence.

(b) In determining whether a credit to an account has been withdrawn by the holder of the account or applied to a debt of the holder of the account, credits first made to the account are first

withdrawn or applied.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-505
Preclusion of objection to debit of customer's account

Sec. 505. If a receiving bank has received payment from its customer with respect to a payment order issued in the name of the customer as sender and accepted by the bank, and the customer received notification reasonably identifying the order, the customer is precluded from asserting that the bank is not entitled to retain the payment unless the customer notifies the bank of the customer's objection to the payment within one (1) year after the notification was received by the customer.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-506
Rate of interest

Sec. 506. (a) If, under IC 26-1-4.1, a receiving bank is obliged to pay interest with respect to a payment order issued to the bank, the amount payable may be determined (i) by agreement of the sender and receiving bank, or (ii) by a funds-transfer system rule if the payment order is transmitted through a funds-transfer system.

(b) If the amount of interest is not determined by an agreement or rule as stated in subsection (a), the amount is calculated by multiplying the applicable Federal Funds rate by the amount on which interest is payable, and then multiplying the product by the number of days for which interest is payable. The applicable Federal Funds rate is the average of the Federal Funds rates published by the Federal Reserve Bank of New York for each of the days for which interest is payable divided by three hundred sixty (360). The Federal Funds rate for any day on which a published rate is not available is the same as the published rate for the next preceding day for which there is a published rate. If a receiving bank that accepted a payment order is required to refund payment to the sender of the order because the funds transfer was not completed, but the failure to complete was not due to any fault by the bank, the interest payable is reduced by a percentage equal to the reserve requirement on deposits of the receiving bank.
As added by P.L.189-1991, SEC.4.

IC 26-1-4.1-507
Choice of law

Sec. 507. (a) The following rules apply unless the affected parties otherwise agree or subsection (c) applies:

(1) The rights and obligations between the sender of a payment order and the receiving bank are governed by the law of the jurisdiction in which the receiving bank is located.

(2) The rights and obligations between the beneficiary's bank and the beneficiary are governed by the law of the jurisdiction in which the beneficiary's bank is located.

(3) The issue of when payment is made pursuant to a funds transfer by the originator to the beneficiary is governed by the law of the jurisdiction in which the beneficiary's bank is located.

(b) If the parties described in each paragraph of subsection (a) have made an agreement selecting the law of a particular jurisdiction to govern rights and obligations between each other, the law of that jurisdiction governs those rights and obligations, whether or not the payment order or the funds transfer bears a reasonable relation to that jurisdiction.

(c) A funds-transfer system rule may select the law of a particular jurisdiction to govern (i) rights and obligations between participating banks with respect to payment orders transmitted or processed through the system, or (ii) the rights and obligations of some or all parties to a funds transfer any part of which is carried out by means of the system. A choice of law made pursuant to clause (i) is binding on participating banks. A choice of law made pursuant to clause (ii) is binding on the originator, other sender, or a receiving bank having notice that the funds-transfer system might be used in the funds transfer and of the choice of law by the system when the originator, other sender, or receiving bank issued or accepted a payment order. The beneficiary of a funds transfer is bound by the choice of law if, when the funds transfer is initiated, the beneficiary has notice that the funds-transfer system might be used in the funds transfer and of the choice of law by the system. The law of a jurisdiction selected pursuant to this subsection may govern, whether or not that law bears a reasonable relation to the matter in issue.

(d) In the event of inconsistency between an agreement under subsection (b) and a choice-of-law rule under subsection (c), the agreement under subsection (b) prevails.

(e) If a funds transfer is made by use of more than one funds-transfer system and there is inconsistency between choice-of-law rules of the systems, the matter in issue is governed by the law of the selected jurisdiction that has the most significant relationship to the matter in issue.

As added by P.L.189-1991, SEC.4.

IC 26-1-5
Repealed

(Repealed by P.L.183-1996, SEC.12.)

IC 26-1-5.1

Chapter 5.1. Letters of Credit

IC 26-1-5.1-101

Short title; scope

Sec. 101. (a) IC 26-1-5.1 shall be known and may be cited as Uniform Commercial Code – Letters of Credit.

(b) IC 26-1-5.1 applies to a letter of credit that is issued after June 30, 1996, and does not apply to a transaction, event, obligation, or duty arising out of or associated with a letter of credit that was issued before July 1, 1996.

(c) A transaction arising out of or associated with a letter of credit that was issued before July 1, 1996, and the rights, obligations, and interests flowing from that transaction:

(1) are governed by IC 26-1-5 (before its repeal) and any other law amended by senate enrolled act 193 of the 1996 regular session of the general assembly as if repeal or amendment had not occurred; and

(2) may be terminated, completed, consummated, or enforced under IC 26-1-5 (before its repeal) or other law (before its amendment by senate enrolled act 193 of the 1996 regular session of the general assembly).

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-102

Definitions

Sec. 102. (a) In IC 26-1-5.1:

(1) "Adviser" means a person who, at the request of the issuer, a confirmer, or another adviser, notifies or requests another adviser to notify the beneficiary that a letter of credit has been issued, confirmed, or amended.

(2) "Applicant" means a person at whose request or for whose account a letter of credit is issued. The term includes a person who requests an issuer to issue a letter of credit on behalf of another if the person making the request undertakes an obligation to reimburse the issuer.

(3) "Beneficiary" means a person who under the terms of a letter of credit is entitled to have its complying presentation honored. The term includes a person to whom drawing rights have been transferred under a transferable letter of credit.

(4) "Confirmer" means a nominated person who undertakes, at the request or with the consent of the issuer, to honor a presentation under a letter of credit issued by another.

(5) "Dishonor" of a letter of credit means failure timely to honor or to take an interim action, such as acceptance of a draft, that may be required by the letter of credit.

(6) "Document" means a draft or other demand, document of title, investment security, certificate, invoice, or other record,

statement, or representation of fact, law, right, or opinion which is:

(i) presented in a written or other medium permitted by the letter of credit or, unless prohibited by the letter of credit, by the standard practice referred to in IC 26-1-5.1-108(e); and

(ii) capable of being examined for compliance with the terms and conditions of the letter of credit.

A document may not be oral.

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

(8) "Honor" of a letter of credit means performance of the issuer's undertaking in the letter of credit to pay or deliver an item of value. Unless the letter of credit otherwise provides, "honor" occurs:

(i) upon payment;

(ii) if the letter of credit provides for acceptance, upon acceptance of a draft and, at maturity, its payment; or

(iii) if the letter of credit provides for incurring a deferred obligation, upon incurring the obligation and, at maturity, its performance.

(9) "Issuer" means a bank or other person that issues a letter of credit, but does not include an individual who makes an engagement for personal, family, or household purposes.

(10) "Letter of credit" means a definite undertaking that satisfies the requirements of IC 26-1-5.1-104 by an issuer to a beneficiary at the request or for the account of an applicant or, in the case of a financial institution, to itself or for its own account, to honor a documentary presentation by payment or delivery of an item of value.

(11) "Nominated person" means a person whom the issuer:

(i) designates or authorizes to pay, accept, negotiate, or otherwise give value under a letter of credit; and

(ii) undertakes by agreement or custom and practice to reimburse.

(12) "Presentation" means delivery of a document to an issuer or nominated person for honor or giving of value under a letter of credit.

(13) "Presenter" means a person making a presentation as or on behalf of a beneficiary or nominated person.

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

(15) "Successor of a beneficiary" means a person who succeeds to substantially all of the rights of a beneficiary by operation of law, including a corporation with or into which the beneficiary has been merged or consolidated, an administrator, an executor, a personal representative, a trustee in bankruptcy, a debtor in possession, a liquidator, and a receiver.

(b) Other definitions applying to IC 26-1-5.1 and the sections in which they appear are:

"Accept" or "Acceptance". IC 26-1-3.1-409.

"Value". IC 26-1-3.1-303 and IC 26-1-4-211.

(c) IC 26-1 contains certain additional general definitions and principles of construction and interpretation applicable throughout IC 26-1-5.1.

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-103

Applicability to IC 26-1-8.1; ability to vary by agreement; independence of rights and obligations under letter of credit

Sec. 103. (a) IC 26-1-8.1 applies to letters of credit and to certain rights and obligations arising out of transactions involving letters of credit.

(b) The statement of a rule in IC 26-1-5.1 does not by itself require, imply, or negate application of the same or a different rule to a situation not provided for, or to a person not specified, in IC 26-1-5.1.

(c) With the exception of this subsection, subsections (a) and (d), IC 26-1-5.1-102(a)(9) and IC 26-1-5.1-102(a)(10), IC 26-1-5.1-106(d), and IC 26-1-5.1-114(d), and except to the extent prohibited in IC 26-1-1-102(3) and IC 26-1-5.1-117(d), the effect of IC 26-1-5.1 may be varied by agreement or by a provision stated or incorporated by reference in an undertaking. A term in an agreement or undertaking generally excusing liability or generally limiting remedies for failure to perform obligations is not sufficient to vary obligations prescribed by IC 26-1-5.1.

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

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-104

Formal requirements; signing or standard practice

Sec. 104. A letter of credit, confirmation, advice, transfer, amendment, or cancellation may be issued in any form that is a record and is authenticated:

(i) by a signature; or

(ii) in accordance with the agreement of the parties or the standard practice referred to in IC 26-1-5.1-108(e).

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-105

Consideration

Sec. 105. Consideration is not required to issue, amend, transfer, or cancel a letter of credit, advice, or confirmation.
As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-106
Time and effect of establishment of credit; expiration

Sec. 106. (a) A letter of credit is issued and becomes enforceable according to its terms against the issuer when the issuer sends or otherwise transmits it to the person requested to advise or to the beneficiary. A letter of credit is revocable only if it so provides.

(b) After a letter of credit is issued, rights and obligations of a beneficiary, applicant, confirmer, and issuer are not affected by an amendment or cancellation to which that person has not consented except to the extent the letter of credit provides that it is revocable or that the issuer may amend or cancel the letter of credit without that consent.

(c) If there is no stated expiration date or other provision that determines its duration, a letter of credit expires one (1) year after its stated date of issuance or, if none is stated, after the date on which it is issued.

(d) A letter of credit that states that it is perpetual expires five (5) years after its stated date of issuance, or if none is stated, after the date on which it is issued.
As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-107
Confirmation; advice of credit; error in statement terms; notice to transfer beneficiary

Sec. 107. (a) A confirmer is directly obligated on a letter of credit and has the rights and obligations of an issuer to the extent of its confirmation. The confirmer also has rights against and obligations to the issuer as if the issuer were an applicant and the confirmer had issued the letter of credit at the request and for the account of the issuer.

(b) A nominated person who is not a confirmer is not obligated to honor or otherwise give value for a presentation.

(c) A person requested to advise may decline to act as an adviser. An adviser that is not a confirmer is not obligated to honor or give value for a presentation. An adviser undertakes to the issuer and to the beneficiary accurately to advise the terms of the letter of credit, confirmation, amendment, or advice received by that person and undertakes to the beneficiary to check the apparent authenticity of the request to advise. Even if the advice is inaccurate, the letter of credit, confirmation, or amendment is enforceable as issued.

(d) A person who notifies a transferee beneficiary of the terms of a letter of credit, confirmation, amendment, or advice has the rights and obligations of an adviser under subsection (c). The terms in the notice to the transferee beneficiary may differ from the terms in any

notice to the transferor beneficiary to the extent permitted by the letter of credit, confirmation, amendment, or advice received by the person who so notifies.
As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-108
Issuer's duty and privilege to honor; standard practice; issuer's rights upon honor of presentation

Sec. 108. (a) Except as otherwise provided in IC 26-1-5.1-109, an issuer shall honor a presentation that, as determined by the standard practice referred to in subsection (e), appears on its face strictly to comply with the terms and conditions of the letter of credit. Except as otherwise provided in IC 26-1-5.1-113 and unless otherwise agreed with the applicant, an issuer shall dishonor a presentation that does not appear so to comply.

(b) An issuer has a reasonable time after presentation, but not beyond the end of the seventh business day of the issuer after the day of its receipt of documents:

(1) to honor;

(2) if the letter of credit provides for honor to be completed more than seven (7) business days after presentation, to accept a draft or incur a deferred obligation; or

(3) to give notice to the presenter of discrepancies in the presentation.

(c) Except as otherwise provided in subsection (d), an issuer is precluded from asserting as a basis for dishonor any discrepancy if timely notice is not given, or any discrepancy not stated in the notice if timely notice is given.

(d) Failure to give the notice specified in subsection (b) or to mention fraud, forgery, or expiration in the notice does not preclude the issuer from asserting as a basis for dishonor fraud or forgery as described in IC 26-1-5.1-109(a) or expiration of the letter of credit before presentation.

(e) An issuer shall observe standard practice of financial institutions that regularly issue letters of credit. Determination of the issuer's observance of the standard practice is a matter of interpretation for the court. The court shall offer the parties a reasonable opportunity to present evidence of the standard practice.

(f) An issuer is not responsible for:

(1) the performance or nonperformance of the underlying contract, arrangement, or transaction;

(2) an act or omission of others; or

(3) observance or knowledge of the usage of a particular trade other than the standard practice referred to in subsection (e).

(g) If an undertaking constituting a letter of credit under IC 26-1-5.1-102(a)(10) contains nondocumentary conditions, an issuer shall disregard the nondocumentary conditions and treat them as if they were not stated.

(h) An issuer that has dishonored a presentation shall return the documents or hold them at the disposal of, and send advice to that effect to, the presenter.

(i) An issuer that has honored a presentation as permitted or required by IC 26-1-5.1:

(1) is entitled to be reimbursed by the applicant in immediately available funds not later than the date of its payment of funds;

(2) takes the documents free of claims of the beneficiary or presenter;

(3) is precluded from asserting a right of recourse on a draft under IC 26-1-3.1-414 and IC 26-1-3.1-415;

(4) except as otherwise provided in IC 26-1-5.1-110 and IC 26-1-5.1-117, is precluded from restitution of money paid or other value given by mistake to the extent the mistake concerns discrepancies in the documents or tender which are apparent on the face of the presentation; and

(5) is discharged to the extent of its performance under the letter of credit unless the issuer honored a presentation in which a required signature of a beneficiary was forged.

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-109

Fraud and forgery

Sec. 109. (a) If a presentation is made that appears on its face strictly to comply with the terms and conditions of the letter of credit, but a required document is forged or materially fraudulent, or honor of the presentation would facilitate a material fraud by the beneficiary on the issuer or applicant:

(1) the issuer shall honor the presentation, if honor is demanded by:

(i) a nominated person who has given value in good faith and without notice of forgery or material fraud;

(ii) a confirmer who has honored its confirmation in good faith;

(iii) a holder in due course of a draft drawn under the letter of credit which was taken after acceptance by the issuer or nominated person; or

(iv) an assignee of the issuer's or nominated person's deferred obligation that was taken for value and without notice of forgery or material fraud after the obligation was incurred by the issuer or nominated person; and

(2) the issuer, acting in good faith, may honor or dishonor the presentation in any other case.

(b) If an applicant claims that a required document is forged or materially fraudulent or that honor of the presentation would facilitate a material fraud by the beneficiary on the issuer or applicant, a court of competent jurisdiction may temporarily or permanently enjoin the issuer from honoring a presentation or grant

similar relief against the issuer or other persons only if the court finds that:

(1) the relief is not prohibited under the law applicable to an accepted draft or deferred obligation incurred by the issuer;

(2) a beneficiary, issuer, or nominated person who may be adversely affected is adequately protected against loss that it may suffer because the relief is granted;

(3) all of the conditions to entitle a person to the relief under the law of Indiana have been met; and

(4) on the basis of the information submitted to the court, the applicant is more likely than not to succeed under its claim of forgery or material fraud and the person demanding honor does not qualify for protection under subsection (a)(1).

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-110

Warranties on transfer and presentment

Sec. 110. (a) If its presentation is honored, the beneficiary warrants:

(1) to the issuer, any other person to whom presentation is made, and the applicant that there is no fraud or forgery of the kind described in IC 26-1-5.1-109(a); and

(2) to the applicant that the drawing does not violate any agreement between the applicant and beneficiary or any other agreement intended by them to be augmented by the letter of credit.

(b) The warranties in subsection (a) are in addition to warranties arising under IC 26-1-3.1, IC 26-1-4, IC 26-1-7, and IC 26-1-8.1 because of the presentation or transfer of documents covered by any of those articles.

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-111

Remedies for wrongful dishonor, repudiation, or breach of obligation

Sec. 111. (a) If an issuer wrongfully dishonors or repudiates its obligation to pay money under a letter of credit before presentation, the beneficiary, successor, or nominated person presenting on its own behalf may recover from the issuer the amount that is the subject of the dishonor or repudiation. If the issuer's obligation under the letter of credit is not for the payment of money, the claimant may obtain specific performance or, at the claimant's election, recover an amount equal to the value of performance from the issuer. In either case, the claimant may also recover incidental but not consequential damages. The claimant is not obligated to take action to avoid damages that might be due from the issuer under this subsection. If, although not obligated to do so, the claimant avoids damages, the claimant's recovery from the issuer must be reduced by the amount of damages

avoided. The issuer has the burden of proving the amount of damages avoided. In the case of repudiation the claimant need not present any document.

(b) If an issuer wrongfully dishonors a draft or demand presented under a letter of credit or honors a draft or demand in breach of its obligation to the applicant, the applicant may recover damages resulting from the breach, including incidental but not consequential damages, less any amount saved as a result of the breach.

(c) If an adviser or nominated person other than a confirmer breaches an obligation under IC 26-1-5.1 or an issuer breaches an obligation not covered in subsection (a) or (b), a person to whom the obligation is owed may recover damages resulting from the breach, including incidental but not consequential damages, less any amount saved as a result of the breach. To the extent of the confirmation, a confirmer has the liability of an issuer specified in this subsection and subsections (a) and (b).

(d) An issuer, nominated person, or adviser who is found liable under subsection (a), (b), or (c) shall pay interest on the amount owed thereunder from the date of wrongful dishonor or other appropriate date.

(e) Reasonable attorney's fees and other expenses of litigation must be awarded to the prevailing party in an action in which a remedy is sought under IC 26-1-5.1.

(f) Damages that would otherwise be payable by a party for breach of an obligation under IC 26-1-5.1 may be liquidated by agreement or undertaking, but only in an amount or by a formula that is reasonable in light of the harm anticipated.

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-112

Transferability

Sec. 112. (a) Except as otherwise provided in IC 26-1-5.1-113, unless a letter of credit provides that it is transferable, the right of a beneficiary to draw or otherwise demand performance under a letter of credit may not be transferred.

(b) Even if a letter of credit provides that it is transferable, the issuer may refuse to recognize or carry out a transfer if:

(1) the transfer would violate applicable law; or

(2) the transferor or transferee has failed to comply with any requirement stated in the letter of credit or any other requirement relating to transfer imposed by the issuer which is within the standard practice referred to in IC 26-1-5.1-108(e) or is otherwise reasonable under the circumstances.

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-113

Successors of beneficiaries; rights; recognition

Sec. 113. (a) A successor of a beneficiary may consent to

amendments, sign and present documents, and receive payment or other items of value in the name of the beneficiary without disclosing its status as a successor.

(b) A successor of a beneficiary may consent to amendments, sign and present documents, and receive payment or other items of value in its own name as the disclosed successor of the beneficiary. Except as otherwise provided in subsection (e), an issuer shall recognize a disclosed successor of a beneficiary as beneficiary in full substitution for its predecessor upon compliance with the requirements for recognition by the issuer of a transfer of drawing rights by operation of law under the standard practice referred to in IC 26-1-5.1-108(e) or, in the absence of such a practice, compliance with other reasonable procedures sufficient to protect the issuer.

(c) An issuer is not obliged to determine whether a purported successor is a successor of a beneficiary or whether the signature of a purported successor is genuine or authorized.

(d) Honor of a purported successor's apparently complying presentation under subsection (a) or (b) has the consequences specified in IC 26-1-5.1-108(i) even if the purported successor is not the successor of a beneficiary. Documents signed in the name of the beneficiary or of a disclosed successor by a person who is neither the beneficiary nor the successor of the beneficiary are forged documents for the purposes of IC 26-1-5.1-109.

(e) An issuer whose rights of reimbursement are not covered by subsection (d) or substantially similar law and any confirmer or nominated person may decline to recognize a presentation under subsection (b).

(f) A beneficiary whose name is changed after the issuance of a letter of credit has the same rights and obligations as a successor of a beneficiary under this section.

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-114

Proceeds of letter of credit; assignment

Sec. 114. (a) In this section, "proceeds of a letter of credit" means the cash, check, accepted draft, or other item of value paid or delivered upon honor or giving of value by the issuer or any nominated person under the letter of credit. The term does not include a beneficiary's drawing rights or documents presented by the beneficiary.

(b) A beneficiary may assign its right to part or all of the proceeds of a letter of credit. The beneficiary may do so before presentation as a present assignment of its right to receive proceeds contingent upon its compliance with the terms and conditions of the letter of credit.

(c) An issuer or nominated person need not recognize an assignment of proceeds of a letter of credit until it consents to the assignment.

(d) An issuer or nominated person has no obligation to give or withhold its consent to an assignment of proceeds of a letter of credit, but consent may not be unreasonably withheld if the assignee possesses and exhibits the letter of credit and presentation of the letter of credit is a condition to honor.

(e) Rights of a transferee beneficiary or nominated person are independent of the beneficiary's assignment of the proceeds of a letter of credit and are superior to the assignee's right to the proceeds.

(f) Neither the rights recognized by this section between an assignee and an issuer, transferee beneficiary, or nominated person nor the issuer's or nominated person's payment of proceeds to an assignee or a third person affects the rights between the assignee and any person other than the issuer, transferee beneficiary, or nominated person. The mode of creating and perfecting a security interest in or granting an assignment of a beneficiary's rights to proceeds is governed by IC 26-1-9.1 or other law. Against persons other than the issuer, transferee beneficiary, or nominated person, the rights and obligations arising upon the creation of a security interest or other assignment of a beneficiary's right to proceeds and its perfection are governed by IC 26-1-9.1 or other law.

As added by P.L.183-1996, SEC.4. Amended by P.L.57-2000, SEC.30.

IC 26-1-5.1-115

Statute of limitations

Sec. 115. An action to enforce a right or obligation arising under IC 26-1-5.1 must be commenced within one (1) year after the expiration date of the relevant letter of credit or one (1) year after the cause of action accrues, whichever occurs later. A cause of action accrues when the breach occurs, regardless of the aggrieved party's lack of knowledge of the breach.

As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-116

Applicable law regarding liability of issuer; choice of forum

Sec. 116. (a) The liability of an issuer, nominated person, or adviser for action or omission is governed by the law of the jurisdiction chosen by an agreement in the form of a record signed or otherwise authenticated by the affected parties in the manner provided in IC 26-1-5.1-104 or by a provision in the person's letter of credit, confirmation, or other undertaking. The jurisdiction whose law is chosen need not bear any relation to the transaction.

(b) Unless subsection (a) applies, the liability of an issuer, nominated person, or adviser for action or omission is governed by the law of the jurisdiction in which the person is located. The person is considered to be located at the address indicated in the person's undertaking. If more than one (1) address is indicated, the person is considered to be located at the address from which the person's

undertaking was issued. For the purpose of jurisdiction, choice of law, and recognition of interbranch letters of credit, but not enforcement of a judgment, all branches of a bank are considered separate juridical entities and a bank is considered to be located at the place where its relevant branch is considered to be located under this subsection.

(c) Except as otherwise provided in this subsection, the liability of an issuer, nominated person, or adviser is governed by any rules of custom or practice, such as the Uniform Customs and Practice for Documentary Credits, to which the letter of credit, confirmation, or other undertaking is expressly made subject. If:

(i) IC 26-1-5.1 would govern the liability of an issuer, nominated person, or adviser under subsection (a) or (b);

(ii) the relevant undertaking incorporates rules of custom or practice; and

(iii) there is conflict between IC 26-1-5.1 and those rules as applied to that undertaking;

those rules govern except to the extent of any conflict with the nonvariable provisions specified in IC 26-1-5.1-103(c).

(d) If there is conflict between IC 26-1-5.1 and IC 26-1-3.1, IC 26-1-4, IC 26-1-4.1, or IC 26-1-9.1, IC 26-1-5.1 governs.

(e) The forum for settling disputes arising out of an undertaking within IC 26-1-5.1 may be chosen in the manner and with the binding effect that governing law may be chosen in accordance with subsection (a).

As added by P.L.183-1996, SEC.4. Amended by P.L.57-2000, SEC.31.

IC 26-1-5.1-117
Rights of subrogation

Sec. 117. (a) An issuer that honors a beneficiary's presentation is subrogated to the rights of the beneficiary to the same extent as if the issuer were a secondary obligor of the underlying obligation owed to the beneficiary and of the applicant to the same extent as if the issuer were the secondary obligor of the underlying obligation owed to the applicant.

(b) An applicant that reimburses an issuer is subrogated to the rights of the issuer against any beneficiary, presenter, or nominated person to the same extent as if the applicant were the secondary obligor of the obligations owed to the issuer and has the rights of subrogation of the issuer to the rights of the beneficiary stated in subsection (a).

(c) A nominated person who pays or gives value against a draft or demand presented under a letter of credit is subrogated to the rights of:

(1) the issuer against the applicant to the same extent as if the nominated person were a secondary obligor of the obligation owed to the issuer by the applicant;

(2) the beneficiary to the same extent as if the nominated person were a secondary obligor of the underlying obligation owed to the beneficiary; and

(3) the applicant to the same extent as if the nominated person were a secondary obligor of the underlying obligation owed to the applicant.

(d) Notwithstanding any agreement or term to the contrary, the rights of subrogation stated in subsections (a) and (b) do not arise until the issuer honors the letter of credit or otherwise pays, and the rights in subsection (c) do not arise until the nominated person pays or otherwise gives value. Until then, the issuer, the nominated person, and the applicant do not derive under this section present or prospective rights forming the basis of a claim, defense, or excuse.
As added by P.L.183-1996, SEC.4.

IC 26-1-5.1-118
Security interest of issuer or nominated person

Sec. 118. (a) An issuer or nominated person has a security interest in a document presented under a letter of credit to the extent that the issuer or nominated person honors or gives value for the presentation.

(b) So long as and to the extent that an issuer or nominated person has not been reimbursed or has not otherwise recovered the value given with respect to a security interest in a document under subsection (a), the security interest continues and is subject to IC 26-1-9.1, but:

(1) a security agreement is not necessary to make the security interest enforceable under IC 26-1-9.1-203(b)(3);

(2) if the document is presented in a medium other than a written or other tangible medium, the security interest is perfected; and

(3) if the document is presented in a written or other tangible medium and is not a certificated security, chattel paper, a document of title, an instrument, or a letter of credit, the security interest is perfected and has priority over a conflicting security interest in the document so long as the debtor does not have possession of the document.

As added by P.L.57-2000, SEC.32.

IC 26-1-6
Repealed

(Repealed by P.L.144-1997, SEC.8.)

IC 26-1-6.1
Repealed

(Repealed by P.L.77-2007, SEC.4.)

IC 26-1-6.2

Chapter 6.2. Enforcement of Rights and Obligations Under Repealed Uniform Bulk Sales Law

IC 26-1-6.2-1

Validity and enforcement of rights and obligations under prior law

Sec. 1. Rights and obligations that arose under IC 26-1-6.1 before its repeal by P.L.77-2007 remain valid and may be enforced as though IC 26-1-6.1 had not been repealed.

As added by P.L.16-2009, SEC.27.

IC 26-1-7

Chapter 7. Documents of Title

IC 26-1-7-101

Short title

Sec. 101. This chapter may be cited as Uniform Commercial Code – Documents of Title.

(Formerly: Acts 1963, c.317, s.7-101.) As amended by P.L.152-1986, SEC.244; P.L.143-2007, SEC.24.

IC 26-1-7-102

Definitions and index of definitions

Sec. 102. (a) In this chapter unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

(12) "Sign" means, with present intent to authenticate or adopt

a record:

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

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

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

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

"Duly negotiate". IC 26-1-7-501.

"Contract for sale". IC 26-1-2-106.

"Lessee in the ordinary course of business". IC 26-1-2.1-103(o).

"Receipt" of goods. IC 26-1-2-103.

(c) In addition, IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout this chapter.

(Formerly: Acts 1963, c.317, s.7-102.) As amended by P.L.152-1986, SEC.245; P.L.143-2007, SEC.25.

IC 26-1-7-103

Relation of chapter to other laws

Sec. 103. (a) This chapter is subject to any treaty or statute of the United States or regulatory statute of this state to the extent the treaty, statute, or regulatory statute applies.

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

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

(d) To the extent there is a conflict between IC 26-2-8 and this chapter, this chapter governs.

(Formerly: Acts 1963, c.317, s.7-103.) As amended by P.L.152-1986, SEC.246; P.L.143-2007, SEC.26.

IC 26-1-7-104

Negotiable and nonnegotiable warehouse receipt, bill of lading, and other document of title

Sec. 104. (a) Except as otherwise provided in subsection (c), a document of title is negotiable if by its terms the goods are to be delivered to bearer or to the order of a named person.

(b) A document of title other than one described in subsection (a) is nonnegotiable. A bill of lading that states that the goods are

consigned to a named person is not made negotiable by a provision that the goods are to be delivered only against an order in a record signed by the same or another named person.

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

(Formerly: Acts 1963, c.317, s.7-104.) As amended by P.L.143-2007, SEC.27.

IC 26-1-7-105

Tangible substitute for electronic document of title

Sec. 105. (a) Upon request of a person entitled under an electronic document of title, the issuer of the electronic document may issue a tangible document of title as a substitute for the electronic document if:

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

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

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

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

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

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

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

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-105.) As amended by P.L.152-1986, SEC.247; P.L.143-2007, SEC.28.

IC 26-1-7-106
Control of electronic document of title

Sec. 106. (a) A person has control of an electronic document of title if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred.

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

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

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

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

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

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

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

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

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

As added by P.L.143-2007, SEC.29.

IC 26-1-7-201
Who may issue a warehouse receipt; storage under government bond

Sec. 201. (a) A warehouse receipt may be issued by any warehouse.

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

(Formerly: Acts 1963, c.317, s.7-201.) As amended by P.L.143-2007, SEC.30.

IC 26-1-7-202
Form of warehouse receipt; essential terms; optional terms

Sec. 202. (a) A warehouse receipt need not be in any particular form.

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

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

(2) the date of issue of the receipt;

(3) the unique identification code of the receipt;

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

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

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

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

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

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

(c) A warehouse may insert in its receipt any terms that are not contrary to the provisions of IC 26-1 and do not impair its obligation of delivery under section 403 of this chapter or its duty of care under section 204 of this chapter. Any contrary provisions are ineffective. *(Formerly: Acts 1963, c.317, s.7-202.) As amended by P.L.152-1986, SEC.248; P.L.143-2007, SEC.31.*

IC 26-1-7-203

Liability for nonreceipt or misdescription

Sec. 203. 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 description of the goods in the document may recover from the issuer damages caused by the nonreceipt or misdescription of the goods, except to the extent that:

(1) the document conspicuously indicates that the issuer does not know whether all or any part of the goods 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 kind, quantity, or condition, or the receipt or description is qualified by "contents, condition, and quality unknown", "said to contain", or words of similar import, if the indication is true; or

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

or misdescription.
(Formerly: Acts 1963, c.317, s.7-203.) As amended by P.L.143-2007, SEC.32.

IC 26-1-7-204
Duty of care; contractual limitation of warehouse's liability

Sec. 204. (a) A warehouse is liable for damages for loss of or injury to the goods caused by its failure to exercise care with regard to the goods that a reasonably careful person would exercise under similar circumstances. Unless otherwise agreed, the warehouse is not liable for damages that could not have been avoided by the exercise of that care.

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

(c) Reasonable provisions as to the time and manner of presenting claims and commencing actions based on the bailment may be included in the warehouse receipt or storage agreement.
(Formerly: Acts 1963, c.317, s.7-204.) As amended by P.L.143-2007, SEC.33.

IC 26-1-7-205
Title under warehouse receipt defeated in certain cases

Sec. 205. A buyer in the ordinary course of business of fungible goods sold and delivered by a warehouse that is also in the business of buying and selling such goods takes the goods free of any claim under a warehouse receipt even if the receipt is negotiable and has been duly negotiated.
(Formerly: Acts 1963, c.317, s.7-205.) As amended by P.L.143-2007, SEC.34.

IC 26-1-7-206
Termination of storage at warehouse's option

Sec. 206. (a) A warehouse, by giving notice to the person on whose account the goods are held and any other person known to claim an interest in the goods, may require payment of any charges and removal of the goods from the warehouse at the termination of the period of storage fixed by the document of title, or, if a period is not fixed, within a stated period not less than thirty (30) days after the warehouse gives notice. If the goods are not removed before the date specified in the notice, the warehouse may sell them under

section 210 of this chapter on enforcement of a warehouse's lien.

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

(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 deposit, the goods are a hazard to other property, the warehouse facilities, or other persons, the warehouse may sell the goods at public or private sale without advertisement or posting on reasonable notification to all persons known to claim an interest in the goods. If the warehouse, after a reasonable effort, is unable to sell the goods, the warehouse may dispose of them in any lawful manner and does not incur liability by reason of the disposition.

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

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

(Formerly: Acts 1963, c.317, s.7-206.) As amended by P.L.152-1986, SEC.249; P.L.143-2007, SEC.35.

IC 26-1-7-207

Goods must be kept separate; fungible goods

Sec. 207. (a) Unless the warehouse receipt otherwise provides, a warehouse shall keep separate the goods covered by each receipt so as to permit at all times identification and delivery of those goods. However, different lots of fungible goods may be commingled.

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

(Formerly: Acts 1963, c.317, s.7-207.) As amended by P.L.143-2007, SEC.36.

IC 26-1-7-208

Altered warehouse receipts

Sec. 208. If a blank in a negotiable tangible warehouse receipt has been filled in without authority, a good faith purchaser for value and without notice of the lack of authority may treat the insertion as

authorized. Any other unauthorized alteration leaves any tangible or electronic warehouse receipt enforceable against the issuer according to its original tenor.
(Formerly: Acts 1963, c.317, s.7-208.) As amended by P.L.143-2007, SEC.37.

IC 26-1-7-209
Warehouse lien

Sec. 209. (a) A warehouse has a lien against the bailor on the goods covered by a warehouse receipt or storage agreement or on the proceeds thereof in its possession for charges for storage or transportation, including demurrage and terminal charges, insurance, labor, or other charges, present or future, in relation to the goods, and for expenses necessary for preservation of the goods or reasonably incurred in their sale pursuant to law. If the person on whose account the goods are held is liable for similar charges or expenses in relation to other goods whenever deposited and it is stated in the warehouse's receipt or storage agreement that a lien is claimed for charges and expenses in relation to other goods, the warehouse also has a lien against the goods covered by the warehouse receipt or storage agreement or on the proceeds thereof in its possession for the charges and expenses, whether or not the other goods have been delivered by the warehouse. However, as against a person to which a negotiable warehouse receipt is duly negotiated, a warehouse's lien is limited to charges in an amount or at a rate specified in the warehouse receipt or, if no charges are so specified, to a reasonable charge for storage of the specific goods covered by the receipt subsequent to the date of the receipt.

(b) A warehouse may also reserve a security interest against the bailor for the maximum amount specified on the receipt for charges other than those specified in subsection (a), such as for money advanced and interest. The security interest is governed by IC 26-1-9.1 on secured transactions.

(c) A warehouse's lien for charges and expenses under subsection (a) or a security interest under subsection (b) is also effective against any person that entrusted the bailor with possession of the goods that a pledge of them by the bailor to a good faith purchaser for value would have been valid. However, the lien or security interest is not effective against a person that before issuance of a document of title had a legal interest or a perfected security interest in the goods and that did not:

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

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

(B) power to obtain delivery under section 403 of this chapter; or

(C) power of disposition under IC 26-1-2-403, IC 26-1-2.1-304(2), IC 26-1-2.1-305(2), IC 26-1-9.1-320, or

IC 26-1-9.1-321 or any other statute or rule of law; or

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

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

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

(Formerly: Acts 1963, c.317, s.7-209.) As amended by P.L.152-1986, SEC.250; P.L.57-2000, SEC.36; P.L.143-2007, SEC.38.

IC 26-1-7-210

Enforcement of warehouse's lien

Sec. 210. (a) Except as otherwise provided in subsection (b), a warehouse's lien may be enforced by public or private sale of the goods, in bulk or in packages, at any time or place and on any terms that are commercially reasonable, after notifying all persons known to claim an interest in the goods. The notification must include a statement of the amount due, the nature of the proposed sale, and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a different time or in a method different from that selected by the warehouse is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. The warehouse sells in a commercially reasonable manner if the warehouse sells the goods in the usual manner in any recognized market therefor, sells at the price current in that market at the time of the warehouse's sale, or otherwise sells in conformity with commercially reasonable practices among dealers in the type of goods sold. A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially reasonable except in cases covered by the preceding sentence.

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

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

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

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

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

(5) After the expiration of the time given in the notification, an advertisement of the sale must be published once a week for two (2) weeks consecutively in a newspaper of general circulation where the sale is to be held. The advertisement must include a description of the goods, the name of the person on whose account the goods are being held, and the time and place of the sale. The sale must take place at least fifteen (15) days after the first publication. If there is no newspaper of general circulation where the sale is to be held, the advertisement must be posted at least ten (10) days before the sale in not fewer than six (6) conspicuous places in the neighborhood of the proposed sale.

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

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

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

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-210.) As amended by P.L.152-1986, SEC.251; P.L.143-2007, SEC.39.

IC 26-1-7-301

Liability for nonreceipt or misdescription; "said to contain"; "shipper's load and count"; improper handling

Sec. 301. (a) A consignee of a nonnegotiable bill of lading that has given value in good faith, or a holder to which a negotiable bill has been duly negotiated, relying upon the description of the goods in the bill or upon the date shown in the bill, may recover from the issuer damages caused by the misdating of the bill or the nonreceipt

or misdescription of the goods, except to the extent that the bill indicates that the issuer does not know whether any part or all of the goods in fact were received or conform to the description, such as in a case in which the description is in terms of marks or labels or kind, quantity, or condition or the receipt or description is qualified by "contents or condition of contents of packages unknown", "said to contain", "shipper's weight, load, and count" or words of similar import, if that indication is true.

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

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

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-301.) As amended by P.L.143-2007, SEC.40.

IC 26-1-7-302

Through bills of lading and similar documents

Sec. 302. (a) The issuer of a through bill of lading or other document of title embodying an undertaking to be performed 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 document for any breach by the other person or the performing carrier of its obligation under the bill or other document. However, to the extent that the bill or other document covers an undertaking to be performed overseas or in territory not contiguous to the continental United States or an

undertaking including matters other than transportation, this liability for breach by the other person or the performing carrier may be varied by agreement of the parties.

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-302.) As amended by P.L.143-2007, SEC.41.

IC 26-1-7-303

Diversion; reconsignment; change of instructions

Sec. 303. (a) Unless the bill of lading otherwise provides, a carrier may deliver the goods to a person or destination other than that stated in the bill or may otherwise dispose of the goods, without liability for misdelivery, on instructions from:

(1) the holder of a negotiable bill;

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-303.) As amended by P.L.143-2007, SEC.42.

IC 26-1-7-304

Bills of lading in a set

Sec. 304. (a) Except as customary in international transportation, a tangible bill of lading may not be issued in a set of parts. The issuer is liable for damages caused by violation of this subsection.

(b) If a tangible bill of lading is lawfully issued in a set of parts, each of which contains an identification code and is expressed to be valid only if the goods have not been delivered against any other part, the whole of the parts constitutes one (1) bill.

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

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

(e) The bailee shall deliver in accordance with sections 401 through 404 of this chapter against the first presented part of a tangible bill of lading lawfully issued in a set. Delivery in this manner discharges the bailee's obligation on the whole bill.

(Formerly: Acts 1963, c.317, s.7-304.) As amended by P.L.152-1986, SEC.252; P.L.143-2007, SEC.43.

IC 26-1-7-305

Destination bills

Sec. 305. (a) Instead of issuing a bill of lading to the consignor at the place of shipment, a carrier may at the request of the consignor procure the bill to be issued at a destination or at any other place designated in the request.

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

(Formerly: Acts 1963, c.317, s.7-305.) As amended by P.L.143-2007, SEC.44.

IC 26-1-7-306

Altered bills of lading

Sec. 306. An unauthorized alteration or filling in of a blank in a bill of lading leaves the bill enforceable according to its original tenor.

(Formerly: Acts 1963, c.317, s.7-306.)

IC 26-1-7-307

Lien of carrier

Sec. 307. (a) A carrier has a lien on the goods covered by a bill of

lading or on the proceeds from the goods for charges after the date of the carrier's receipt of the goods for storage or transportation, including demurrage and terminal charges, and for expenses necessary for preservation of the goods incident to their transportation or reasonably incurred in their sale pursuant to law. However, against a purchaser for value of a negotiable bill of lading, a carrier's lien is limited to charges stated in the bill or the applicable tariffs or, if no charges are stated, a reasonable charge.

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

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

(Formerly: Acts 1963, c.317, s.7-307.) As amended by P.L.143-2007, SEC.45.

IC 26-1-7-308

Enforcement of carrier's lien

Sec. 308. (a) A carrier's lien on goods may be enforced by public or private sale of the goods, in bulk or in packages, at any time or place, and on any terms that are commercially reasonable, after notifying all persons known to claim an interest in the goods. The notification must include a statement of the amount due, the nature of the proposed sale, and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a different time or in a method different from that selected by the carrier is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. The carrier sells goods in a commercially reasonable manner if the carrier sells the goods in the usual manner in any recognized market therefor, sells at the price current in that market at the time of the sale, or otherwise sells in conformity with commercially reasonable practices among dealers in the type of goods sold. A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially reasonable, except in cases covered by the preceding sentence.

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

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

(d) A purchaser in good faith of goods sold to enforce a carrier's

lien takes the goods free of any rights of persons against which the lien was valid, despite the carrier's noncompliance with this section.

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-308.) As amended by P.L.152-1986, SEC.253; P.L.143-2007, SEC.46.

IC 26-1-7-309

Duty of care; contractual limitation of carrier's liability

Sec. 309. (a) A carrier that issues a bill of lading, whether negotiable or nonnegotiable, shall exercise the degree of care in relation to the goods which a reasonably careful person would exercise under similar circumstances. This subsection does not affect any law, regulation, or rule of law that imposes liability upon a common carrier for damages not caused by its negligence.

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

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

(Formerly: Acts 1963, c.317, s.7-309.) As amended by P.L.143-2007, SEC.47.

IC 26-1-7-401

Irregularities in issue of receipt or bill or conduct of issuer

Sec. 401. The obligations imposed by this chapter on an issuer apply to a document of title even if:

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-401.) As amended by P.L.152-1986, SEC.254; P.L.143-2007, SEC.48.

IC 26-1-7-402

Duplicate receipt or bill; overissue

Sec. 402. A duplicate or any other document of title purporting to cover goods already represented by an outstanding document 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 parts, overissue of documents for fungible goods, substitutes for lost, stolen or destroyed documents, or substitute documents issued under section 105 of this chapter. The issuer is liable for damages caused by its overissue or failure to identify a duplicate document by a conspicuous notation.

(Formerly: Acts 1963, c.317, s.7-402.) As amended by P.L.143-2007, SEC.49.

IC 26-1-7-403

Obligation of warehouse or carrier to deliver; excuse

Sec. 403. (a) A bailee shall deliver the goods to a person entitled under a document of title if the person complies with subsections (b) and (c), unless and to the extent that the bailee establishes any of the following:

(1) Delivery of the goods to a person whose receipt was rightful as against the claimant.

(2) Damage to or delay, loss, or destruction of the goods for which the bailee is not liable.

(3) Previous sale or other disposition of the goods in lawful enforcement of a lien or on a warehouse's lawful termination of storage.

(4) The exercise by a seller of its right to stop delivery pursuant to the provisions of IC 26-1-2-705 or by a lessor of its right to stop delivery under IC 26-1-2.1-526.

(5) A diversion, reconsignment, or other disposition pursuant to section 303 of this chapter.

(6) Release, satisfaction, or any other personal defense against the claimant.

(7) Any other lawful excuse.

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

(c) Unless a person claiming the goods is a person against which the document of title does not confer a right under section 503(a) of this chapter:

(1) the person claiming the goods under a document shall

surrender possession or control of any outstanding negotiable document covering the goods for cancellation or indication of partial deliveries; and

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

(Formerly: Acts 1963, c.317, s.7-403; Acts 1973, P.L.265, SEC.1.) As amended by P.L.152-1986, SEC.255; P.L.143-2007, SEC.50.

IC 26-1-7-404

No liability for good faith delivery upon receipt or bill

Sec. 404. A bailee that in good faith has received goods and delivered or otherwise disposed of the goods according to the terms of a document of title or pursuant to this chapter is not liable for the goods even if:

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

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

(Formerly: Acts 1963, c.317, s.7-404.) As amended by P.L.152-1986, SEC.256; P.L.143-2007, SEC.51.

IC 26-1-7-501

Form of negotiation and requirements of "due negotiation"

Sec. 501. (a) The following rules apply to a negotiable tangible document of title:

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

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

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

(4) Negotiation of the document after it has been endorsed to a named person requires endorsement and delivery.

(5) A negotiable document of title is "duly negotiated" when it is negotiated in the manner stated in this section to a holder who purchases it in good faith without notice of any defense against or claim to it on the part of any person and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves receiving the document in settlement or payment of a money obligation.

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

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

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

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

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

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

(Formerly: Acts 1963, c.317, s.7-501.) As amended by P.L.143-2007, SEC.52.

IC 26-1-7-502

Rights acquired by due negotiation

Sec. 502. (a) Subject to sections 205 and 503 of this chapter, a holder to which a negotiable document of title has been duly negotiated acquires thereby:

(1) title to the document;

(2) title to the goods;

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

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

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

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

(2) any person has been deprived of possession of a negotiable

tangible document or control of a negotiable electronic document by misrepresentation, fraud, accident, mistake, duress, loss, theft, or conversion; or

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

(Formerly: Acts 1963, c.317, s.7-502.) As amended by P.L.152-1986, SEC.257; P.L.143-2007, SEC.53.

IC 26-1-7-503

Form of negotiation and requirements of "due negotiation"

Sec. 503. (a) A document of title confers no right in goods against a person that before issuance of the document had a legal interest or a perfected security interest in the goods and that did not:

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

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

(B) power to obtain delivery under section 403 of this chapter; or

(C) power of disposition under IC 26-1-2-403, IC 26-1-9.1-320, or other statute or rule of law; or

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

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

(c) Title to goods based upon a bill of lading issued to a freight forwarder is subject to the rights of any person to which a bill issued by the freight forwarder is duly negotiated. However, delivery by the carrier in accordance with sections 401 through 404 of this chapter pursuant to its own bill of lading discharges the carrier's obligation to deliver.

(Formerly: Acts 1963, c.317, s.7-503.) As amended by P.L.152-1986, SEC.258; P.L.57-2000, SEC.37; P.L.143-2007, SEC.54.

IC 26-1-7-504

Rights acquired in the absence of due negotiation; effect of diversion; seller's stoppage of delivery

Sec. 504. (a) A transferee of a document of title, whether negotiable or nonnegotiable, to which the document has been delivered but not duly negotiated, acquires the title and rights that the transferor had or had actual authority to convey.

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

(1) by those creditors of the transferor that could treat the transfer as void under IC 26-1-2-402 or IC 26-1-2.1-308;

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

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

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

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

(d) Delivery of the goods pursuant to a nonnegotiable document of title may be stopped by a seller under IC 26-1-2-705 or a lessor under IC 26-1-2.1-526 and subject to the requirements of due notification provided in those sections. A bailee that honors the seller's or lessor's instructions is entitled to be indemnified by the seller or the lessor against any resulting loss or expense.

(Formerly: Acts 1963, c.317, s.7-504.) As amended by P.L.152-1986, SEC.259; P.L.143-2007, SEC.55.

IC 26-1-7-505

Endorser not a guarantor for other parties

Sec. 505. The endorsement of a tangible document of title issued by a bailee does not make the endorser liable for any default by the bailee or previous endorsers.

(Formerly: Acts 1963, c.317, s.7-505.) As amended by P.L.143-2007, SEC.56.

IC 26-1-7-506

Delivery without endorsement; right to compel endorsement

Sec. 506. The transferee of a negotiable tangible document of title has a specifically enforceable right to have the transferor supply any necessary endorsement but the transfer becomes a negotiation only as of the time the endorsement is supplied.

(Formerly: Acts 1963, c.317, s.7-506.) As amended by P.L.143-2007, SEC.57.

IC 26-1-7-507

Warranties on negotiation or transfer of receipt or bill

Sec. 507. If a person negotiates or delivers a document of title for value, otherwise than as a mere intermediary under section 508 of this chapter, unless otherwise agreed, the transferor, in addition to any warranty made in selling or leasing the goods, warrants to its immediate purchaser only that:

(1) the document is genuine;

(2) the transferor has no knowledge of any fact that would impair the document's validity or worth; and

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

(Formerly: Acts 1963, c.317, s.7-507.) As amended by P.L.152-1986, SEC.260; P.L.143-2007, SEC.58.

IC 26-1-7-508

Warranties of collecting bank as to documents

Sec. 508. A collecting bank or other intermediary known to be entrusted with documents of title on behalf of another or with collection of a draft or other claim against delivery of documents warrants by delivery of the documents only its own good faith and authority even if the collecting bank or other intermediary has purchased or made advances against the claim or draft to be collected.

(Formerly: Acts 1963, c.317, s.7-508.) As amended by P.L.143-2007, SEC.59.

IC 26-1-7-509

Receipt or bill; when adequate to comply with commercial contract

Sec. 509. Whether a document of title is adequate to fulfill the obligations of a contract for sale, a contract for lease, or the conditions of a letter of credit is determined by IC 26-1-2, IC 26-1-2.1, or IC 26-1-5.1.

(Formerly: Acts 1963, c.317, s.7-509.) As amended by P.L.152-1986, SEC.261; P.L.183-1996, SEC.5; P.L.143-2007, SEC.60.

IC 26-1-7-601

Lost and missing documents

Sec. 601. (a) If a document of title is lost, stolen, or destroyed, a court may order delivery of the goods or issuance of a substitute document and the bailee may without liability to any person comply with the order. If the document was negotiable, a court may not order delivery of the goods or issuance of a substitute document without the claimant's posting security unless it finds that any person that may suffer loss as a result of nonsurrender of possession or control of the document is adequately protected against the loss. If the document was nonnegotiable, the court may require security. The court may also order payment of the bailee's reasonable costs and attorney's fees in an action under this subsection.

(b) A bailee that, without a court order, delivers goods to a person claiming under a missing negotiable document of title is liable to any person injured thereby. If the delivery is not in good faith, the bailee is liable for conversion. Delivery in good faith is not conversion if the claimant posts security with the bailee in an amount at least double the value of the goods at the time of posting to indemnify any

person injured by the delivery that files a notice of claim within one (1) year after the delivery.
(Formerly: Acts 1963, c.317, s.7-601.) As amended by P.L.143-2007, SEC.61.

IC 26-1-7-602
Attachment of goods covered by a negotiable document

Sec. 602. Unless a document of title was originally issued upon delivery of the goods by a person that did not have power to 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 negotiable document of title is outstanding unless possession or control of the document is first surrendered to the bailee or the document's negotiation is enjoined. The bailee may not be compelled to deliver the goods pursuant to process until possession or control of the document is surrendered to the bailee or the court. A purchaser of the document for value without notice of the process or injunction takes free of the lien imposed by judicial process.
(Formerly: Acts 1963, c.317, s.7-602.) As amended by P.L.143-2007, SEC.62.

IC 26-1-7-603
Conflicting claims; interpleader

Sec. 603. If more than one (1) person claims title to or possession of the goods, the bailee is excused from delivery until the bailee has a reasonable time to ascertain the validity of the adverse claims or to commence an action for interpleader. The bailee may assert an interpleader either in defending an action for nondelivery of the goods or by original action, whichever is appropriate.
(Formerly: Acts 1963, c.317, s.7-603.) As amended by P.L.143-2007, SEC.63.

IC 26-1-8
Repealed

(Repealed by P.L.247-1995, SEC.26.)

IC 26-1-8.1

Chapter 8.1. Investment Securities

IC 26-1-8.1-0.1

Effect of enactment of chapter

Sec. 0.1. The addition of this chapter by P.L.247-1995 does not affect an action or a proceeding commenced before July 1, 1996.

As added by P.L.220-2011, SEC.417.

IC 26-1-8.1-0.3

Perfection of certain security interests; continuation of perfection

Sec. 0.3. If a security interest in a security is perfected before July 1, 1996, and the action by which the security interest was perfected would suffice to perfect a security interest under this chapter, as added by P.L.247-1995, no further action is required to continue perfection. If a security interest in a security is perfected on July 1, 1996, but the action by which the security interest was perfected would not suffice to perfect a security interest under this chapter, as added by P.L.247-1995, the security interest remains perfected for a period of four (4) months after the effective date and continues perfected thereafter if appropriate action to perfect this chapter, as added by P.L.247-1995, is taken within that period. If a security interest is perfected on July 1, 1996, and the security interest can be perfected by filing under this chapter, as added by P.L.247-1995, a financing statement signed by the secured party instead of the debtor may be filed within that period to continue perfection or thereafter to perfect.

As added by P.L.220-2011, SEC.418.

IC 26-1-8.1-101

Short title

Sec. 101. IC 26-1-8.1 may be cited as Uniform Commercial Code–Investment Securities.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-102

Definitions; rules of construction

Sec. 102. (a) In IC 26-1-8.1:

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

(2) "Bearer form", as applied to a certificated security, means a form in which the security is payable to the bearer of the security certificate according to its terms but not by reason of an endorsement.

(3) "Broker" means a person defined as a broker or dealer under the federal securities laws, but without excluding a bank acting

in that capacity.

(4) "Certificated security" means a security that is represented by a certificate.

(5) "Clearing corporation" means:

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

(ii) a federal reserve bank; or

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

(6) "Communicate" means to:

(i) send a signed writing; or

(ii) transmit information by any mechanism agreed upon by the persons transmitting and receiving the information.

(7) "Entitlement holder" means a person identified in the records of a securities intermediary as the person having a security entitlement against the securities intermediary. If a person acquires a security entitlement by virtue of IC 26-1-8.1-501(b)(2) or IC 26-1-8.1-501(b)(3), that person is the entitlement holder.

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

(9) "Financial asset", except as otherwise provided in IC 26-1-8.1-103, means:

(i) a security;

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

(iii) any property that is held by a securities intermediary for another person in a securities account if the securities intermediary has expressly agreed with the other person that the property is to be treated as a financial asset under IC 26-1-8.1.

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

(10) "Good faith", for purposes of the obligation of good faith in the performance or enforcement of contracts or duties within IC 26-1-8.1, means honesty in fact and the observance of

reasonable commercial standards of fair dealing.

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

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

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

(i) the security certificate specifies a person entitled to the security; and

(ii) a transfer of the security may be registered upon books maintained for that purpose by or on behalf of the issuer, or the security certificate so states.

(14) "Securities intermediary" means:

(i) a clearing corporation; or

(ii) a person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

(15) "Security", except as otherwise provided in IC 26-1-8.1-103, means an obligation of an issuer or a share, participation, or other interest in an issuer or in property or an enterprise of an issuer:

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

(ii) which is one (1) of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations; and

(iii) which:

(A) is, or is of a type, dealt in or traded on securities exchanges or securities markets; or

(B) is a medium for investment and by its terms expressly provides that it is a security governed by IC 26-1-8.1.

(16) "Security certificate" means a certificate representing a security.

(17) "Security entitlement" means the rights and property interest of an entitlement holder with respect to a financial asset specified in IC 26-1-8.1-501 through IC 26-1-8.1-511.

(18) "Uncertificated security" means a security that is not represented by a certificate.

(b) Other definitions applying to IC 26-1-8.1 and the sections in which they appear are:

"Appropriate person". IC 26-1-8.1-107.

"Control". IC 26-1-8.1-106.
"Delivery". IC 26-1-8.1-301.
"Investment company security". IC 26-1-8.1-103.
"Issuer". IC 26-1-8.1-201.
"Overissue". IC 26-1-8.1-210.
"Protected purchaser". IC 26-1-8.1-303.
"Securities account". IC 26-1-8.1-501.

(c) In addition, IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout IC 26-1-8.1.

(d) The characterization of a person, business, or transaction for purposes of IC 26-1-8.1 does not determine the characterization of the person, business, or transaction for purposes of any other law, regulation, or rule.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-103
Classification as security or financial asset

Sec. 103. (a) A share or similar equity interest issued by a corporation, business trust, joint stock company, or similar entity is a security.

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

(c) An interest in a partnership or limited liability company is not a security unless it is dealt in or traded on securities exchanges or in securities markets, its terms expressly provide that it is a security governed by IC 26-1-8.1, or it is an investment company security. However, an interest in a partnership or limited liability company is a financial asset if it is held in a securities account.

(d) A writing that is a security certificate is governed by IC 26-1-8.1 and not by IC 26-1-3.1, even though it also meets the requirements of that article. However, a negotiable instrument governed by IC 26-1-3.1 is a financial asset if it is held in a securities account.

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

(f) A commodity contract (as defined in IC 26-1-9.1-102(a)(15)) is not a security or a financial asset.

(g) A document of title is not a financial asset unless section 102(a)(9)(iii) of this chapter applies.

As added by P.L.247-1995, SEC.10. Amended by P.L.57-2000, SEC.38; P.L.143-2007, SEC.64.

IC 26-1-8.1-104
Acquisition of a security or financial asset

Sec. 104. (a) A person acquires a security or an interest therein, under IC 26-1-8.1, if:

(1) the person is a purchaser to whom a security is delivered under IC 26-1-8.1-301; or

(2) the person acquires a security entitlement to the security under IC 26-1-8.1-501.

(b) A person acquires a financial asset, other than a security, or an interest therein, under IC 26-1-8.1, if the person acquires a security entitlement to the financial asset.

(c) A person who acquires a security entitlement to a security or other financial asset has the rights specified in IC 26-1-8.1-501 through IC 26-1-8.1-511, but is a purchaser of any security, security entitlement, or other financial asset held by the securities intermediary only to the extent provided in IC 26-1-8.1-503.

(d) Unless the context shows that a different meaning is intended, a person who is required by other law, regulation, rule, or agreement to transfer, deliver, present, surrender, exchange, or otherwise put in the possession of another person a security or financial asset satisfies that requirement by causing the other person to acquire an interest in the security or financial asset under subsection (a) or (b).

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-105
Notice of adverse claim

Sec. 105. (a) A person has notice of an adverse claim if:

(1) the person knows of the adverse claim;

(2) the person is aware of facts sufficient to indicate that there is a significant probability that the adverse claim exists and deliberately avoids information that would establish the existence of the adverse claim; or

(3) the person has a duty, imposed by statute or regulation, to investigate whether an adverse claim exists, and the investigation so required would establish the existence of the adverse claim.

(b) Having knowledge that a financial asset or interest therein is or has been transferred by a representative imposes no duty of inquiry into the rightfulness of a transaction and is not notice of an adverse claim. However, a person who knows that a representative has transferred a financial asset or interest therein in a transaction that is, or whose proceeds are being used, for the individual benefit of the representative or otherwise in breach of duty has notice of an adverse claim.

(c) An act or event that creates a right to immediate performance

of the principal obligation represented by a security certificate or sets a date on or after which the certificate is to be presented or surrendered for redemption or exchange does not itself constitute notice of an adverse claim except in the case of a transfer more than:

(1) one (1) year after a date set for presentment or surrender for redemption or exchange; or

(2) six (6) months after a date set for payment of money against presentation or surrender of the certificate, if money was available for payment on that date.

(d) A purchaser of a certificated security has notice of an adverse claim if the security certificate:

(1) whether in bearer or registered form, has been endorsed "for collection" or "for surrender" or for some other purpose not involving transfer; or

(2) is in bearer form and has on it an unambiguous statement that it is the property of a person other than the transferor, but the mere writing of a name on the certificate is not such a statement.

(e) Filing of a financing statement under IC 26-1-9.1 is not notice of an adverse claim to a financial asset.

As added by P.L.247-1995, SEC.10. Amended by P.L.57-2000, SEC.39.

IC 26-1-8.1-106

Control of securities

Sec. 106. (a) A purchaser has "control" of a certificated security in bearer form if the certificated security is delivered to the purchaser.

(b) A purchaser has "control" of a certificated security in registered form if the certificated security is delivered to the purchaser, and:

(1) the certificate is endorsed to the purchaser or in blank by an effective endorsement; or

(2) the certificate is registered in the name of the purchaser, upon original issue or registration of transfer by the issuer.

(c) A purchaser has "control" of an uncertificated security if:

(1) the uncertificated security is delivered to the purchaser; or

(2) the issuer has agreed that it will comply with instructions originated by the purchaser without further consent by the registered owner.

(d) A purchaser has "control" of a security entitlement if:

(1) the purchaser becomes the entitlement holder;

(2) the securities intermediary has agreed that it will comply with entitlement orders originated by the purchaser without further consent by the entitlement holder; or

(3) another person has control of the security entitlement on behalf of the purchaser or, having previously acquired control of the security entitlement, acknowledges that it has control on

behalf of the purchaser.

(e) If an interest in a security entitlement is granted by the entitlement holder to the entitlement holder's own securities intermediary, the securities intermediary has control.

(f) A purchaser who has satisfied the requirements of subsection (c) or (d) has control even if the registered owner in the case of subsection (c) or the entitlement holder in the case of subsection (d) retains the right to make substitutions for the uncertificated security or security entitlement, to originate instructions or entitlement orders to the issuer or a securities intermediary, or otherwise to deal with the uncertificated security or security entitlement.

(g) An issuer or a securities intermediary may not enter into an agreement of the kind described in subsection (c)(2) or (d)(2) without the consent of the registered owner or entitlement holder, but an issuer or a securities intermediary is not required to enter into such an agreement even though the registered owner or entitlement holder so directs. An issuer or securities intermediary that has entered into such an agreement is not required to confirm the existence of the agreement to another party unless requested to do so by the registered owner or entitlement holder.

As added by P.L.247-1995, SEC.10. Amended by P.L.57-2000, SEC.40.

IC 26-1-8.1-107

Effectiveness of endorsement, instruction, or entitlement order

Sec. 107. (a) "Appropriate person" means:

(1) with respect to an endorsement, the person specified by a security certificate or by an effective special endorsement to be entitled to the security;

(2) with respect to an instruction, the registered owner of an uncertificated security;

(3) with respect to an entitlement order, the entitlement holder;

(4) if the person designated in subdivision (1), (2), or (3) is deceased, the designated person's successor taking under other law or the designated person's personal representative acting for the estate of the decedent; or

(5) if the person designated in subdivision (1), (2), or (3) lacks capacity, the designated person's guardian, conservator, or other similar representative who has power under other law to transfer the security or financial asset.

(b) An endorsement, instruction, or entitlement order is effective if:

(1) it is made by the appropriate person;

(2) it is made by a person who has power under the law of agency to transfer the security or financial asset on behalf of the appropriate person, including, in the case of an instruction or entitlement order, a person who has control under IC 26-1-8.1-106(c)(2) or IC 26-1-8.1-106(d)(2); or

(3) the appropriate person has ratified it or is otherwise precluded from asserting its ineffectiveness.

(c) An endorsement, instruction, or entitlement order made by a representative is effective even if:

(1) the representative has failed to comply with a controlling instrument or with the law of the state having jurisdiction of the representative relationship, including any law requiring the representative to obtain court approval of the transaction; or

(2) the representative's action in making the endorsement, instruction, or entitlement order or using the proceeds of the transaction is otherwise a breach of duty.

(d) If a security is registered in the name of or specially endorsed to a person described as a representative, or if a securities account is maintained in the name of a person described as a representative, an endorsement, instruction, or entitlement order made by the person is effective even though the person is no longer serving in the described capacity.

(e) Effectiveness of an endorsement, instruction, or entitlement order is determined as of the date the endorsement, instruction, or entitlement order is made, and an endorsement, instruction, or entitlement order does not become ineffective by reason of any later change of circumstances.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-108

Warranties upon purchase or transfer of security

Sec. 108. (a) A person who transfers a certificated security to a purchaser for value warrants to the purchaser, and an endorser, if the transfer is by endorsement, warrants to any subsequent purchaser, that:

(1) the certificate is genuine and has not been materially altered;

(2) the transferor or endorser does not know of any fact that might impair the validity of the security;

(3) there is no adverse claim to the security;

(4) the transfer does not violate any restriction on transfer;

(5) if the transfer is by endorsement, the endorsement is made by an appropriate person, or if the endorsement is by an agent, the agent has actual authority to act on behalf of the appropriate person; and

(6) the transfer is otherwise effective and rightful.

(b) A person who originates an instruction for registration of transfer of an uncertificated security to a purchaser for value warrants to the purchaser that:

(1) the instruction is made by an appropriate person, or if the instruction is by an agent, the agent has actual authority to act on behalf of the appropriate person;

(2) the security is valid;

(3) there is no adverse claim to the security; and

(4) at the time the instruction is presented to the issuer:

(i) the purchaser will be entitled to the registration of transfer;

(ii) the transfer will be registered by the issuer free from all liens, security interests, restrictions, and claims other than those specified in the instruction;

(iii) the transfer will not violate any restriction on transfer; and

(iv) the requested transfer will otherwise be effective and rightful.

(c) A person who transfers an uncertificated security to a purchaser for value and does not originate an instruction in connection with the transfer warrants that:

(1) the uncertificated security is valid;

(2) there is no adverse claim to the security;

(3) the transfer does not violate any restriction on transfer; and

(4) the transfer is otherwise effective and rightful.

(d) A person who endorses a security certificate warrants to the issuer that:

(1) there is no adverse claim to the security; and

(2) the endorsement is effective.

(e) A person who originates an instruction for registration of transfer of an uncertificated security warrants to the issuer that:

(1) the instruction is effective; and

(2) at the time the instruction is presented to the issuer the purchaser will be entitled to the registration of transfer.

(f) A person who presents a certificated security for registration of transfer or for payment or exchange warrants to the issuer that the person is entitled to the registration, payment, or exchange, but a purchaser for value and without notice of adverse claims to whom transfer is registered warrants only that the person has no knowledge of any unauthorized signature in a necessary endorsement.

(g) If a person acts as agent of another in delivering a certificated security to a purchaser, the identity of the principal was known to the person to whom the certificate was delivered, and the certificate delivered by the agent was received by the agent from the principal or received by the agent from another person at the direction of the principal, the person delivering the security certificate warrants only that the delivering person has authority to act for the principal and does not know of any adverse claim to the certificated security.

(h) A secured party who redelivers a security certificate received, or after payment and on order of the debtor delivers the security certificate to another person, makes only the warranties of an agent under subsection (g).

(i) Except as otherwise provided in subsection (g), a broker acting for a customer makes to the issuer and a purchaser the warranties provided in subsections (a) through (f). A broker that delivers a security certificate to its customer, or causes its customer to be

registered as the owner of an uncertificated security, makes to the customer the warranties provided in subsection (a) or (b), and has the rights and privileges of a purchaser under this section. The warranties of and in favor of the broker acting as an agent are in addition to applicable warranties given by and in favor of the customer.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-109
Warranties made by and to a securities intermediary

Sec. 109. (a) A person who originates an entitlement order to a securities intermediary warrants to the securities intermediary that:

(1) the entitlement order is made by an appropriate person, or if the entitlement order is by an agent, the agent has actual authority to act on behalf of the appropriate person; and

(2) there is no adverse claim to the security entitlement.

(b) A person who delivers a security certificate to a securities intermediary for credit to a securities account or originates an instruction with respect to an uncertificated security directing that the uncertificated security be credited to a securities account makes to the securities intermediary the warranties specified in IC 26-1-8.1-108(a) or IC 26-1-8.1-108(b).

(c) If a securities intermediary delivers a security certificate to its entitlement holder or causes its entitlement holder to be registered as the owner of an uncertificated security, the securities intermediary makes to the entitlement holder the warranties specified in IC 26-1-8.1-108(a) or IC 26-1-8.1-108(b).
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-110
Applicability of local law; determination of jurisdiction

Sec. 110. (a) The local law of the issuer's jurisdiction, as specified in subsection (d), governs:

(1) the validity of a security;

(2) the rights and duties of the issuer with respect to registration of transfer;

(3) the effectiveness of registration of transfer by the issuer;

(4) whether the issuer owes any duties to an adverse claimant to a security; and

(5) whether an adverse claim can be asserted against a person to whom transfer of a certificated or uncertificated security is registered or a person who obtains control of an uncertificated security.

(b) The local law of the securities intermediary's jurisdiction, as specified in subsection (e), governs:

(1) acquisition of a security entitlement from the securities intermediary;

(2) the rights and duties of the securities intermediary and

entitlement holder arising out of a security entitlement;

(3) whether the securities intermediary owes any duties to an adverse claimant to a security entitlement; and

(4) whether an adverse claim can be asserted against a person who acquires a security entitlement from the securities intermediary or a person who purchases a security entitlement or interest therein from an entitlement holder.

(c) The local law of the jurisdiction in which a security certificate is located at the time of delivery governs whether an adverse claim can be asserted against a person to whom the security certificate is delivered.

(d) "Issuer's jurisdiction" means the jurisdiction under which the issuer of the security is organized or, if permitted by the law of that jurisdiction, the law of another jurisdiction specified by the issuer. An issuer organized under the law of this state may specify the law of another jurisdiction as the law governing the matters specified in subsection (a)(2) through (a)(5).

(e) The following rules determine a "securities intermediary's jurisdiction" for purposes of this section:

(1) If an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that a particular jurisdiction is the securities intermediary's jurisdiction for purposes of IC 26-1-8.1-101 through IC 26-1-8.1-116, that jurisdiction is the securities intermediary's jurisdiction.

(2) If subdivision (1) does not apply, and an agreement between the securities intermediary and its entitlement holder expressly provides that the agreement is governed by the law of a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

(3) If neither subdivision (1) nor subdivision (2) applies, and an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

(4) If none of the preceding subdivisions apply, the securities intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the entitlement holder's account is located.

(5) If none of the preceding subdivisions apply, the securities intermediary's jurisdiction is the jurisdiction in which the chief executive office of the securities intermediary is located.

(f) A securities intermediary's jurisdiction is not determined by the physical location of certificates representing financial assets, or by the jurisdiction in which is organized the issuer of the financial asset with respect to which an entitlement holder has a security entitlement, or by the location of facilities for data processing or

other record keeping concerning the account.
As added by P.L.247-1995, SEC.10. Amended by P.L.57-2000, SEC.41.

IC 26-1-8.1-111
Applicability of rules adopted by clearing corporations

Sec. 111. A rule adopted by a clearing corporation governing rights and obligations among the clearing corporation and its participants in the clearing corporation is effective even if the rule conflicts with IC 26-1-8.1 and affects another party who does not consent to the rule.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-112
Creditor access to debtor's interest in a security

Sec. 112. (a) The interest of a debtor in a certificated security may be reached by a creditor only by actual seizure of the security certificate by the officer making the attachment or levy, except as otherwise provided in subsection (d). However, a certificated security for which the certificate has been surrendered to the issuer may be reached by a creditor by legal process upon the issuer.

(b) The interest of a debtor in an uncertificated security may be reached by a creditor only by legal process upon the issuer at its chief executive office in the United States, except as otherwise provided in subsection (d).

(c) The interest of a debtor in a security entitlement may be reached by a creditor only by legal process upon the securities intermediary with whom the debtor's securities account is maintained, except as otherwise provided in subsection (d).

(d) The interest of a debtor in a certificated security for which the certificate is in the possession of a secured party, or in an uncertificated security registered in the name of a secured party, or a security entitlement maintained in the name of a secured party, may be reached by a creditor by legal process upon the secured party.

(e) A creditor whose debtor is the owner of a certificated security, uncertificated security, or security entitlement is entitled to aid from a court of competent jurisdiction, by injunction or otherwise, in reaching the certificated security, uncertificated security, or security entitlement or in satisfying the claim by means allowed at law or in equity in regard to property that cannot readily be reached by other legal process.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-113
Enforceability of contracts for sale or purchase of a security

Sec. 113. A contract or modification of a contract for the sale or purchase of a security is enforceable whether or not there is a writing signed or record authenticated by a party against whom enforcement

is sought, even if the contract or modification is not capable of performance within one (1) year of its making.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-114
Special rules in actions against issuers of a certificated security

Sec. 114. The following rules apply in an action on a certificated security against the issuer:

(1) Unless specifically denied in the pleadings, each signature on a security certificate or in a necessary endorsement is admitted.

(2) If the effectiveness of a signature is put in issue, the burden of establishing effectiveness is on the party claiming under the signature, but the signature is presumed to be genuine or authorized.

(3) If signatures on a security certificate are admitted or established, production of the certificate entitles a holder to recover on it unless the defendant establishes a defense or a defect going to the validity of the security.

(4) If it is shown that a defense or defect exists, the plaintiff has the burden of establishing that the plaintiff or some person under whom the plaintiff claims is a person against whom the defense or defect cannot be asserted.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-115
Liability of securities intermediary, broker, or other agent or bailee

Sec. 115. A securities intermediary that has transferred a financial asset under an effective entitlement order, or a broker or other agent or bailee that has dealt with a financial asset at the direction of its customer or principal, is not liable to a person having an adverse claim to the financial asset, unless the securities intermediary, or broker or other agent or bailee:

(1) took the action after it had been served with an injunction, restraining order, or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order, or other legal process;

(2) acted in collusion with the wrongdoer in violating the rights of the adverse claimant; or

(3) in the case of a security certificate that has been stolen, acted with notice of the adverse claim.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-116
Determination of securities intermediary as purchaser for value

Sec. 116. A securities intermediary that receives a financial asset

and establishes a security entitlement to the financial asset in favor of an entitlement holder is a purchaser for value of the financial asset. A securities intermediary that acquires a security entitlement to a financial asset from another securities intermediary acquires the security entitlement for value if the securities intermediary acquiring the security entitlement establishes a security entitlement to the financial asset in favor of an entitlement holder.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-201
"Issuer" defined

Sec. 201. (a) With respect to an obligation on or a defense to a security, an "issuer" includes a person that:

(1) places or authorizes the placing of its name on a security certificate, other than as authenticating trustee, registrar, transfer agent, or the like, to evidence a share, participation, or other interest in its property or in an enterprise, or to evidence its duty to perform an obligation represented by the certificate;
(2) creates a share, participation, or other interest in its property or in an enterprise, or undertakes an obligation, that is an uncertificated security;
(3) directly or indirectly creates a fractional interest in its rights or property, if the fractional interest is represented by a security certificate; or
(4) becomes responsible for, or is in place of, another person described as an issuer in this section.

(b) With respect to an obligation on or defense to a security, a guarantor is an issuer to the extent of its guaranty, whether or not its obligation is noted on a security certificate.

(c) With respect to a registration of a transfer, issuer means a person on whose behalf transfer books are maintained.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-202
Terms of security; rules on validity; issuer's defenses; cancellation of contracts

Sec. 202. (a) Even against a purchaser for value and without notice, the terms of a certificated security include terms stated on the certificate and terms made part of the security by reference on the certificate to another instrument, indenture, or document or to a constitution, a statute, an ordinance, a rule, a regulation, an order, or the like, to the extent the terms referred to do not conflict with terms stated on the certificate. A reference under this subsection does not of itself charge a purchaser for value with notice of a defect going to the validity of the security, even if the certificate expressly states that a person accepting it admits notice. The terms of an uncertificated security include those stated in any instrument, indenture, or document or in a constitution, a statute, an ordinance, a rule, a

regulation, an order, or the like, under which the security is issued.

(b) The following rules apply if an issuer asserts that a security is not valid:

(1) A security other than a security issued by a government or governmental subdivision, agency, or instrumentality, even though issued with a defect going to its validity, is valid in the hands of a purchaser for value and without notice of the particular defect unless the defect involves a violation of a constitutional provision. In that case, the security is valid in the hands of a purchaser for value and without notice of the defect, other than one who takes by original issue.

(2) Subdivision (1) applies to an issuer that is a government or governmental subdivision, agency, or instrumentality only if there has been substantial compliance with the legal requirements governing the issue or the issuer has received a substantial consideration for the issue as a whole or for the particular security and a stated purpose of the issue is one for which the issuer has power to borrow money or issue the security.

(c) Except as otherwise provided in IC 26-1-8.1-205, lack of genuineness of a certificated security is a complete defense, even against a purchaser for value and without notice.

(d) All other defenses of the issuer of a security, including nondelivery and conditional delivery of a certificated security, are ineffective against a purchaser for value who has taken the certificated security without notice of the particular defense.

(e) This section does not affect the right of a party to cancel a contract for a security "when, as, and if issued" or "when distributed" in the event of a material change in the character of the security that is the subject of the contract or in the plan or arrangement under which the security is to be issued or distributed.

(f) If a security is held by a securities intermediary against whom an entitlement holder has a security entitlement with respect to the security, the issuer may not assert any defense that the issuer could not assert if the entitlement holder held the security directly.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-203

Notice of defects

Sec. 203. After an act or event, other than a call that has been revoked, creating a right to immediate performance of the principal obligation represented by a certificated security or setting a date on or after which the security is to be presented or surrendered for redemption or exchange, a purchaser is charged with notice of any defect in its issue or defense of the issuer, if the act or event:

(1) requires the payment of money, the delivery of a certificated security, the registration of transfer of an uncertificated security, or any of them on presentation or surrender of the

security certificate, the money or security is available on the date set for payment or exchange, and the purchaser takes the security more than one (1) year after that date; or

(2) is not covered by subdivision (1) and the purchaser takes the security more than two (2) years after the date set for surrender or presentation or the date on which performance became due.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-204

Restrictions on transfer

Sec. 204. A restriction on transfer of a security imposed by the issuer, even if otherwise lawful, is ineffective against a person without knowledge of the restriction unless:

(1) the security is certificated and the restriction is noted conspicuously on the security certificate; or

(2) the security is uncertificated and the registered owner has been notified of the restriction.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-205

Effect of unauthorized signature or certificate

Sec. 205. An unauthorized signature placed on a security certificate before or in the course of issue is ineffective, but the signature is effective in favor of a purchaser for value of the certificated security if the purchaser is without notice of the lack of authority and the signing has been done by:

(1) an authenticating trustee, a registrar, a transfer agent, or other person entrusted by the issuer with the signing of the security certificate or of similar security certificates, or the immediate preparation for signing of any of them; or

(2) an employee of the issuer, or of any of the persons listed in subdivision (1), entrusted with responsible handling of the security certificate.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-206

Enforceability of incomplete or incorrect certificate

Sec. 206. (a) If a security certificate contains the signatures necessary to its issue or transfer but is incomplete in any other respect:

(1) any person may complete it by filling in the blanks as authorized; and

(2) even if the blanks are incorrectly filled in, the security certificate as completed is enforceable by a purchaser who took it for value and without notice of the incorrectness.

(b) A complete security certificate that has been improperly altered, even if fraudulently, remains enforceable, but only according to its original terms.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-207
Registered owner to exercise all rights and powers of owner absent appropriate notice of transfer

Sec. 207. (a) Before due presentment for registration of transfer of a certificated security in registered form or of an instruction requesting registration of transfer of an uncertificated security, the issuer or indenture trustee may treat the registered owner as the person exclusively entitled to vote, receive notifications, and otherwise exercise all the rights and powers of an owner.

(b) IC 26-1-8.1 does not affect the liability of the registered owner of a security for a call, an assessment, or the like.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-208
Warranties by security certificate authenticating signatory

Sec. 208. (a) A person signing a security certificate as authenticating trustee, registrar, transfer agent, or the like, warrants to a purchaser for value of the certificated security, if the purchaser is without notice of a particular defect, that:

(1) the certificate is genuine;

(2) the person's own participation in the issue of the security is within the person's capacity and within the scope of the authority received by the person from the issuer; and

(3) the person has reasonable grounds to believe that the certificated security is in the form and within the amount the issuer is authorized to issue.

(b) Unless otherwise agreed, a person signing under subsection (a) does not assume responsibility for the validity of the security in other respects.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-209
Issuer's lien

Sec. 209. A lien in favor of an issuer upon a certificated security is valid against a purchaser only if the right of the issuer to the lien is noted conspicuously on the security certificate.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-210
Overissue of security; refund in the event of unavailability of security

Sec. 210. (a) In this section, "overissue" means the issue of securities in excess of the amount the issuer has corporate power to issue, but an overissue does not occur if appropriate action has cured the overissue.

(b) Except as otherwise provided in subsections (c) and (d), the

provisions of IC 26-1-8.1 which validate a security or compel its issue or reissue do not apply to the extent that validation, issue, or reissue would result in overissue.

(c) If an identical security not constituting an overissue is reasonably available for purchase, a person entitled to issue or validation may compel the issuer to purchase the security and deliver it if certificated or register its transfer if uncertificated, against surrender of any security certificate the person holds.

(d) If a security is not reasonably available for purchase, a person entitled to issue or validation may recover from the issuer the price the person or the last purchaser for value paid for it with interest from the date of the person's demand.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-301

Delivery of security

Sec. 301. (a) Delivery of a certificated security to a purchaser occurs when:

(1) the purchaser acquires possession of the security certificate;

(2) another person, other than a securities intermediary, either acquires possession of the security certificate on behalf of the purchaser or, having previously acquired possession of the certificate, acknowledges that it holds for the purchaser; or

(3) a securities intermediary acting on behalf of the purchaser acquires possession of the security certificate, only if the certificate is in registered form and is (i) registered in the name of the purchaser, (ii) payable to the order of the purchaser, or (iii) specially endorsed to the purchaser by an effective endorsement and has not been endorsed to the securities intermediary or in blank.

(b) Delivery of an uncertificated security to a purchaser occurs when:

(1) the issuer registers the purchaser as the registered owner, upon original issue or registration of transfer; or

(2) another person, other than a securities intermediary, either becomes the registered owner of the uncertificated security on behalf of the purchaser or, having previously become the registered owner, acknowledges that it holds for the purchaser.

As added by P.L.247-1995, SEC.10. Amended by P.L.57-2000, SEC.42.

IC 26-1-8.1-302

Rights acquired by purchaser

Sec. 302. (a) Except as otherwise provided in subsections (b) and (c), a purchaser of a certificated or uncertificated security acquires all rights in the security that the transferor had or had power to transfer.

(b) A purchaser of a limited interest acquires rights only to the

extent of the interest purchased.

(c) A purchaser of a certificated security who as a previous holder had notice of an adverse claim does not improve its position by taking from a protected purchaser.

As added by P.L.247-1995, SEC.10. Amended by P.L.57-2000, SEC.43.

IC 26-1-8.1-303

"Protected purchaser" defined; acquisition of interest free of adverse claims

Sec. 303. (a) "Protected purchaser" means a purchaser of a certificated or uncertificated security, or of an interest therein, who:

(1) gives value;

(2) does not have notice of any adverse claim to the security; and

(3) obtains control of the certificated or uncertificated security.

(b) In addition to acquiring the rights of a purchaser, a protected purchaser also acquires its interest in the security free of any adverse claim.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-304

Endorsement of securities

Sec. 304. (a) An endorsement may be in blank or special. An endorsement in blank includes an endorsement to bearer. A special endorsement specifies to whom a security is to be transferred or who has power to transfer it. A holder may convert a blank endorsement to a special endorsement.

(b) An endorsement purporting to be only of part of a security certificate representing units intended by the issuer to be separately transferable is effective to the extent of the endorsement.

(c) An endorsement, whether special or in blank, does not constitute a transfer until delivery of the certificate on which it appears or, if the endorsement is on a separate document, until delivery of both the document and the certificate.

(d) If a security certificate in registered form has been delivered to a purchaser without a necessary endorsement, the purchaser may become a protected purchaser only when the endorsement is supplied. However, against a transferor, a transfer is complete upon delivery and the purchaser has a specifically enforceable right to have any necessary endorsement supplied.

(e) An endorsement of a security certificate in bearer form may give notice of an adverse claim to the certificate, but it does not otherwise affect a right to registration that the holder possesses.

(f) Unless otherwise agreed, a person making an endorsement assumes only the obligations provided in IC 26-1-8.1-108 and not an obligation that the security will be honored by the issuer.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-305
Incomplete instructions; obligations imposed on person initiating instructions

Sec. 305. (a) If an instruction has been originated by an appropriate person but is incomplete in any other respect, any person may complete it as authorized and the issuer may rely on it as completed, even though it has been completed incorrectly.

(b) Unless otherwise agreed, a person initiating an instruction assumes only the obligations imposed by IC 26-1-8.1-108 and not an obligation that the security will be honored by the issuer.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-306
Warranties by guarantor

Sec. 306. (a) A person who guarantees a signature of an endorser of a security certificate warrants that at the time of signing:

(1) the signature was genuine;

(2) the signer was an appropriate person to endorse, or if the signature is by an agent, the agent had actual authority to act on behalf of the appropriate person; and

(3) the signer had legal capacity to sign.

(b) A person who guarantees a signature of the originator of an instruction warrants that at the time of signing:

(1) the signature was genuine;

(2) the signer was an appropriate person to originate the instruction, or if the signature is by an agent, the agent had actual authority to act on behalf of the appropriate person, if the person specified in the instruction as the registered owner was, in fact, the registered owner, as to which fact the signature guarantor does not make a warranty; and

(3) the signer had legal capacity to sign.

(c) A person who specially guarantees the signature of an originator of an instruction makes the warranties of a signature guarantor under subsection (b) and also warrants that at the time the instruction is presented to the issuer:

(1) the person specified in the instruction as the registered owner of the uncertificated security will be the registered owner; and

(2) the transfer of the uncertificated security requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions, and claims other than those specified in the instruction.

(d) A guarantor under subsections (a) and (b) or a special guarantor under subsection (c) does not otherwise warrant the rightfulness of the transfer.

(e) A person who guarantees an endorsement of a security certificate makes the warranties of a signature guarantor under subsection (a) and also warrants the rightfulness of the transfer in all

respects.

(f) A person who guarantees an instruction requesting the transfer of an uncertificated security makes the warranties of a special signature guarantor under subsection (c) and also warrants the rightfulness of the transfer in all respects.

(g) An issuer may not require a special guaranty of signature, a guaranty of endorsement, or a guaranty of instruction as a condition to registration of transfer.

(h) The warranties under this section are made to a person taking or dealing with the security in reliance on the guaranty, and the guarantor is liable to the person for loss resulting from their breach. An endorser or originator of an instruction whose signature, endorsement, or instruction has been guaranteed is liable to a guarantor for any loss suffered by the guarantor as a result of breach of the warranties of the guarantor.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-307

Duties of transferor of security

Sec. 307. Unless otherwise agreed, the transferor of a security on due demand shall supply the purchaser with proof of authority to transfer or with any other requisite necessary to obtain registration of the transfer of the security, but if the transfer is not for value, a transferor need not comply unless the purchaser pays the necessary expenses. If the transferor fails within a reasonable time to comply with the demand, the purchaser may reject or rescind the transfer.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-401

Issuer's duty to register transfer

Sec. 401. (a) If a certificated security in registered form is presented to an issuer with a request to register transfer or an instruction is presented to an issuer with a request to register transfer of an uncertificated security, the issuer shall register the transfer as requested if:

(1) under the terms of the security the person seeking registration of transfer is eligible to have the security registered in its name;

(2) the endorsement or instruction is made by the appropriate person or by an agent who has actual authority to act on behalf of the appropriate person;

(3) reasonable assurance is given that the endorsement or instruction is genuine and authorized (IC 26-1-8.1-402);

(4) any applicable law relating to the collection of taxes has been complied with;

(5) the transfer does not violate any restriction on transfer imposed by the issuer in accordance with IC 26-1-8.1-204;

(6) a demand that the issuer not register transfer has not become

effective under IC 26-1-8.1-403, or the issuer has complied with IC 26-1-8.1-403(b) but no legal process or indemnity bond is obtained as provided in IC 26-1-8.1-403(d); and

(7) the transfer is in fact rightful or is to a protected purchaser.

(b) If an issuer is under a duty to register a transfer of a security, the issuer is liable to a person presenting a certificated security or an instruction for registration or to the person's principal for loss resulting from unreasonable delay in registration or failure or refusal to register the transfer.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-402

Issuer's right to assurances

Sec. 402. (a) An issuer may require the following assurance that each necessary endorsement or each instruction is genuine and authorized:

(1) in all cases, a guaranty of the signature of the person making an endorsement or originating an instruction including, in the case of an instruction, reasonable assurance of identity;

(2) if the endorsement is made or the instruction is originated by an agent, appropriate assurance of actual authority to sign;

(3) if the endorsement is made or the instruction is originated by a fiduciary under IC 26-1-8.1-107(a)(4) or IC 26-1-8.1-107(a)(5), appropriate evidence of appointment or incumbency;

(4) if there is more than one (1) fiduciary, reasonable assurance that all who are required to sign have done so; and

(5) if the endorsement is made or the instruction is originated by a person not covered by another provision of this subsection, assurance appropriate to the case corresponding as nearly as may be to the provisions of this subsection.

(b) An issuer may elect to require reasonable assurance beyond that specified in this section.

(c) In this section:

(1) "Guaranty of the signature" means a guaranty signed by or on behalf of a person reasonably believed by the issuer to be responsible. An issuer may adopt standards with respect to responsibility if they are not manifestly unreasonable.

(2) "Appropriate evidence of appointment or incumbency" means:

(i) in the case of a fiduciary appointed or qualified by a court, a certificate issued by or under the direction or supervision of the court or an officer thereof and dated within sixty (60) days before the date of presentation for transfer; or

(ii) in any other case, a copy of a document showing the appointment or a certificate issued by or on behalf of a person reasonably believed by an issuer to be responsible or,

in the absence of that document or certificate, other evidence the issuer reasonably considers appropriate.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-403

Demand that transfer not be registered; notice; contents; liability

Sec. 403. (a) A person who is an appropriate person to make an endorsement or originate an instruction may demand that the issuer not register transfer of a security by communicating to the issuer a notification that identifies the registered owner and the issue of which the security is a part and provides an address for communications directed to the person making the demand. The demand is effective only if it is received by the issuer at a time and in a manner affording the issuer reasonable opportunity to act on it.

(b) If a certificated security in registered form is presented to an issuer with a request to register transfer or an instruction is presented to an issuer with a request to register transfer of an uncertificated security after a demand that the issuer not register transfer has become effective, the issuer shall promptly communicate to (i) the person who initiated the demand at the address provided in the demand and (ii) the person who presented the security for registration of transfer or initiated the instruction requesting registration of transfer a notification stating that:

(1) the certificated security has been presented for registration of transfer or the instruction for registration of transfer of the uncertificated security has been received;

(2) a demand that the issuer not register transfer had previously been received; and

(3) the issuer will withhold registration of transfer for a period of time stated in the notification in order to provide the person who initiated the demand an opportunity to obtain legal process or an indemnity bond.

(c) The period described in subsection (b)(3) may not exceed thirty (30) days after the date of communication of the notification. A shorter period may be specified by the issuer if it is not manifestly unreasonable.

(d) An issuer is not liable to a person who initiated a demand that the issuer not register transfer for any loss the person suffers as a result of registration of a transfer under an effective endorsement or instruction if the person who initiated the demand does not, within the time stated in the issuer's communication, either:

(1) obtain an appropriate restraining order, injunction, or other process from a court of competent jurisdiction enjoining the issuer from registering the transfer; or

(2) file with the issuer an indemnity bond, sufficient in the issuer's judgment to protect the issuer and any transfer agent, registrar, or other agent of the issuer involved from any loss it or they may suffer by refusing to register the transfer.

(e) This section does not relieve an issuer from liability for registering transfer under an endorsement or instruction that was not effective.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-404
Issuer liability for wrongful registration of transfer

Sec. 404. (a) Except as otherwise provided in IC 26-1-8.1-406, an issuer is liable for wrongful registration of transfer if the issuer has registered a transfer of a security to a person not entitled to it, and the transfer was registered:

(1) under an ineffective endorsement or instruction;

(2) after a demand that the issuer not register transfer became effective under IC 26-1-8.1-403(a) and the issuer did not comply with IC 26-1-8.1-403(b);

(3) after the issuer had been served with an injunction, restraining order, or other legal process enjoining it from registering the transfer, issued by a court of competent jurisdiction, and the issuer had a reasonable opportunity to act on the injunction, restraining order, or other legal process; or

(4) by an issuer acting in collusion with the wrongdoer.

(b) An issuer that is liable for wrongful registration of transfer under subsection (a) on demand shall provide the person entitled to the security with a like certificated or uncertificated security, and any payments or distributions that the person did not receive as a result of the wrongful registration. If an overissue would result, the issuer's liability to provide the person with a like security is governed by IC 26-1-8.1-210.

(c) Except as otherwise provided in subsection (a) or in a law relating to the collection of taxes, an issuer is not liable to an owner or other person suffering loss as a result of the registration of a transfer of a security if registration was made under an effective endorsement or instruction.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-405
Issuance of new certificates; protected purchasers

Sec. 405. (a) If an owner of a certificated security, whether in registered or bearer form, claims that the certificate has been lost, destroyed, or wrongfully taken, the issuer shall issue a new certificate if the owner:

(1) so requests before the issuer has notice that the certificate has been acquired by a protected purchaser;

(2) files with the issuer a sufficient indemnity bond; and

(3) satisfies other reasonable requirements imposed by the issuer.

(b) If, after the issue of a new security certificate, a protected purchaser of the original certificate presents it for registration of

transfer, the issuer shall register the transfer unless an overissue would result. In that case, the issuer's liability is governed by IC 26-1-8.1-210. In addition to any rights on the indemnity bond, an issuer may recover the new certificate from a person to whom it was issued or any person taking under that person, except a protected purchaser.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-406
Failure to notify issuer of lost, destroyed, or wrongfully taken certificates

Sec. 406. If a security certificate has been lost, apparently destroyed, or wrongfully taken, and the owner fails to notify the issuer of that fact within a reasonable time after the owner has notice of it and the issuer registers a transfer of the security before receiving notification, the owner may not assert against the issuer a claim for registering the transfer under IC 26-1-8.1-404 or a claim to a new security certificate under IC 26-1-8.1-405.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-407
Obligations of agents acting on behalf of issuer

Sec. 407. A person acting as authenticating trustee, a transfer agent, a registrar, or other agent for an issuer in the registration of a transfer of its securities, in the issue of new security certificates or uncertificated securities, or in the cancellation of surrendered security certificates, has the same obligation to the holder or owner of a certificated or uncertificated security with regard to the particular functions performed as the issuer has in regard to those functions.
As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-501
Acquisition of security entitlements

Sec. 501. (a) "Securities account" means an account to which a financial asset is or may be credited in accordance with an agreement under which the person maintaining the account undertakes to treat the person for whom the account is maintained as entitled to exercise the rights that comprise the financial asset.

(b) Except as otherwise provided in subsections (d) and (e), a person acquires a security entitlement if a securities intermediary:

(1) indicates by book entry that a financial asset has been credited to the person's securities account;

(2) receives a financial asset from the person or acquires a financial asset for the person and, in either case, accepts it for credit to the person's securities account; or

(3) becomes obligated under other law, regulation, or rule to credit a financial asset to the person's securities account.

(c) If a condition of subsection (b) has been met, a person has a security entitlement even though the securities intermediary does not itself hold the financial asset.

(d) If a securities intermediary holds a financial asset for another person, and the financial asset is registered in the name of, payable to the order of, or specially endorsed to the other person, and has not been endorsed to the securities intermediary or in blank, the other person is treated as holding the financial asset directly rather than as having a security entitlement with respect to the financial asset.

(e) Issuance of a security is not establishment of a security entitlement.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-502

Adverse claims against person holding a security entitlement

Sec. 502. An action based on an adverse claim to a financial asset, whether framed in conversion, replevin, constructive trust, equitable lien, or other theory, may not be asserted against a person who acquires a security entitlement under IC 26-1-8.1-501 for value and without notice of the adverse claim.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-503

Property interests in financial assets; enforcement of property rights; purchasers for value

Sec. 503. (a) To the extent necessary for a securities intermediary to satisfy all security entitlements with respect to a particular financial asset, all interests in that financial asset held by the securities intermediary are held by the securities intermediary for the entitlement holders, are not property of the securities intermediary, and are not subject to claims of creditors of the securities intermediary, except as otherwise provided in IC 26-1-8.1-511.

(b) An entitlement holder's property interest with respect to a particular financial asset under subsection (a) is a pro rata property interest in all interests in that financial asset held by the securities intermediary, without regard to the time the entitlement holder acquired the security entitlement or the time the securities intermediary acquired the interest in that financial asset.

(c) An entitlement holder's property interest with respect to a particular financial asset under subsection (a) may be enforced against the securities intermediary only by exercise of the entitlement holder's rights under IC 26-1-8.1-505 through IC 26-1-8.1-508.

(d) An entitlement holder's property interest with respect to a particular financial asset under subsection (a) may be enforced against a purchaser of the financial asset or interest therein only if:

(1) insolvency proceedings have been initiated by or against the securities intermediary;

(2) the securities intermediary does not have sufficient interests

in the financial asset to satisfy the security entitlements of all of its entitlement holders to that financial asset;

(3) the securities intermediary violated its obligations under IC 26-1-8.1-504 by transferring the financial asset or interest therein to the purchaser; and

(4) the purchaser is not protected under subsection (e).

The trustee or other liquidator, acting on behalf of all entitlement holders having security entitlements with respect to a particular financial asset, may recover the financial asset, or interest therein, from the purchaser. If the trustee or other liquidator elects not to pursue that right, an entitlement holder whose security entitlement remains unsatisfied has the right to recover its interest in the financial asset from the purchaser.

(e) An action based on the entitlement holder's property interest with respect to a particular financial asset under subsection (a), whether framed in conversion, replevin, constructive trust, equitable lien, or other theory, may not be asserted against any purchaser of a financial asset or interest therein who gives value, obtains control, and does not act in collusion with the securities intermediary in violating the securities intermediary's obligations under IC 26-1-8.1-504.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-504

Maintenance of financial assets by securities intermediary; exempted entity

Sec. 504. (a) A securities intermediary shall promptly obtain and thereafter maintain a financial asset in a quantity corresponding to the aggregate of all security entitlements it has established in favor of its entitlement holders with respect to that financial asset. The securities intermediary may maintain those financial assets directly or through one (1) or more other securities intermediaries.

(b) Except to the extent otherwise agreed by its entitlement holder, a securities intermediary may not grant any security interests in a financial asset it is obligated to maintain under subsection (a).

(c) A securities intermediary satisfies the duty in subsection (a) if:

(1) the securities intermediary acts with respect to the duty as agreed upon by the entitlement holder and the securities intermediary; or

(2) in the absence of agreement, the securities intermediary exercises due care in accordance with reasonable commercial standards to obtain and maintain the financial asset.

(d) This section does not apply to a clearing corporation that is itself the obligor of an option or similar obligation to which its entitlement holders have security entitlements.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-505

Duty of securities intermediary to obtain and pay distributions on financial assets

Sec. 505. (a) A securities intermediary shall take action to obtain a payment or distribution made by the issuer of a financial asset. A securities intermediary satisfies the duty if:

(1) the securities intermediary acts with respect to the duty as agreed upon by the entitlement holder and the securities intermediary; or

(2) in the absence of agreement, the securities intermediary exercises due care in accordance with reasonable commercial standards to attempt to obtain the payment or distribution.

(b) A securities intermediary is obligated to its entitlement holder for a payment or distribution made by the issuer of a financial asset if the payment or distribution is received by the securities intermediary.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-506

Duty of securities intermediary to exercise rights as directed by entitlement holder

Sec. 506. A securities intermediary shall exercise rights with respect to a financial asset if directed to do so by an entitlement holder. A securities intermediary satisfies the duty if:

(1) the securities intermediary acts with respect to the duty as agreed upon by the entitlement holder and the securities intermediary; or

(2) in the absence of agreement, the securities intermediary either places the entitlement holder in a position to exercise the rights directly or exercises due care in accordance with reasonable commercial standards to follow the direction of the entitlement holder.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-507

Duty of securities intermediary to comply with entitlement order; liability for wrongful transfer

Sec. 507. (a) A securities intermediary shall comply with an entitlement order if the entitlement order is originated by the appropriate person, the securities intermediary has had reasonable opportunity to assure itself that the entitlement order is genuine and authorized, and the securities intermediary has had reasonable opportunity to comply with the entitlement order. A securities intermediary satisfies the duty if:

(1) the securities intermediary acts with respect to the duty as agreed upon by the entitlement holder and the securities intermediary; or

(2) in the absence of agreement, the securities intermediary exercises due care in accordance with reasonable commercial

standards to comply with the entitlement order.

(b) If a securities intermediary transfers a financial asset under an ineffective entitlement order, the securities intermediary shall reestablish a security entitlement in favor of the person entitled to it, and pay or credit any payments or distributions that the person did not receive as a result of the wrongful transfer. If the securities intermediary does not reestablish a security entitlement, the securities intermediary is liable to the entitlement holder for damages.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-508

Duty of securities intermediary to act at direction of entitlement holder

Sec. 508. A securities intermediary shall act at the direction of an entitlement holder to change a security entitlement into another available form of holding for which the entitlement holder is eligible, or to cause the financial asset to be transferred to a securities account of the entitlement holder with another securities intermediary. A securities intermediary satisfies the duty if:

(1) the securities intermediary acts as agreed upon by the entitlement holder and the securities intermediary; or

(2) in the absence of agreement, the securities intermediary exercises due care in accordance with reasonable commercial standards to follow the direction of the entitlement holder.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-509

Standards for performance of duties by securities intermediary

Sec. 509. (a) If the substance of a duty imposed upon a securities intermediary by IC 26-1-8.1-504 through IC 26-1-8.1-508 is the subject of other statute, regulation, or rule, compliance with that statute, regulation, or rule satisfies the duty.

(b) To the extent that specific standards for the performance of the duties of a securities intermediary or the exercise of the rights of an entitlement holder are not specified by other statute, regulation, or rule or by agreement between the securities intermediary and entitlement holder, the securities intermediary shall perform its duties and the entitlement holder shall exercise its rights in a commercially reasonable manner.

(c) The obligation of a securities intermediary to perform the duties imposed by IC 26-1-8.1-504 through IC 26-1-8.1-508 is subject to:

(1) rights of the securities intermediary arising out of a security interest under a security agreement with the entitlement holder or otherwise; and

(2) rights of the securities intermediary under other law, regulation, rule, or agreement to withhold performance of its

duties as a result of unfulfilled obligations of the entitlement holder to the securities intermediary.

(d) IC 26-1-8.1-504 through IC 26-1-8.1-508 do not require a securities intermediary to take any action that is prohibited by other statute, regulation, or rule.

As added by P.L.247-1995, SEC.10.

IC 26-1-8.1-510

Purchaser for value of financial asset or security entitlement; adverse claims

Sec. 510. (a) In a case not covered by the priority rules in IC 26-1-9.1 or the rules stated in subsection (c), an action based on an adverse claim to a financial asset or security entitlement, whether framed in conversion, replevin, constructive trust, equitable lien, or other theory, may not be asserted against a person who purchases a security entitlement, or an interest therein, from an entitlement holder if the purchaser gives value, does not have notice of the adverse claim, and obtains control.

(b) If an adverse claim could not have been asserted against an entitlement holder under IC 26-1-8.1-502, the adverse claim cannot be asserted against a person who purchases a security entitlement, or an interest therein, from the entitlement holder.

(c) In a case not covered by the priority rules in IC 26-1-9.1, a purchaser for value of a security entitlement, or an interest therein, who obtains control has priority over a purchaser of a security entitlement, or an interest therein, who does not obtain control. Except as otherwise provided in subsection (d), purchasers who have control rank according to priority in time of:

(1) the purchaser's becoming the person for whom the securities account, in which the security entitlement is carried, is maintained, if the purchaser obtained control under IC 26-1-8.1-106(d)(1);

(2) the securities intermediary's agreement to comply with the purchaser's entitlement orders with respect to security entitlements carried or to be carried in the securities account in which the security entitlement is carried, if the purchaser obtained control under IC 26-1-8.1-106(d)(2); or

(3) if the purchaser obtained control through another person under IC 26-1-8.1-106(d)(3), the time on which priority would be based under this subsection if the other person were the secured party.

(d) A securities intermediary as purchaser has priority over a conflicting purchaser who has control unless otherwise agreed by the securities intermediary.

As added by P.L.247-1995, SEC.10. Amended by P.L.57-2000, SEC.44.

IC 26-1-8.1-511

Priority of claims in financial asset

Sec. 511. (a) Except as otherwise provided in subsections (b) and (c), if a securities intermediary does not have sufficient interests in a particular financial asset to satisfy both its obligations to entitlement holders who have security entitlements to that financial asset and its obligation to a creditor of the securities intermediary who has a security interest in that financial asset, the claims of entitlement holders, other than the creditor, have priority over the claim of the creditor.

(b) A claim of a creditor of a securities intermediary who has a security interest in a financial asset held by a securities intermediary has priority over claims of the securities intermediary's entitlement holders who have security entitlements with respect to that financial asset if the creditor has control over the financial asset.

(c) If a clearing corporation does not have sufficient financial assets to satisfy both its obligations to entitlement holders who have security entitlements with respect to a financial asset and its obligation to a creditor of the clearing corporation who has a security interest in that financial asset, the claim of the creditor has priority over the claims of entitlement holders.

As added by P.L.247-1995, SEC.10.

IC 26-1-9
Repealed

(Repealed by P.L.57-2000, SEC.48.)

IC 26-1-9.1

Chapter 9.1. Secured Transactions

IC 26-1-9.1-101

Short title

Sec. 101. IC 26-1-9.1 may be cited as Uniform Commercial Code–Secured Transactions.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-102

Definitions and index of definitions

Sec. 102. (a) In IC 26-1-9.1:

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

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

(A) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of;

(B) for services rendered or to be rendered;

(C) for a policy of insurance issued or to be issued;

(D) for a secondary obligation incurred or to be incurred;

(E) for energy provided or to be provided;

(F) for the use or hire of a vessel under a charter or other contract;

(G) arising out of the use of a credit or charge card or information contained on or for use with the card; or

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

The term does not include a right to a payment of a prize awarded by the state lottery commission in the Indiana state lottery established under IC 4-30. The term includes health-care-insurance receivables. The term does not include (i) rights to payment evidenced by chattel paper or an instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters of credit, or (vi) rights to payment for money or funds advanced or sold, other than rights arising out of the use of a credit or charge card or information contained on or for use with the card.

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

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

record:

(A) authenticated by a secured party;

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

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

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

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

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

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

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

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

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

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

(6) "As-extracted collateral" means:

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

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

(ii) attaches to the minerals as extracted; or

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

(7) "Authenticate" means:

(A) to sign; or

(B) with present intent to adopt or accept a record, to attach to or logically associate with the record an electronic sound, symbol, or process.

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

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

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

governmental unit that issues certificates of title if a statute permits the security interest in question to be indicated on the record as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral.

(11) "Chattel paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods. In this subdivision, "monetary obligation" means a monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary obligation with respect to software used in the goods. The term "chattel paper" does not include: (i) charters or other contracts involving the use or hire of a vessel; or (ii) records that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.

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

(A) proceeds to which a security interest attaches;

(B) accounts, chattel paper, payment intangibles, and promissory notes that have been sold; and

(C) goods that are the subject of a consignment.

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

(A) the claimant is an organization; or

(B) the claimant is an individual and the claim:

(i) arose in the course of the claimant's business or profession; and

(ii) does not include damages arising out of personal injury to or the death of an individual.

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

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

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

(B) traded on a foreign commodity board of trade, exchange, or market, and is carried on the books of a commodity

intermediary for a commodity customer.

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

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

(A) is registered as a futures commission merchant under federal commodities law; or

(B) in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities law.

(18) "Communicate" means:

(A) to send a written or other tangible record;

(B) to transmit a record by any means agreed upon by the persons sending and receiving the record; or

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

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

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

(A) the merchant:

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

(ii) is not an auctioneer; and

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

(B) with respect to each delivery, the aggregate value of the goods is one thousand dollars ($1,000) or more at the time of delivery;

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

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

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

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

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

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

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

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

(25) "Consumer obligor" means an obligor who is an individual and who incurred the obligation as part of a transaction entered into primarily for personal, family, or household purposes.
(26) "Consumer transaction" means a transaction in which (i) an individual incurs an obligation primarily for personal, family, or household purposes, (ii) a security interest secures the obligation, and (iii) the collateral is held or acquired primarily for personal, family, or household purposes. The term includes consumer-goods transactions.
(27) "Continuation statement" means an amendment of a financing statement that:
(A) identifies, by its file number, the initial financing statement to which it relates; and
(B) indicates that it is a continuation statement for, or that it is filed to continue the effectiveness of, the identified financing statement.
(28) "Debtor" means:
(A) a person having an interest, other than a security interest or other lien, in the collateral, whether or not the person is an obligor;
(B) a seller of accounts, chattel paper, payment intangibles, or promissory notes; or
(C) a consignee.
(29) "Deposit account" means a demand, time, savings, passbook, or similar account maintained with a bank. The term does not include investment property or accounts evidenced by an instrument.
(30) "Document" means a document of title or a receipt of the type described in IC 26-1-7-201(b).
(31) "Electronic chattel paper" means chattel paper evidenced by a record or records consisting of information stored in an electronic medium.
(32) "Encumbrance" means a right, other than an ownership interest, in real property. The term includes mortgages and other liens on real property.
(33) "Equipment" means goods other than inventory, farm products, or consumer goods.
(34) "Farm products" means goods, other than standing timber, with respect to which the debtor is engaged in a farming operation and which are:
(A) crops grown, growing, or to be grown, including:
(i) crops produced on trees, vines, and bushes; and
(ii) aquatic goods produced in aquacultural operations;
(B) livestock, born or unborn, including aquatic goods produced in aquacultural operations;
(C) supplies used or produced in a farming operation; or
(D) products of crops or livestock in their unmanufactured states.

(35) "Farming operation" means raising, cultivating, propagating, fattening, grazing, or any other farming, livestock, or aquacultural operation.
(36) "File number" means the number assigned to an initial financing statement pursuant to IC 26-1-9.1-519(a).
(37) "Filing office" means an office designated in IC 26-1-9.1-501 as the place to file a financing statement.
(38) "Filing-office rule" means a rule adopted pursuant to IC 26-1-9.1-526.
(39) "Financing statement" means a record or records composed of an initial financing statement and any filed record relating to the initial financing statement.
(40) "Fixture filing" means the filing of a financing statement covering goods that are or are to become fixtures and satisfying IC 26-1-9.1-502(a) and IC 26-1-9.1-502(b). The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.
(41) "Fixtures" means goods that have become so related to particular real property that an interest in them arises under real property law.
(42) "General intangible" means any personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals before extraction. The term includes payment intangibles and software.
(43) "Good faith" means honesty in fact and the observance of reasonable commercial standards of fair dealing.
(44) "Goods" means all things that are movable when a security interest attaches. The term includes (i) fixtures, (ii) standing timber that is to be cut and removed under a conveyance or contract for sale, (iii) the unborn young of animals, (iv) crops grown, growing, or to be grown, even if the crops are produced on trees, vines, or bushes, and (v) manufactured homes. The term also includes a computer program embedded in goods and any supporting information provided in connection with a transaction relating to the program if (i) the program is associated with the goods in such a manner that it customarily is considered part of the goods, or (ii) by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods. The term does not include a computer program embedded in goods that consist solely of the medium in which the program is embedded. The term also does not include accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, instruments, investment property, letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals before extraction.
(45) "Governmental unit" means a subdivision, agency,

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

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

(47) "Instrument" means a negotiable instrument or any other writing that evidences a right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment. The term does not include (i) investment property, (ii) letters of credit, or (iii) writings that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card.

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

(A) are leased by a person as lessor;

(B) are held by a person for sale or lease or to be furnished under a contract of service;

(C) are furnished by a person under a contract of service; or

(D) consist of raw materials, work in process, or materials used or consumed in a business.

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

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

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

(52) "Lien creditor" means:

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

(B) an assignee for benefit of creditors from the time of assignment;

(C) a trustee in bankruptcy from the date of the filing of the petition; or

(D) a receiver in equity from the time of appointment.

(53) "Manufactured home" means a structure, transportable in one (1) or more sections, which, in the traveling mode, is eight

(8) body feet or more in width or forty (40) body feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein. The term includes any structure that meets all of the requirements of this subdivision except the size requirements, and with respect to which the manufacturer voluntarily files a certification required by the United States Secretary of Housing and Urban Development and complies with the standards established under Title 42 of the United States Code.

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

(A) that creates a purchase-money security interest in a manufactured home, other than a manufactured home held as inventory; or

(B) in which a manufactured home, other than a manufactured home held as inventory, is the primary collateral.

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

(56) "New debtor" means a person that becomes bound as debtor under IC 26-1-9.1-203(d) by a security agreement previously entered into by another person.

(57) "New value" means (i) money, (ii) money's worth in property, services, or new credit, or (iii) release by a transferee of an interest in property previously transferred to the transferee. The term does not include an obligation substituted for another obligation.

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

(59) "Obligor" means a person that, with respect to an obligation secured by a security interest in or an agricultural lien on the collateral, (i) owes payment or other performance of the obligation, (ii) has provided property other than the collateral to secure payment or other performance of the obligation, or (iii) is otherwise accountable in whole or in part for payment or other performance of the obligation. The term does not include issuers or nominated persons under a letter of credit.

(60) "Original debtor", except as used in IC 26-1-9.1-310(c), means a person that, as debtor, entered into a security agreement to which a new debtor has become bound under IC 26-1-9.1-203(d).

(61) "Payment intangible" means a general intangible under

which the account debtor's principal obligation is a monetary obligation.

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

(A) the spouse of the individual;

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

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

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

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

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

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

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

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

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

(64) "Proceeds", except as used in IC 26-1-9.1-609(b), means the following property:

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

(B) Whatever is collected on, or distributed on account of, collateral.

(C) Rights arising out of collateral.

(D) To the extent of the value of collateral, claims arising out of the loss, nonconformity, or interference with the use of, defects or infringement of rights in, or damage to, the collateral.

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

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

(66) "Proposal" means a record authenticated by a secured party that includes the terms on which the secured party is willing to accept collateral in full or partial satisfaction of the obligation it secures pursuant to IC 26-1-9.1-620, IC 26-1-9.1-621, and IC 26-1-9.1-622.

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

(A) debt securities are issued;

(B) all or a portion of the securities issued have an initial stated maturity of at least twenty (20) years; and

(C) the debtor, obligor, secured party, account debtor, or other person obligated on collateral, assignor or assignee of a secured obligation, or assignor or assignee of a security interest is a state or a governmental unit of a state.

(68) "Public organic record" means a record that is available to the public for inspection and is:

(A) a record consisting of the record initially filed with or issued by a state or the United States to form or organize an organization and any record filed with or issued by the state or the United States which amends or restates the initial record;

(B) an organic record of a business trust consisting of the record initially filed with a state and any record filed with the state which amends or restates the initial record, if a statute of the state governing business trusts requires that the record be filed with the state; or

(C) a record consisting of legislation enacted by the legislature of a state or the Congress of the United States which forms or organizes an organization, any record amending the legislation, and any record filed with or issued by the state or the United States which amends or restates the name of the organization.

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

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

(71) "Registered organization" means an organization formed or organized solely under the law of a single state or the United States by the filing of a public organic record with, the issuance of a public organic record by, or the enactment of legislation by the state or the United States. The term includes a business trust that is formed or organized under the law of a single state if a statute of the state governing business trusts requires that the business trust's organic record be filed with the state.

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

(A) the obligor's obligation is secondary; or

(B) the obligor has a right of recourse with respect to an obligation secured by collateral against the debtor, another obligor, or property of either.

(73) "Secured party" means:

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

(B) a person that holds an agricultural lien;

(C) a consignor;

(D) a person to which accounts, chattel paper, payment intangibles, or promissory notes have been sold;

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

(F) a person that holds a security interest arising under IC 26-1-2-401, IC 26-1-2-505, IC 26-1-2-711(3), IC 26-1-2.1-508(5), IC 26-1-4-210, or IC 26-1-5.1-118.

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

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

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

(B) to cause the record or notification to be received within the time that it would have been received if properly sent under clause (A).

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

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

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

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

(80) "Termination statement" means an amendment of a financing statement that:

(A) identifies, by its file number, the initial financing statement to which it relates; and

(B) indicates either that it is a termination statement or that the identified financing statement is no longer effective.

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

(A) operating a railroad, subway, street railway, or trolley bus;

(B) transmitting communications electrically, electromagnetically, or by light;

(C) transmitting goods by pipeline or sewer; or

(D) transmitting or producing and transmitting electricity, steam, gas, or water.

(b) "Control" as provided in IC 26-1-7-106 and the following definitions outside IC 26-1-9.1 apply to IC 26-1-9.1:

"Applicant" IC 26-1-5.1-102.
"Beneficiary" IC 26-1-5.1-102.
"Broker" IC 26-1-8.1-102.
"Certificated security" IC 26-1-8.1-102.
"Check" IC 26-1-3.1-104.
"Clearing corporation" IC 26-1-8.1-102.
"Contract for sale" IC 26-1-2-106.
"Customer" IC 26-1-4-104.
"Entitlement holder" IC 26-1-8.1-102.
"Financial asset" IC 26-1-8.1-102.
"Holder in due course" IC 26-1-3.1-302.
"Issuer" (with respect to a letter of credit or letter-of-credit right) IC 26-1-5.1-102.
"Issuer" (with respect to a security) IC 26-1-8.1-201.
"Issuer" (with respect to documents of title) IC 26-1-7-102.
"Lease" IC 26-1-2.1-103.
"Lease agreement" IC 26-1-2.1-103.
"Lease contract" IC 26-1-2.1-103.
"Leasehold interest" IC 26-1-2.1-103.
"Lessee" IC 26-1-2.1-103.
"Lessee in ordinary course of business" IC 26-1-2.1-103.
"Lessor" IC 26-1-2.1-103.
"Lessor's residual interest" IC 26-1-2.1-103.
"Letter of credit" IC 26-1-5.1-102.
"Merchant" IC 26-1-2-104.
"Negotiable instrument" IC 26-1-3.1-104.
"Nominated person" IC 26-1-5.1-102.
"Note" IC 26-1-3.1-104.
"Proceeds of a letter of credit" IC 26-1-5.1-114.
"Prove" IC 26-1-3.1-103.
"Sale" IC 26-1-2-106.
"Securities account" IC 26-1-8.1-501.
"Securities intermediary" IC 26-1-8.1-102.
"Security" IC 26-1-8.1-102.
"Security certificate" IC 26-1-8.1-102.
"Security entitlement" IC 26-1-8.1-102.
"Uncertificated security" IC 26-1-8.1-102.

(c) IC 26-1-1 contains general definitions and principles of construction and interpretation applicable throughout IC 26-1-9.1.
As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.65; P.L.108-2009, SEC.3; P.L.54-2011, SEC.3.

IC 26-1-9.1-102.5
"Take free"; "takes free"; "takes the money free"; "takes the funds free"

Sec. 102.5. As used in this chapter, "take free", "takes free", "takes the money free", and "takes the funds free", when used in conjunction with a security interest in collateral which is transferred, means that following the transfer the collateral is no longer encumbered by the security interest and the security interest is terminated with respect to the transferred collateral.
As added by P.L.192-2003, SEC.1.

IC 26-1-9.1-103
Purchase-money security interest; application of payment; burden of establishing

Sec. 103. (a) In this section:

(1) "Purchase-money collateral" means goods or software that secures a purchase-money obligation incurred with respect to that collateral.

(2) "Purchase-money obligation" means an obligation of an obligor incurred as all or part of the price of the collateral or for value given to enable the debtor to acquire rights in, or the use of the collateral if the value is in fact so used.

(b) A security interest in goods is a purchase-money security interest:

(1) to the extent that the goods are purchase-money collateral with respect to that security interest;

(2) if the security interest is in inventory that is or was purchase-money collateral, also to the extent that the security interest secures a purchase-money obligation incurred with respect to other inventory in which the secured party holds or held a purchase-money security interest; and

(3) also to the extent that the security interest secures a purchase-money obligation incurred with respect to software in which the secured party holds or held a purchase-money security interest.

(c) A security interest in software is a purchase-money security interest to the extent that the security interest also secures a purchase-money obligation incurred with respect to goods in which the secured party holds or held a purchase-money security interest if:

(1) the debtor acquired its interest in the software in an integrated transaction in which it acquired an interest in the goods; and

(2) the debtor acquired its interest in the software for the

principal purpose of using the software in the goods.

(d) The security interest of a consignor in goods that are the subject of a consignment is a purchase-money security interest in inventory.

(e) If the extent to which a security interest is a purchase-money security interest depends on the application of a payment to a particular obligation, the payment must be applied:

(1) in accordance with any reasonable method of application to which the parties agree;

(2) in the absence of the parties' agreement to a reasonable method, in accordance with any intention of the obligor manifested at or before the time of payment; or

(3) in the absence of an agreement to a reasonable method and a timely manifestation of the obligor's intention, in the following order:

(A) To obligations that are not secured.

(B) If more than one (1) obligation is secured, to obligations secured by purchase-money security interests in the order in which those obligations were incurred.

(f) A purchase-money security interest does not lose its status as such, even if:

(1) the purchase-money collateral also secures an obligation that is not a purchase-money obligation;

(2) collateral that is not purchase-money collateral also secures the purchase-money obligation; or

(3) the purchase-money obligation has been renewed, refinanced, consolidated, or restructured.

(g) A secured party claiming a purchase-money security interest has the burden of establishing the extent to which the security interest is a purchase-money security interest.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-104

Control of deposit account

Sec. 104. (a) A secured party has control of a deposit account if:

(1) the secured party is the bank with which the deposit account is maintained;

(2) the debtor, secured party, and bank have agreed in an authenticated record that the bank will comply with instructions originated by the secured party directing disposition of the funds in the account without further consent by the debtor; or

(3) the secured party becomes the bank's customer with respect to the deposit account.

(b) A secured party that has satisfied subsection (a) has control, even if the debtor retains the right to direct the disposition of funds from the deposit account.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-105
Control of electronic chattel paper

Sec. 105. (a) A secured party has control of electronic chattel paper if a system employed for evidencing the transfer of interests in the chattel paper reliably establishes the secured party as the person to which the chattel paper was assigned.

(b) A system satisfies subsection (a) if the record or records comprising the chattel paper are created, stored, and assigned in such a manner that:

(1) a single authoritative copy of the record or records exists which is unique, identifiable and, except as otherwise provided in subdivisions (4), (5), and (6), unalterable;

(2) the authoritative copy identifies the secured party as the assignee of the record or records;

(3) the authoritative copy is communicated to and maintained by the secured party or its designated custodian;

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

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

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

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.4.

IC 26-1-9.1-106
Control of investment property

Sec. 106. (a) A person has control of a certificated security, uncertificated security, or security entitlement as provided in IC 26-1-8.1-106.

(b) A secured party has control of a commodity contract if:

(1) the secured party is the commodity intermediary with which the commodity contract is carried; or

(2) the commodity customer, secured party, and commodity intermediary have agreed that the commodity intermediary will apply any value distributed on account of the commodity contract as directed by the secured party without further consent by the commodity customer.

(c) A secured party having control of all security entitlements or commodity contracts carried in a securities account or commodity account has control over the securities account or commodity account.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-107
Control of letter-of-credit right

Sec. 107. A secured party has control of a letter-of-credit right to

the extent of any right to payment or performance by the issuer or any nominated person if the issuer or nominated person has consented to an assignment of proceeds of the letter of credit under IC 26-1-5.1-114(c) or otherwise applicable law or practice.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-108
Sufficiency of description

Sec. 108. (a) Except as otherwise provided in subsections (c), (d), and (e), a description of personal or real property is sufficient, whether or not it is specific, if it reasonably identifies what is described.

(b) Except as otherwise provided in subsection (d), a description of collateral reasonably identifies the collateral if it identifies the collateral by:

(1) specific listing;
(2) category;
(3) except as otherwise provided in subsection (e), a type of collateral defined in IC 26-1;
(4) quantity;
(5) computational or allocational formula or procedure; or
(6) except as otherwise provided in subsection (c), any other method, if the identity of the collateral is objectively determinable.

(c) A description of collateral as "all the debtor's assets" or "all the debtor's personal property" or using words of similar import does not reasonably identify the collateral.

(d) Except as otherwise provided in subsection (e), a description of a security entitlement, securities account, or commodity account is sufficient if it describes:

(1) the collateral by those terms or as investment property; or
(2) the underlying financial asset or commodity contract.

(e) A description only by type of collateral defined in IC 26-1 is an insufficient description of:

(1) a commercial tort claim; or
(2) in a consumer transaction, consumer goods, a security entitlement, a securities account, or a commodity account.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-109
Scope

Sec. 109. (a) Except as otherwise provided in subsections (c) and (d), IC 26-1-9.1 applies to:

(1) a transaction, regardless of its form, that creates a security interest in personal property or fixtures by contract;
(2) an agricultural lien;
(3) a sale of accounts, chattel paper, payment intangibles, or promissory notes;

(4) a consignment;

(5) a security interest arising under IC 26-1-2-401, IC 26-1-2-505, IC 26-1-2-711(3), or IC 26-1-2.1-508(5), as provided in IC 26-1-9.1-110;

(6) a security interest arising under IC 26-1-4-210 or IC 26-1-5.1-118; and

(7) a transfer of an interest or a claim in a contractual right of a person to receive commissions or other compensation payable by an insurer (as defined in IC 27-1-2-3).

(b) The application of IC 26-1-9.1 to a security interest in a secured obligation is not affected by the fact that the obligation is itself secured by a transaction or interest to which IC 26-1-9.1 does not apply.

(c) IC 26-1-9.1 does not apply to the extent that:

(1) a statute, regulation, or treaty of the United States preempts IC 26-1-9.1; or

(2) the rights of a transferee beneficiary or nominated person under a letter of credit are independent and superior under IC 26-1-5.1-114.

(d) IC 26-1-9.1 does not apply to:

(1) a landlord's lien, other than an agricultural lien;

(2) a lien, other than an agricultural lien, given by statute or other rule of law for services or materials, but IC 26-1-9.1-333 applies with respect to priority of the lien;

(3) an assignment of a claim for wages, salary, or other compensation of an employee;

(4) a sale of accounts, chattel paper, payment intangibles, or promissory notes as part of a sale of the business out of which they arose;

(5) an assignment of accounts, chattel paper, payment intangibles, or promissory notes that is for the purpose of collection only;

(6) an assignment of a right to payment under a contract to an assignee that is also obligated to perform under the contract;

(7) an assignment of a single account, payment intangible, or promissory note to an assignee in full or partial satisfaction of a preexisting indebtedness;

(8) a transfer of an interest in or an assignment of a claim under a policy of insurance, other than a transfer described in subsection (a)(7), or an assignment by or to a health-care provider of a health-care-insurance receivable and any subsequent assignment of the right to payment, but IC 26-1-9.1-315 and IC 26-1-9.1-322 apply with respect to proceeds and priorities in proceeds;

(9) an assignment of a right represented by a judgment, other than a judgment taken on a right to payment that was collateral;

(10) a right of recoupment or set-off, but:

(A) IC 26-1-9.1-340 applies with respect to the effectiveness

of rights of recoupment or set-off against deposit accounts; and

(B) IC 26-1-9.1-404 applies with respect to defenses or claims of an account debtor;

(11) the creation or transfer of an interest in or lien on real property, including a lease or rents thereunder, except to the extent that provision is made for:

(A) liens on real property in IC 26-1-9.1-203 and IC 26-1-9.1-308;

(B) fixtures in IC 26-1-9.1-334;

(C) fixture filings in IC 26-1-9.1-501, IC 26-1-9.1-502, IC 26-1-9.1-512, IC 26-1-9.1-516, and IC 26-1-9.1-519; and

(D) security agreements covering personal and real property in IC 26-1-9.1-604;

(12) an assignment of a claim arising in tort, other than a commercial tort claim, but IC 26-1-9.1-315 and IC 26-1-9.1-322 apply with respect to proceeds and priorities in proceeds;

(13) an assignment of a deposit account in a consumer transaction, but IC 26-1-9.1-315 and IC 26-1-9.1-322 apply with respect to proceeds and priorities in proceeds;

(14) the creation, perfection, priority, or enforcement of a security interest created by the state, another state, or a foreign country, or a governmental unit of the state, another state or a foreign country;

(15) a pledge of revenues, other money, or property made under IC 5-1-14-4;

(16) a claim or right to receive compensation for injuries or sickness as described in 26 U.S.C. 104(a)(1) or (a)(2); or

(17) a claim or right to receive benefits under a special need trust as described in 42 U.S.C. 1396p(d)(4).

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.1.

IC 26-1-9.1-110

Security interests arising under IC 26-1-2 or IC 26-1-2.1

Sec. 110. A security interest arising under IC 26-1-2-401, IC 26-1-2-505, IC 26-1-2-711(3), or IC 26-1-2.1-508(5) is subject to IC 26-1-9.1. However, until the debtor obtains possession of the goods:

(1) the security interest is enforceable, even if IC 26-1-9.1-203(b)(3) has not been satisfied;

(2) filing is not required to perfect the security interest;

(3) the rights of the secured party after default by the debtor are governed by IC 26-1-2 or IC 26-1-2.1; and

(4) the security interest has priority over a conflicting security interest created by the debtor.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-201
General effectiveness of security agreement

Sec. 201. (a) Except as otherwise provided in IC 26-1, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.

(b) A transaction subject to this article is subject to any applicable rule of law that establishes a different rule for consumers.

(c) In case of conflict between IC 26-1-9.1 and a rule of law, statute, or regulation described in subsection (b), the rule of law, statute, or regulation controls. Failure to comply with a statute or regulation described in subsection (b) has only the effect the statute or regulation specifies.

(d) IC 26-1-9.1 does not:

(1) validate any rate, charge, agreement, or practice that violates a rule of law, statute, or regulation described in subsection (b); or

(2) extend the application of the rule of law, statute, or regulation to a transaction not otherwise subject to it.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-202
Title to collateral immaterial

Sec. 202. Except as otherwise provided with respect to consignments or sales of accounts, chattel paper, payment intangibles, or promissory notes, the provisions of this article with regard to rights and obligations apply whether title to collateral is in the secured party or the debtor.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-203
Attachment and enforceability of security interest; proceeds; supporting obligations; formal requisites

Sec. 203. (a) A security interest attaches to collateral when it becomes enforceable against the debtor with respect to the collateral, unless an agreement expressly postpones the time of attachment.

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

(1) value has been given;

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

(3) one (1) of the following conditions is met:

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

(B) The collateral is not a certificated security and is in the possession of the secured party under IC 26-1-9.1-313

pursuant to the debtor's security agreement.

(C) The collateral is a certificated security in registered form and the security certificate has been delivered to the secured party under IC 26-1-8.1-301 pursuant to the debtor's security agreement.

(D) The collateral is deposit accounts, electronic chattel paper, investment property, letter-of-credit rights, or electronic documents, and the secured party has control under IC 26-1-7-106, IC 26-1-9.1-104, IC 26-1-9.1-105, IC 26-1-9.1-106, or IC 26-1-9.1-107 pursuant to the debtor's security agreement.

(c) Subsection (b) is subject to IC 26-1-4-210 on the security interest of a collecting bank, IC 26-1-5.1-118 on the security interest of a letter-of-credit issuer or nominated person, IC 26-1-9.1-110 on a security interest arising under IC 26-1-2 or IC 26-1-2.1, and IC 26-1-9.1-206 on security interests in investment property.

(d) A person becomes bound as debtor by a security agreement entered into by another person if, by operation of law other than IC 26-1-9.1 or by contract:

(1) the security agreement becomes effective to create a security interest in the person’s property; or

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

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

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

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

(f) The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by IC 26-1-9-315 and is also attachment of a security interest in a supporting obligation for the collateral.

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

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

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

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.66.

IC 26-1-9.1-204
After-acquired property; future advances

Sec. 204. (a) Except as otherwise provided in subsection (b), a security agreement may create or provide for a security interest in after-acquired collateral.

(b) A security interest does not attach under a term constituting an after-acquired property clause to:

(1) consumer goods, other than an accession when given as additional security, unless the debtor acquires rights in them within ten (10) days after the secured party gives value; or

(2) a commercial tort claim.

(c) A security agreement may provide that collateral secures, or that accounts, chattel paper, payment intangibles, or promissory notes are sold in connection with, future advances or other value, whether or not the advances or value are given pursuant to commitment.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-205
Use or disposition of collateral permissible

Sec. 205. (a) A security interest is not invalid or fraudulent against creditors solely because:

(1) the debtor has the right or ability to:

(A) use, commingle, or dispose of all or part of the collateral, including returned or repossessed goods;

(B) collect, compromise, enforce, or otherwise deal with collateral;

(C) accept the return of collateral or make repossessions; or

(D) use, commingle, or dispose of proceeds; or

(2) the secured party fails to require the debtor to account for proceeds or replace collateral.

(b) This section does not relax the requirements of possession if attachment, perfection, or enforcement of a security interest depends upon possession of the collateral by the secured party.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-206
Security interest arising in purchase or delivery of financial asset

Sec. 206. (a) A security interest in favor of a securities intermediary attaches to a person's security entitlement if:

(1) the person buys a financial asset through the securities intermediary in a transaction in which the person is obligated to pay the purchase price to the securities intermediary at the time of the purchase; and

(2) the securities intermediary credits the financial asset to the buyer's securities account before the buyer pays the securities intermediary.

(b) The security interest described in subsection (a) secures the

person's obligation to pay for the financial asset.

(c) A security interest in favor of a person that delivers a certificated security or other financial asset represented by a writing attaches to the security or other financial asset if:

(1) the security or other financial asset:

(A) in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment; and

(B) is delivered under an agreement between persons in the business of dealing with such securities or financial assets; and

(2) the agreement calls for delivery against payment.

(d) The security interest described in subsection (c) secures the obligation to make payment for the delivery.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-207

Rights and duties of secured party having possession or control of collateral

Sec. 207. (a) Except as otherwise provided in subsection (d), a secured party shall use reasonable care in the custody and preservation of collateral in the secured party's possession. In the case of chattel paper or an instrument, reasonable care includes taking necessary steps to preserve rights against prior parties unless otherwise agreed.

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

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

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

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

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

(A) for the purpose of preserving the collateral or its value;

(B) as permitted by an order of a court having competent jurisdiction; or

(C) except in the case of consumer goods, in the manner and to the extent agreed by the debtor.

(c) Except as otherwise provided in subsection (d), a secured party having possession of collateral or control of collateral under IC 26-1-7-106, IC 26-1-9.1-104, IC 26-1-9.1-105, IC 26-1-9.1-106, or IC 26-1-9.1-107:

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

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

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

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

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

(A) to charge back uncollected collateral; or

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

(2) subsections (b) and (c) do not apply.

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.67.

IC 26-1-9.1-208

Additional duties of secured party having control of collateral

Sec. 208. (a) This section applies to cases in which there is no outstanding secured obligation, and the secured party is not committed to make advances, incur obligations, or otherwise give value.

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

(1) a secured party having control of a deposit account under IC 26-1-9.1-104(a)(2) shall send to the bank with which the deposit account is maintained an authenticated statement that releases the bank from any further obligation to comply with instructions originated by the secured party;

(2) a secured party having control of a deposit account under IC 26-1-9.1-104(a)(3) shall:

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

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

(3) a secured party, other than a buyer, having control of electronic chattel paper under IC 26-1-9.1-105 shall:

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

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

(C) take appropriate action to enable the debtor or its designated custodian to make copies of or revisions to the authoritative copy that add or change an identified assignee

of the authoritative copy without the consent of the secured party;

(4) a secured party having control of investment property under IC 26-1-8.1-106(d)(2) or IC 26-1-9.1-106(b) shall send to the securities intermediary or commodity intermediary with which the security entitlement or commodity contract is maintained an authenticated record that releases the securities intermediary or commodity intermediary from any further obligation to comply with entitlement orders or directions originated by the secured party;

(5) a secured party having control of a letter-of-credit right under IC 26-1-9.1-107 shall send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit to the secured party an authenticated release from any further obligation to pay or deliver proceeds of the letter of credit to the secured party; and

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

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

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

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

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.68.

IC 26-1-9.1-209

Duties of secured party if account debtor has been notified of assignment

Sec. 209. (a) Except as otherwise provided in subsection (c), this section applies if:

(1) there is no outstanding secured obligation; and

(2) the secured party is not committed to make advances, incur obligations, or otherwise give value.

(b) Within ten (10) days after receiving an authenticated demand by the debtor, a secured party shall send to an account debtor that has received notification of an assignment to the secured party as assignee under IC 26-1-9.1-406(a) an authenticated record that

releases the account debtor from any further obligation to the secured party.

(c) This section does not apply to an assignment constituting the sale of an account, chattel paper, or payment intangible.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-210

Request for accounting; request regarding list of collateral or statement of account

Sec. 210. (a) In this section the following definitions apply:

(1) "Request" means a record of a type described in subdivision (2), (3), or (4).

(2) "Request for an accounting" means a record authenticated by a debtor requesting that the recipient provide an accounting of the unpaid obligations secured by collateral and reasonably identifying the transaction or relationship that is the subject of the request.

(3) "Request regarding a list of collateral" means a record authenticated by a debtor requesting that the recipient approve or correct a list of what the debtor believes to be the collateral securing an obligation and reasonably identifying the transaction or relationship that is the subject of the request.

(4) "Request regarding a statement of account" means a record authenticated by a debtor requesting that the recipient approve or correct a statement indicating what the debtor believes to be the aggregate amount of unpaid obligations secured by collateral as of a specified date and reasonably identifying the transaction or relationship that is the subject of the request.

(b) Subject to subsections (c), (d), (e), and (f), a secured party, other than a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor, shall comply with a request within fourteen (14) days after receipt:

(1) in the case of a request for an accounting, by authenticating and sending to the debtor an accounting; and

(2) in the case of a request regarding a list of collateral or a request regarding a statement of account, by authenticating and sending to the debtor an approval or correction.

(c) A secured party that claims a security interest in all of a particular type of collateral owned by the debtor may comply with a request regarding a list of collateral by sending to the debtor an authenticated record, including a statement to that effect within fourteen (14) days after receipt.

(d) A person that receives a request regarding a list of collateral, claims no interest in the collateral when it receives the request, and claimed an interest in the collateral at an earlier time shall comply with the request within fourteen (14) days after receipt by sending to the debtor an authenticated record:

(1) disclaiming any interest in the collateral; and

(2) if known to the recipient, providing the name and mailing address of any assignee of or successor to the recipient's interest in the collateral.

(e) A person that receives a request for an accounting or a request regarding a statement of account, claims no interest in the obligations when the person receives the request, and claimed an interest in the obligations at an earlier time shall comply with the request within fourteen (14) days after receipt by sending to the debtor an authenticated record:

(1) disclaiming any interest in the obligations; and

(2) if known to the recipient, providing the name and mailing address of any assignee of or successor to the recipient's interest in the obligations.

(f) A debtor is entitled without charge to one (1) response to a request under this section during any six (6) month period. The secured party may require payment of a charge not exceeding twenty-five dollars ($25) for each additional response.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-301

Law governing perfection and priority of security interests

Sec. 301. Except as otherwise provided in IC 26-1-9.1-303 through IC 26-1-9.1-306, the following rules determine the law governing perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral:

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

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

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

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

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

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

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

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.69.

IC 26-1-9.1-302
Law governing perfection and priority of agricultural liens

Sec. 302. While farm products are located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of an agricultural lien on the farm products.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-303
Law governing perfection and priority of security interests in goods covered by a certificate of title

Sec. 303. (a) This section applies to goods covered by a certificate of title, even if there is no other relationship between the jurisdiction under whose certificate of title the goods are covered and the goods or the debtor.

(b) Goods become covered by a certificate of title when a valid application for the certificate of title and the applicable fee are delivered to the appropriate authority. Goods cease to be covered by a certificate of title at the earlier of the time the certificate of title ceases to be effective under the law of the issuing jurisdiction or the time the goods become covered subsequently by a certificate of title issued by another jurisdiction.

(c) The local law of the jurisdiction under whose certificate of title the goods are covered governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in goods covered by a certificate of title from the time the goods become covered by the certificate of title until the goods cease to be covered by the certificate of title.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-304
Law governing perfection and priority of security interests in deposit accounts

Sec. 304. (a) The local law of a bank's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a deposit account maintained with that bank.

(b) The following rules determine a bank's jurisdiction for purposes of IC 26-1-9.1-301 through IC 26-1-9.1-342:

(1) If an agreement between the bank and the debtor governing the deposit account expressly provides that a particular jurisdiction is the bank's jurisdiction for purposes of IC 26-1, that jurisdiction is the bank's jurisdiction.

(2) If subdivision (1) does not apply and an agreement between the bank and its customer governing the deposit account expressly provides that the agreement is governed by the law of a particular jurisdiction, that jurisdiction is the bank's jurisdiction.

(3) If neither subdivision (1) nor subdivision (2) applies, and an

agreement between the bank and its customer governing the deposit account expressly provides that the deposit account is maintained at an office in a particular jurisdiction, that jurisdiction is the bank's jurisdiction.

(4) If none of the preceding subdivisions apply, the bank's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the customer's account is located.

(5) If none of the preceding subdivisions apply, the bank's jurisdiction is the jurisdiction in which the chief executive office of the bank is located.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.2.

IC 26-1-9.1-305

Law governing perfection and priority of security interests in investment property

Sec. 305. (a) Except as otherwise provided in subsection (c), the following rules apply:

(1) While a security certificate is located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in the certificated security represented thereby.

(2) The local law of the issuer's jurisdiction as specified in IC 26-1-8.1-110(d) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in an uncertificated security.

(3) The local law of the securities intermediary's jurisdiction as specified in IC 26-1-8.1-110(e) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a security entitlement or securities account.

(4) The local law of the commodity intermediary's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a commodity contract or commodity account.

(b) The following rules determine a commodity intermediary's jurisdiction for purposes of IC 26-1-9.1-301 through IC 26-1-9.1-342:

(1) If an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that a particular jurisdiction is the commodity intermediary's jurisdiction for purposes of IC 26-1, that jurisdiction is the commodity intermediary's jurisdiction.

(2) If subdivision (1) does not apply, and an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that the agreement is governed by the law of a particular jurisdiction, that jurisdiction is the commodity intermediary's jurisdiction.

(3) If neither subdivision (1) nor subdivision (2) applies, and an

agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that the commodity account is maintained at an office in a particular jurisdiction, that jurisdiction is the commodity intermediary's jurisdiction.

(4) If none of the preceding subdivisions apply, the commodity intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the commodity customer's account is located.

(5) If none of the preceding subdivisions apply, the commodity intermediary's jurisdiction is the jurisdiction in which the chief executive office of the commodity intermediary is located.

(c) The local law of the jurisdiction in which the debtor is located governs:

(1) perfection of a security interest in investment property by filing;

(2) automatic perfection of a security interest in investment property created by a broker or securities intermediary; and

(3) automatic perfection of a security interest in a commodity contract or commodity account created by a commodity intermediary.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.3.

IC 26-1-9.1-306

Law governing perfection and priority of security interests in letter-of-credit rights

Sec. 306. (a) Subject to subsection (c), the local law of the issuer's jurisdiction or a nominated person's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a letter-of-credit right if the issuer's jurisdiction or nominated person's jurisdiction is a state.

(b) For purposes of IC 26-1-9.1-301 through IC 26-1-9.1-342, an issuer's jurisdiction or nominated person's jurisdiction is the jurisdiction whose law governs the liability of the issuer or nominated person with respect to the letter-of-credit right as provided in IC 26-1-5.1-116.

(c) This section does not apply to a security interest that is perfected only under IC 26-1-9.1-308(d).

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.4.

IC 26-1-9.1-307

Location of debtor

Sec. 307. (a) In this section, "place of business" means a place where a debtor conducts its affairs.

(b) Except as otherwise provided in this section, the following rules determine a debtor's location:

(1) A debtor who is an individual is located at the individual's principal residence.

(2) A debtor that is an organization and has only one (1) place of business is located at its place of business.

(3) A debtor that is an organization and has more than one (1) place of business is located at its chief executive office.

(c) Subsection (b) applies only if a debtor's residence, place of business, or chief executive office, as applicable, is located in a jurisdiction whose law generally requires information concerning the existence of a nonpossessory security interest to be made generally available in a filing, recording, or registration system as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral. If subsection (b) does not apply, the debtor is located in the District of Columbia.

(d) A person that ceases to exist, have a residence, or have a place of business continues to be located in the jurisdiction specified by subsections (b) and (c).

(e) A registered organization that is organized under the law of a state is located in that state.

(f) Except as otherwise provided in subsection (i), a registered organization that is organized under the law of the United States and a branch or agency of a bank that is not organized under the law of the United States or a state are located:

(1) in the state that the law of the United States designates, if the law designates a state of location;

(2) in the state that the registered organization, branch, or agency designates, if the law of the United States authorizes the registered organization, branch, or agency to designate its state of location, including by designating its main office, home office, or other comparable office; or

(3) in the District of Columbia, if neither paragraph (1) nor paragraph (2) applies.

(g) A registered organization continues to be located in the jurisdiction specified by subsection (e) or (f) notwithstanding:

(1) the suspension, revocation, forfeiture, or lapse of the registered organization's status as such in its jurisdiction of organization; or

(2) the dissolution, winding up, or cancellation of the existence of the registered organization.

(h) The United States is located in the District of Columbia.

(i) A branch or agency of a bank that is not organized under the law of the United States or a state is located in the state in which the branch or agency is licensed, if all branches and agencies of the bank are licensed in only one (1) state.

(j) A foreign air carrier under the Federal Aviation Administration Authorization Act of 1994 (49 U.S.C. 40102(21)) is located at the designated office of the agent upon which service of process may be made on behalf of the carrier.

(k) This section applies only for purposes of IC 26-1-9.1-301 through IC 26-1-9.1-342.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.5; P.L.54-2011, SEC.5; P.L.7-2015, SEC.49.

IC 26-1-9.1-308

When security interest or agricultural lien is perfected; continuity of perfection

Sec. 308. (a) Except as otherwise provided in this section and IC 26-1-9.1-309, a security interest is perfected if it has attached and all of the applicable requirements for perfection in IC 26-1-9.1-310 through IC 26-1-9.1-316 have been satisfied. A security interest is perfected when it attaches if the applicable requirements are satisfied before the security interest attaches.

(b) An agricultural lien is perfected if it has become effective and all of the applicable requirements for perfection in IC 26-1-9.1-310 have been satisfied. An agricultural lien is perfected when it becomes effective if the applicable requirements are satisfied before the agricultural lien becomes effective.

(c) A security interest or agricultural lien is perfected continuously if it is originally perfected by one method under IC 26-1-9.1 and is later perfected by another method under IC 26-1-9.1, without an intermediate period when it was unperfected.

(d) Perfection of a security interest in collateral also perfects a security interest in a supporting obligation for the collateral.

(e) Perfection of a security interest in a right to payment or performance also perfects a security interest in a security interest, mortgage, or other lien on personal or real property securing the right.

(f) Perfection of a security interest in a securities account also perfects a security interest in the security entitlements carried in the securities account.

(g) Perfection of a security interest in a commodity account also perfects a security interest in the commodity contracts carried in the commodity account.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-309

Security interest perfected upon attachment

Sec. 309. The following security interests are perfected when they attach:

(1) A purchase-money security interest in consumer goods, except as otherwise provided in IC 26-1-9.1-311(b) with respect to consumer goods that are subject to a statute or treaty described in IC 26-1-9.1-311(a).

(2) An assignment of accounts or payment intangibles which does not by itself or in conjunction with other assignments to the same assignee transfer a significant part of the assignor's

outstanding accounts or payment intangibles.

(3) A sale of a payment intangible.

(4) A sale of a promissory note.

(5) A security interest created by the assignment of a health-care-insurance receivable to the provider of the health-care goods or services.

(6) A security interest arising under IC 26-1-2-401, IC 26-1-2-505, IC 26-1-2-711(3), or IC 26-1-2.1-508(5), until the debtor obtains possession of the collateral.

(7) A security interest of a collecting bank arising under IC 26-1-4-210.

(8) A security interest of an issuer or nominated person arising under IC 26-1-5.1-118.

(9) A security interest arising in the delivery of a financial asset under IC 26-1-9.1-206(c).

(10) A security interest in investment property created by a broker or securities intermediary.

(11) A security interest in a commodity contract or a commodity account created by a commodity intermediary.

(12) An assignment for the benefit of all creditors of the transferor and subsequent transfers by the assignee thereunder.

(13) A security interest created by an assignment of a beneficial interest in a decedent's estate.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-310

When filing required to perfect security interest or agricultural lien; security interests and agricultural liens to which filing provisions do not apply

Sec. 310. (a) Except as otherwise provided in subsection (b) and IC 26-1-9.1-312(b), a financing statement must be filed to perfect all security interests and agricultural liens.

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

(1) that is perfected under IC 26-1-9.1-308(d), IC 26-1-9.1-308(e), IC 26-1-9.1-308(f), or IC 26-1-9.1-308(g);

(2) that is perfected under IC 26-1-9.1-309 when it attaches;

(3) in property subject to a statute, regulation, or treaty described in IC 26-1-9.1-311(a);

(4) in goods in possession of a bailee that are perfected under IC 26-1-9.1-312(d)(1) or IC 26-1-9.1-312(d)(2);

(5) in certificated securities, documents, goods, or instruments which is perfected without filing, control, or possession under IC 26-1-9.1-312(e), IC 26-1-9.1-312(f), or IC 26-1-9.1-312(g);

(6) in collateral in the secured party's possession under IC 26-1-9.1-313;

(7) in a certificated security which is perfected by delivery of the security certificate to the secured party under

IC 26-1-9.1-313;

(8) in deposit accounts, electronic chattel paper, electronic documents, investment property, or letter-of-credit rights which is perfected by control under IC 26-1-9.1-314;

(9) in proceeds which is perfected under IC 26-1-9.1-315; or

(10) that is perfected under IC 26-1-9.1-316.

(c) If a secured party assigns a perfected security interest or agricultural lien, a filing under IC 26-1-9.1 is not required to continue the perfected status of the security interest against creditors of and transferees from the original debtor.

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.70.

IC 26-1-9.1-311

Perfection of security interests in property subject to certain statutes, regulations, and treaties

Sec. 311. (a) Except as otherwise provided in subsection (d), the filing of a financing statement is not necessary or effective to perfect a security interest in property subject to:

(1) a statute, regulation, or treaty of the United States whose requirements for a security interest's obtaining priority over the rights of a lien creditor with respect to the property preempt IC 26-1-9.1-310(a);

(2) any Indiana statute covering automobiles, trailers, mobile homes, or boats, which provides for a security interest to be indicated on a certificate of title as a condition or result of perfection; or

(3) a statute of another jurisdiction which provides for a security interest to be indicated on a certificate of title as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the property.

(b) Compliance with the requirements of a statute, regulation, or treaty described in subsection (a) for obtaining priority over the rights of a lien creditor is equivalent to the filing of a financing statement under IC 26-1-9.1. Except as otherwise provided in subsection (d), IC 26-1-9.1-313, IC 26-1-9.1-316(d), and IC 26-1-9.1-316(e) for goods covered by a certificate of title, a security interest in property subject to a statute, regulation, or treaty described in subsection (a) may be perfected only by compliance with those requirements, and a security interest so perfected remains perfected notwithstanding a change in the use or transfer of possession of the collateral.

(c) Except as otherwise provided in subsection (d), IC 26-1-9.1-316(d), and IC 26-1-9.1-316(e), duration and renewal of perfection of a security interest perfected by compliance with the requirements prescribed by a statute, regulation, or treaty described in subsection (a) are governed by the statute, regulation, or treaty. In other respects, the security interest is subject to IC 26-1-9.1.

(d) During any period in which collateral, subject to a statute specified in subsection (a)(2), is inventory held for sale or lease by a person or leased by that person as lessor, and that person is in the business of selling goods of that kind, this section does not apply to a security interest in that collateral created by that person, but instead, the filing provisions of IC 26-1-9.1-501 through IC 26-1-9.1-527 apply.

As added by P.L.57-2000, SEC.45. Amended by P.L.210-2005, SEC.74; P.L.54-2011, SEC.6.

IC 26-1-9.1-312

Perfection of security interests in chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letter-of-credit rights, and money; perfection by permissive filing; temporary perfection without filing or transfer of possession

Sec. 312. (a) A security interest in chattel paper, negotiable documents, instruments, or investment property may be perfected by filing.

(b) Except as otherwise provided in IC 26-1-9.1-315(c) and IC 26-1-9.1-315(d), for proceeds:

(1) a security interest in a deposit account may be perfected only by control under IC 26-1-9.1-314;

(2) and except as otherwise provided in IC 26-1-9.1-308(d), a security interest in a letter-of-credit right may be perfected only by control under IC 26-1-9.1-314; and

(3) a security interest in money may be perfected only by the secured party's taking possession under IC 26-1-9.1-313.

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

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

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

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

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

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

(3) filing as to the goods.

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

(f) A perfected security interest in a negotiable document or goods

in possession of a bailee, other than one that has issued a negotiable document for the goods, remains perfected for twenty (20) days without filing if the secured party makes available to the debtor the goods or documents representing the goods for the purpose of:

(1) ultimate sale or exchange; or

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

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

(1) ultimate sale or exchange; or

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

(h) After the twenty (20) day period specified in subsection (e), (f), or (g) expires, perfection depends upon compliance with IC 26-1-9.1.

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.71.

IC 26-1-9.1-313

When possession by or delivery to secured party perfects security interest without filing

Sec. 313. (a) Except as otherwise provided in subsection (b), a secured party may perfect a security interest in tangible negotiable documents, goods, instruments, money, or tangible chattel paper by taking possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of the certificated securities under IC 26-1-8.1-301.

(b) With respect to goods covered by a certificate of title issued by this state, a secured party may perfect a security interest in the goods by taking possession of the goods only in the circumstances described in IC 26-1-9.1-316(e).

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

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

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

(d) If perfection of a security interest depends upon possession of the collateral by a secured party, perfection occurs not earlier than the time the secured party takes possession and continues only while

the secured party retains possession.

(e) A security interest in a certificated security in registered form is perfected by delivery when delivery of the certificated security occurs under IC 26-1-8.1-301 and remains perfected by delivery until the debtor obtains possession of the security certificate.

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

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

(1) the acknowledgment is effective under subsection (c) or IC 26-1-8.1-301(a), even if the acknowledgment violates the rights of a debtor; and

(2) unless the person otherwise agrees or a law other than IC 26-1-9.1 otherwise provides, the person does not owe any duty to the secured party and is not required to confirm the acknowledgment to another person.

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

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

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

(i) A secured party does not relinquish possession, even if a delivery under subsection (h) violates the rights of a debtor. A person to which collateral is delivered under subsection (h) does not owe any duty to the secured party and is not required to confirm the delivery to another person unless the person otherwise agrees or law other than IC 26-1-9.1 otherwise provides.

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.72.

IC 26-1-9.1-314

Perfection by control

Sec. 314. (a) A security interest in investment property, deposit accounts, letter-of-credit rights, electronic chattel paper, or electronic documents may be perfected by control of the collateral under IC 26-1-7-106, IC 26-1-9.1-104, IC 26-1-9.1-105, IC 26-1-9.1-106, or IC 26-1-9.1-107.

(b) A security interest in deposit accounts, electronic chattel paper, letter-of-credit rights, or electronic documents is perfected by control under IC 26-1-7-106, IC 26-1-9.1-104, IC 26-1-9.1-105, or IC 26-1-9.1-107 when the secured party obtains control and remains perfected by control only while the secured party retains control.

(c) A security interest in investment property is perfected by control under IC 26-1-9.1-106 from the time the secured party

obtains control and remains perfected by control until:

(1) the secured party does not have control; and

(2) one of the following occurs:

(A) if the collateral is a certificated security, the debtor has or acquires possession of the security certificate;

(B) if the collateral is an uncertificated security, the issuer has registered or registers the debtor as the registered owner; or

(C) if the collateral is a security entitlement, the debtor is or becomes the entitlement holder.

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.73.

IC 26-1-9.1-315

Secured party's rights on disposition of collateral and in proceeds

Sec. 315. (a) Except as otherwise provided in IC 26-1-9.1 and in IC 26-1-2-403(2):

(1) a security interest or agricultural lien continues in collateral notwithstanding sale, lease, license, exchange, or other disposition thereof unless the secured party authorized the disposition free of the security interest or agricultural lien; and

(2) a security interest attaches to any identifiable proceeds of collateral.

(b) Proceeds that are commingled with other property are identifiable proceeds:

(1) if the proceeds are goods, to the extent provided by IC 26-1-9.1-336; and

(2) if the proceeds are not goods, to the extent that the secured party identifies the proceeds by a method of tracing, including application of equitable principles, that is permitted under law other than IC 26-1-9.1 with respect to commingled property of the type involved.

(c) A security interest in proceeds is a perfected security interest if the security interest in the original collateral was perfected.

(d) A perfected security interest in proceeds becomes unperfected on the twenty-first day after the security interest attaches to the proceeds unless:

(1) the following conditions are satisfied:

(A) A filed financing statement covers the original collateral.

(B) The proceeds are collateral in which a security interest may be perfected by filing in the office in which the financing statement has been filed.

(C) The proceeds are not acquired with cash proceeds.

(2) the proceeds are identifiable cash proceeds; or

(3) the security interest in the proceeds is perfected other than under subsection (c) when the security interest attaches to the proceeds or within twenty (20) days thereafter.

(e) If a filed financing statement covers the original collateral, a

security interest in proceeds which remains perfected under subsection (d)(1) becomes unperfected at the later of:

(1) when the effectiveness of the filed financing statement lapses under IC 26-1-9.1-515 or is terminated under IC 26-1-9.1-513; or

(2) the twenty-first day after the security interest attaches to the proceeds.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-316

Continued perfection of security interest following change in governing law

Sec. 316. (a) A security interest perfected pursuant to the law of the jurisdiction designated in IC 26-1-9.1-301(1) or IC 26-1-9.1-305(c) remains perfected until the earliest of:

(1) the time perfection would have ceased under the law of that jurisdiction;

(2) the expiration of four (4) months after a change of the debtor's location to another jurisdiction; or

(3) the expiration of one (1) year after a transfer of collateral to a person that thereby becomes a debtor and is located in another jurisdiction.

(b) If a security interest described in subsection (a) becomes perfected under the law of the other jurisdiction before the earliest time or event described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earliest time or event, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

(c) A possessory security interest in collateral, other than goods covered by a certificate of title and as-extracted collateral consisting of goods, remains continuously perfected if:

(1) the collateral is located in one (1) jurisdiction and subject to a security interest perfected under the law of that jurisdiction;

(2) thereafter the collateral is brought into another jurisdiction; and

(3) upon entry into the other jurisdiction, the security interest is perfected under the law of the other jurisdiction.

(d) Except as otherwise provided in subsection (e), a security interest in goods covered by a certificate of title which is perfected by any method under the law of another jurisdiction when the goods become covered by a certificate of title from this state remains perfected until the security interest would have become unperfected under the law of the other jurisdiction had the goods not become so covered.

(e) A security interest described in subsection (d) becomes unperfected as against a purchaser of the goods for value and is deemed never to have been perfected as against a purchaser of the

goods for value if the applicable requirements for perfection under IC 26-1-9.1-311(b) or IC 26-1-9.1-313 are not satisfied before the earlier of:

(1) the time the security interest would have become unperfected under the law of the other jurisdiction had the goods not become covered by a certificate of title from this state; or

(2) the expiration of four (4) months after the goods had become so covered.

(f) A security interest in deposit accounts, letter-of-credit rights, or investment property which is perfected under the law of the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable, remains perfected until the earlier of:

(1) the time the security interest would have become unperfected under the law of that jurisdiction; or

(2) the expiration of four (4) months after a change of the applicable jurisdiction to another jurisdiction.

(g) If a security interest described in subsection (f) becomes perfected under the law of the other jurisdiction before the earlier of the time or the end of the period described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier of that time or the end of that period, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

(h) The following rules apply to collateral to which a security interest attaches within four (4) months after the debtor changes its location to another jurisdiction:

(1) A financing statement filed before the change under the law of the jurisdiction designated in IC 26-1-9.1-301(1) or IC 26-1-9.1-305(c) is effective to perfect a security interest in the collateral if the financing statement would have been effective to perfect a security interest in the collateral had the debtor not changed its location.

(2) If a security interest perfected by a financing statement that is effective under subdivision (1) becomes perfected under the law of the other jurisdiction before the earlier of the time the financing statement would have become ineffective under the law of the jurisdiction designated in IC 26-1-9.1-301(1) or IC 26-1-9.1-305(c) or the expiration of the four (4) month period, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier time or event, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

(i) If a financing statement naming an original debtor is filed

under the law of the jurisdiction designated in IC 26-1-9.1-301(1) or IC 26-1-9.1-305(c) and the new debtor is located in another jurisdiction, the following rules apply:

(1) The financing statement is effective to perfect a security interest in collateral acquired by the new debtor before, and within four (4) months after, the new debtor becomes bound under IC 26-1-9.1-203(d), if the financing statement would have been effective to perfect a security interest in the collateral had the collateral been acquired by the original debtor.

(2) A security interest perfected by the financing statement and which becomes perfected under the law of the other jurisdiction before the earlier of the time the financing statement would have become ineffective under the law of the jurisdiction designated in IC 26-1-9.1-301(1) or IC 26-1-9.1-305(c) or the expiration of the four (4) month period remains perfected thereafter. A security interest that is perfected by the financing statement but which does not become perfected under the law of the other jurisdiction before the earlier time or event becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.7.

IC 26-1-9.1-317

Interests that take priority over or take free of unperfected security interest or agricultural lien

Sec. 317. (a) A security interest or agricultural lien is subordinate to the rights of:

(1) a person entitled to priority under IC 26-1-9.1-322; and

(2) except as provided in subsection (e), a person that becomes a lien creditor before the earlier of the time:

(A) the security interest or agricultural lien is perfected; or

(B) one (1) of the conditions specified in IC 26-1-9.1-203(b)(3) is met;

and a financing statement covering the collateral is filed.

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

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

(d) A licensee of a general intangible or a buyer, other than a secured party, of collateral other than tangible chattel paper, tangible documents, goods, instruments, or a certificated security takes free of a security interest if the licensee or buyer gives value without

knowledge of the security interest and before it is perfected.

(e) Except as otherwise provided in IC 26-1-9.1-320 and IC 26-1-9.1-321, if a person files a financing statement with respect to a purchase-money security interest before or within twenty (20) days after the debtor receives delivery of the collateral, the security interest takes priority over the rights of a buyer, lessee, or lien creditor that arise between the time the security interest attaches and the time of filing.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.6; P.L.143-2007, SEC.74; P.L.54-2011, SEC.8.

IC 26-1-9.1-318

No interest retained in right to payment that is sold; rights and title of seller of account or chattel paper with respect to creditors and purchasers

Sec. 318. (a) A debtor that has sold an account, chattel paper, payment intangible, or promissory note does not retain a legal or equitable interest in the collateral sold.

(b) For purposes of determining the rights of creditors of, and purchasers for value of an account or chattel paper from, a debtor that has sold an account or chattel paper, while the buyer's security interest is unperfected, the debtor is deemed to have rights and title to the account or chattel paper identical to those the debtor sold.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-319

Rights and title of consignee with respect to creditors and purchasers

Sec. 319. (a) Except as otherwise provided in subsection (b), for purposes of determining the rights of creditors of, and purchasers for value of goods from, a consignee, while the goods are in the possession of the consignee, the consignee has rights and title to the goods identical to those the consignor had or had power to transfer.

(b) For purposes of determining the rights of a creditor of a consignee, law other than this article determines the rights and title of a consignee while goods are in the consignee's possession if, under IC 26-1-9.1-301 through IC 26-1-9.1-342, a perfected security interest held by the consignor would have priority over the rights of the creditor.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.7.

IC 26-1-9.1-320

Buyer of goods

Sec. 320. (a) Except as otherwise provided in this subsection and subsection (e), a buyer in ordinary course of business takes free of a security interest created by the buyer's seller, even if the security interest is perfected and the buyer knows of its existence. The

following apply whenever a person is buying farm products from a person engaged in farming operations who has created a security interest on the farm products:

(1) A person buying farm products from a person engaged in farming operations is not protected by this subsection if, within one (1) year before the sale of the farm products, the buyer has received prior written notice of the security interest. "Written notice" means any writing that contains the following:

(A) The full name and address of the debtor.

(B) The full name and address of the secured party.

(C) In the case of a debtor doing business other than as an individual, the United States Internal Revenue Service taxpayer identification number of the debtor.

(D) A description of the collateral, including the type and amount of farm products, the crop year, the county of location, and a description of the real property on which the farm products were grown or produced.

(E) Any payment obligations imposed on the buyer by the secured party as conditions for waiver or release of the security interest.

Notice must be received before a buyer of farm products has made full payment to the person engaged in farming operations for the farm products if the notice is to be considered "prior written notice". The written notice lapses on either the expiration period of the statement or the transmission of a notice signed by the secured party that the statement has lapsed, whichever occurs first.

(2) A secured party must, within fifteen (15) days of the satisfaction of the debt, inform in writing each potential buyer listed by the debtor whenever a debt has been satisfied and written notice, as required by subdivision (1), had been previously sent to that buyer.

(3) A debtor engaged in farming operations who has created a security interest in farm products must provide the secured party with a written list of potential buyers of the farm products at the time the debt is incurred if such a list is requested by the secured party. The debtor may not sell farm products to a buyer who does not appear on the list (if the list is requested by the secured party) unless the secured party has given prior written permission to the debtor to sell to someone who does not appear on the list, or the debtor satisfies the debt for that secured party on the farm products he sells within fifteen (15) days of the date of sale. A debtor who knowingly or intentionally sells to a buyer who does not appear on the list (if the list is requested by the secured party) and who does not meet one (1) of the above exceptions, commits a Class C misdemeanor. A secured party commits a Class C infraction if the secured party knowingly or intentionally gives false or misleading information on the notice

required by subdivision (1) or the secured party fails within fifteen (15) days of satisfaction of the debt to notify purchasers to whom a written notice had been previously sent under subdivision (1) of the satisfaction of the debt.

(4) A purchaser of farm products buying from a person engaged in farming operations must issue a check for payment jointly to the debtor and those secured parties from whom he has received prior written notice of a security interest as provided for in subdivision (1). A purchaser who fails to issue a jointly payable check as required by this subsection is not protected by this subdivision. A purchaser of farm products (on which there is a perfected security interest) buying from a person engaged in farming operations who withholds all or part of the proceeds of the sale from the seller, in order to satisfy a prior debt ("prior debt" does not include the costs of marketing the farm product or the cost of transporting the farm product to the market) owed by the seller to the buyer, commits a Class C infraction.

(b) Except as otherwise provided in subsection (e), a buyer of goods from a person who used or bought the goods for use primarily for personal, family, or household purposes takes free of a security interest, even if perfected, if the buyer buys:

(1) without knowledge of the security interest;

(2) for value;

(3) primarily for the buyer's personal, family, or household purposes; and

(4) before the filing of a financing statement covering the goods.

(c) To the extent that it affects the priority of a security interest over a buyer of goods under subsection (b), the period of effectiveness of a filing made in the jurisdiction in which the seller is located is governed by IC 26-1-9.1-316(a) and IC 26-1-9.1-316(b).

(d) A buyer in ordinary course of business buying oil, gas, or other minerals at the wellhead or minehead or after extraction takes free of an interest arising out of an encumbrance.

(e) Subsections (a) and (b) do not affect a security interest in goods in the possession of the secured party under IC 26-1-9.1-313.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-321
Licensee of general intangible and lessee of goods in ordinary course of business

Sec. 321. (a) In this section, "licensee in ordinary course of business" means a person that becomes a licensee of a general intangible in good faith, without knowledge that the license violates the rights of another person in the general intangible, and in the ordinary course from a person in the business of licensing general intangibles of that kind. A person becomes a licensee in the ordinary course if the license to the person comports with the usual or

customary practices in the kind of business in which the licensor is engaged or with the licensor's own usual or customary practices.

(b) A licensee in ordinary course of business takes its rights under a nonexclusive license free of a security interest in the general intangible created by the licensor, even if the security interest is perfected and the licensee knows of its existence.

(c) A lessee in ordinary course of business takes its leasehold interest free of a security interest in the goods created by the lessor, even if the security interest is perfected and the lessee knows of its existence.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-322

Priorities among conflicting security interests in and agricultural liens on same collateral

Sec. 322. (a) Except as otherwise provided in this section, priority among conflicting security interests and agricultural liens in the same collateral is determined according to the following rules:

(1) Conflicting perfected security interests and agricultural liens rank according to priority in time of filing or perfection. Priority dates from the earlier of the time a filing covering the collateral is first made or the security interest or agricultural lien is first perfected, if there is no period thereafter when there is neither filing nor perfection.

(2) A perfected security interest or agricultural lien has priority over a conflicting unperfected security interest or agricultural lien.

(3) The first security interest or agricultural lien to attach or become effective has priority if conflicting security interests and agricultural liens are unperfected.

(b) For the purposes of subsection (a)(1):

(1) the time of filing or perfection as to a security interest in collateral is also the time of filing or perfection as to a security interest in proceeds; and

(2) the time of filing or perfection as to a security interest in collateral supported by a supporting obligation is also the time of filing or perfection as to a security interest in the supporting obligation.

(c) Except as otherwise provided in subsection (f), a security interest in collateral which qualifies for priority over a conflicting security interest under IC 26-1-9.1-327, IC 26-1-9.1-328, IC 26-1-9.1-329, IC 26-1-9.1-330, or IC 26-1-9.1-331 also has priority over a conflicting security interest in:

(1) any supporting obligation for the collateral; and

(2) proceeds of the collateral if:

(A) the security interest in proceeds is perfected;

(B) the proceeds are cash proceeds or of the same type as the collateral; and

(C) in the case of proceeds that are proceeds of proceeds, all intervening proceeds are cash proceeds, proceeds of the same type as the collateral, or an account relating to the collateral.

(d) Subject to subsection (e) and except as otherwise provided in subsection (f), if a security interest in chattel paper, deposit accounts, negotiable documents, instruments, investment property, or letter-of-credit rights is perfected by a method other than filing, conflicting perfected security interests in proceeds of the collateral rank according to priority in time of filing.

(e) Subsection (d) applies only if the proceeds of the collateral are not cash proceeds, chattel paper, negotiable documents, instruments, investment property, or letter-of-credit rights.

(f) Subsections (a) through (e) are subject to:

(1) subsection (g) and IC 26-1-9.1-301 through IC 26-1-9.1-342;

(2) IC 26-1-4-210 with respect to a security interest of a collecting bank;

(3) IC 26-1-5.1-118 with respect to a security interest of an issuer or nominated person; and

(4) IC 26-1-9.1-110 with respect to a security interest arising under IC 26-1-2 or IC 26-1-2.1.

(g) A perfected agricultural lien on collateral has priority over a conflicting security interest in or agricultural lien on the same collateral if the statute creating the agricultural lien so provides.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.8.

IC 26-1-9.1-323

Future advances

Sec. 323. (a) Except as otherwise provided in subsection (c), for purposes of determining the priority of a perfected security interest under IC 26-1-9.1-322(a)(1), perfection of the security interest dates from the time an advance is made to the extent that the security interest secures an advance that:

(1) is made while the security interest is perfected only:

(A) under IC 26-1-9.1-309 when it attaches; or

(B) temporarily under IC 26-1-9.1-312(e), IC 26-1-9.1-312(f), or IC 26-1-9.1-312(g); and

(2) is not made pursuant to a commitment entered into before or while the security interest is perfected by a method other than under IC 26-1-9.1-309, IC 26-1-9.1-312(e), IC 26-1-9.1-312(f), or IC 26-1-9.1-312(g).

(b) Except as otherwise provided in subsection (c), a security interest is subordinate to the rights of a person that becomes a lien creditor to the extent that the security interest secures an advance made more than forty-five (45) days after the person becomes a lien creditor unless the advance is made:

(1) without knowledge of the lien; or

(2) pursuant to a commitment entered into without knowledge of the lien.

(c) Subsections (a) and (b) do not apply to a security interest held by a secured party that is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor.

(d) Except as otherwise provided in subsection (e), a buyer of goods other than a buyer in ordinary course of business takes free of a security interest to the extent that it secures advances made after the earlier of:

(1) the time the secured party acquires knowledge of the buyer's purchase; or

(2) forty-five (45) days after the purchase.

(e) Subsection (d) does not apply if the advance is made pursuant to a commitment entered into without knowledge of the buyer's purchase and before the expiration of the forty-five (45) day period.

(f) Except as otherwise provided in subsection (g), a lessee of goods, other than a lessee in ordinary course of business, takes the leasehold interest free of a security interest to the extent that it secures advances made after the earlier of:

(1) the time the secured party acquires knowledge of the lease; or

(2) forty-five (45) days after the lease contract becomes enforceable.

(g) Subsection (f) does not apply if the advance is made pursuant to a commitment entered into without knowledge of the lease and before the expiration of the forty-five (45) day period.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-324

Priority of purchase-money security interests

Sec. 324. (a) Except as otherwise provided in subsection (g), a perfected purchase-money security interest in goods other than inventory or livestock has priority over a conflicting security interest in the same goods, and, except as otherwise provided in IC 26-1-9.1-327, a perfected security interest in its identifiable proceeds also has priority, if the purchase-money security interest is perfected when the debtor receives possession of the collateral or within twenty (20) days thereafter.

(b) Subject to subsection (c) and except as otherwise provided in subsection (g), a perfected purchase-money security interest in inventory has priority over a conflicting security interest in the same inventory, has priority over a conflicting security interest in chattel paper or an instrument constituting proceeds of the inventory and in proceeds of the chattel paper, if so provided in IC 26-1-9.1-330, and, except as otherwise provided in IC 26-1-9.1-327, also has priority in identifiable cash proceeds of the inventory to the extent the identifiable cash proceeds are received on or before the delivery of the inventory to a buyer, if:

(1) the purchase-money security interest is perfected when the debtor receives possession of the inventory;

(2) the purchase-money secured party sends an authenticated notification to the holder of the conflicting security interest;

(3) the holder of the conflicting security interest receives the notification within five (5) years before the debtor receives possession of the inventory; and

(4) the notification states that the person sending the notification has or expects to acquire a purchase-money security interest in inventory of the debtor and describes the inventory.

(c) Subsection (b)(2) through (b)(4) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of inventory:

(1) if the purchase-money security interest is perfected by filing, before the date of the filing; or

(2) if the purchase-money security interest is temporarily perfected without filing or possession under IC 26-1-9.1-312(f), before the beginning of the twenty (20) day period thereunder.

(d) Subject to subsection (e) and except as otherwise provided in subsection (g), a perfected purchase-money security interest in livestock that are farm products has priority over a conflicting security interest in the same livestock, and, except as otherwise provided in IC 26-1-9.1-327, a perfected security interest in their identifiable proceeds and identifiable products in their unmanufactured states also has priority, if:

(1) the purchase-money security interest is perfected when the debtor receives possession of the livestock;

(2) the purchase-money secured party sends an authenticated notification to the holder of the conflicting security interest;

(3) the holder of the conflicting security interest receives the notification within six (6) months before the debtor receives possession of the livestock; and

(4) the notification states that the person sending the notification has or expects to acquire a purchase-money security interest in livestock of the debtor and describes the livestock.

(e) Subsection (d)(2) through (d)(4) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of livestock:

(1) if the purchase-money security interest is perfected by filing, before the date of the filing; or

(2) if the purchase-money security interest is temporarily perfected without filing or possession under IC 26-1-9.1-312(f), before the beginning of the twenty (20) day period thereunder.

(f) Except as otherwise provided in subsection (g), a perfected purchase-money security interest in software has priority over a conflicting security interest in the same collateral, and, except as otherwise provided in IC 26-1-9.1-327, a perfected security interest in its identifiable proceeds also has priority, to the extent that the

purchase-money security interest in the goods in which the software was acquired for use has priority in the goods and proceeds of the goods under this section.

(g) If more than one (1) security interest qualifies for priority in the same collateral under subsection (a), (b), (d), or (f):

(1) a security interest securing an obligation incurred as all or part of the price of the collateral has priority over a security interest securing an obligation incurred for value given to enable the debtor to acquire rights in or the use of collateral; and

(2) in all other cases, IC 26-1-9.1-322(a) applies to the qualifying security interests.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-325

Priority of security interests in transferred collateral

Sec. 325. (a) Except as otherwise provided in subsection (b), a security interest created by a debtor is subordinate to a security interest in the same collateral created by another person if:

(1) the debtor acquired the collateral subject to the security interest created by the other person;

(2) the security interest created by the other person was perfected when the debtor acquired the collateral; and

(3) there is no period thereafter when the security interest is unperfected.

(b) Subsection (a) subordinates a security interest only if the security interest:

(1) otherwise would have priority solely under IC 26-1-9.1-322(a) or IC 26-1-9.1-324; or

(2) arose solely under IC 26-1-2-711(3) or IC 26-1-2.1-508(5).

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-326

Priority of security interests created by new debtor

Sec. 326. (a) Subject to subsection (b), a security interest that is created by a new debtor in collateral in which the new debtor has or acquires rights and is perfected solely by a filed financing statement that would be ineffective to perfect the security interest but for the application of IC 26-1-9.1-316(i)(1) or IC 26-1-9.1-508 is subordinate to a security interest in the same collateral that is perfected by another method.

(b) The other provisions of IC 26-1-9.1-301 through IC 26-1-9.1-342 determine the priority among conflicting security interests in the same collateral perfected by filed financing statements described in subsection (a). However, if the security agreements to which a new debtor became bound as a debtor were not entered into by the same original debtor, the conflicting security interests rank according to priority in time of the new debtor's having

become bound.
As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.9.

IC 26-1-9.1-327
Priority of security interests in deposit account

Sec. 327. The following rules govern priority among conflicting security interests in the same deposit account:

(1) A security interest held by a secured party having control of the deposit account under IC 26-1-9.1-104 has priority over a conflicting security interest held by a secured party that does not have control.

(2) Except as otherwise provided in subdivisions (3) and (4), security interests perfected by control under IC 26-1-9.1-314 rank according to priority in time of obtaining control.

(3) Except as otherwise provided in subdivision (4), a security interest held by the bank with which the deposit account is maintained has priority over a conflicting security interest held by another secured party.

(4) A security interest perfected by control under IC 26-1-9.1-104(a)(3) has priority over a security interest held by the bank with which the deposit account is maintained.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-328
Priority of security interests in investment property

Sec. 328. The following rules govern priority among conflicting security interests in the same investment property:

(1) A security interest held by a secured party having control of investment property under IC 26-1-9.1-106 has priority over a security interest held by a secured party that does not have control of the investment property.

(2) Except as otherwise provided in subdivisions (3) and (4), conflicting security interests held by secured parties each of which has control under IC 26-1-9.1-106 rank according to priority in time of:

(A) if the collateral is a security, obtaining control;

(B) if the collateral is a security entitlement carried in a securities account and:

(i) if the secured party obtained control under IC 26-1-8.1-106(d)(1), the secured party's becoming the person for which the securities account is maintained;

(ii) if the secured party obtained control under IC 26-1-8.1-106(d)(2), the securities intermediary's agreement to comply with the secured party's entitlement orders with respect to security entitlements carried or to be carried in the securities account; or

(iii) if the secured party obtained control through another person under IC 26-1-8.1-106(d)(3), the time on which

priority would be based under this subdivision if the other person were the secured party; or

(C) if the collateral is a commodity contract carried with a commodity intermediary, the satisfaction of the requirement for control specified in IC 26-1-9.1-106(b)(2) with respect to commodity contracts carried or to be carried with the commodity intermediary.

(3) A security interest held by a securities intermediary in a security entitlement or a securities account maintained with the securities intermediary has priority over a conflicting security interest held by another secured party.

(4) A security interest held by a commodity intermediary in a commodity contract or a commodity account maintained with the commodity intermediary has priority over a conflicting security interest held by another secured party.

(5) A security interest in a certificated security in registered form which is perfected by taking delivery under IC 26-1-9.1-313(a) and not by control under IC 26-1-9.1-314 has priority over a conflicting security interest perfected by a method other than control.

(6) Conflicting security interests created by a broker, securities intermediary, or commodity intermediary, which are perfected without control under IC 26-1-9.1-106 rank equally.

(7) In all other cases, priority among conflicting security interests in investment property is governed by IC 26-1-9.1-322 and IC 26-1-9.1-323.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-329

Priority of security interests in letter-of-credit rights

Sec. 329. The following rules govern priority among conflicting security interests in the same letter-of-credit right:

(1) A security interest held by a secured party having control of the letter-of-credit right under IC 26-1-9.1-107 has priority to the extent of its control over a conflicting security interest held by a secured party that does not have control.

(2) Security interests perfected by control under IC 26-1-9.1-314 rank according to priority in time of obtaining control.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-330

Priority of purchases of chattel paper or instrument

Sec. 330. (a) A purchaser of chattel paper has priority over a security interest in the chattel paper which is claimed merely as proceeds of inventory subject to a security interest if:

(1) in good faith and in the ordinary course of the purchaser's business, the purchaser gives new value and takes possession of

the chattel paper or obtains control of the chattel paper under IC 26-1-9.1-105; and

(2) the chattel paper does not indicate that it has been assigned to an identified assignee other than the purchaser.

(b) A purchaser of chattel paper has priority over a security interest in the chattel paper which is claimed other than merely as proceeds of inventory subject to a security interest if the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under IC 26-1-9.1-105 in good faith, in the ordinary course of the purchaser's business, and without knowledge that the purchase violates the rights of the secured party.

(c) Except as otherwise provided in IC 26-1-9.1-327, a purchaser having priority in chattel paper under subsection (a) or (b) also has priority in proceeds of the chattel paper to the extent that:

(1) IC 26-1-9.1-322 provides for priority in the proceeds; or

(2) the proceeds consist of the specific goods covered by the chattel paper or cash proceeds of the specific goods, even if the purchaser's security interest in the proceeds is unperfected.

(d) Except as otherwise provided in IC 26-1-9.1-331(a), a purchaser of an instrument has priority over a security interest in the instrument perfected by a method other than possession if the purchaser gives value and takes possession of the instrument in good faith and without knowledge that the purchase violates the rights of the secured party.

(e) For purposes of subsections (a) and (b), the holder of a purchase-money security interest in inventory gives new value for chattel paper constituting proceeds of the inventory.

(f) For purposes of subsections (b) and (d), if chattel paper or an instrument indicates that it has been assigned to an identified secured party other than the purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase violates the rights of the secured party.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-331

Priority of rights of purchasers of instruments, documents, and securities under other chapters; priority of interests in financial assets and security entitlements under IC 26-1-8.1

Sec. 331. (a) This article does not limit the rights of a holder in due course of a negotiable instrument, a holder to which a negotiable document of title has been duly negotiated, or a protected purchaser of a security. These holders or purchasers take priority over an earlier security interest, even if perfected, to the extent provided in IC 26-1-3.1, IC 26-1-7, and IC 26-1-8.1.

(b) This article does not limit the rights of or impose liability on a person to the extent that the person is protected against the assertion of an adverse claim under IC 26-1-8.1.

(c) Filing under IC 26-1-9.1 does not constitute notice of a claim

or defense to the holders, purchasers, or persons described in subsections (a) and (b).
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-332
Transfer of money; transfer of funds from deposit account

Sec. 332. (a) A transferee of money takes the money free of a security interest unless the transferee acts in collusion with the debtor in violating the rights of the secured party.

(b) A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account unless the transferee acts in collusion with the debtor in violating the rights of the secured party.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-333
Priority of certain liens arising by operation of law

Sec. 333. (a) In this section, "possessory lien" means an interest, other than a security interest or an agricultural lien:

(1) that secures payment or performance of an obligation for services or materials furnished with respect to goods by a person in the ordinary course of the person's business;

(2) that is created by statute or rule of law in favor of the person; and

(3) whose effectiveness depends on the person's possession of the goods.

(b) A possessory lien on goods has priority over a security interest in the goods unless the lien is created by a statute that expressly provides otherwise.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-334
Priority of security interests in fixtures and crops

Sec. 334. (a) A security interest under IC 26-1-9.1 may be created in goods that are fixtures or may continue in goods that become fixtures. A security interest does not exist under IC 26-1-9.1 in ordinary building materials incorporated into an improvement on land.

(b) IC 26-1-9.1 does not prevent creation of an encumbrance upon fixtures under real property law.

(c) In cases not governed by subsections (d) through (h), a security interest in fixtures is subordinate to a conflicting interest of an encumbrancer or owner of the related real property other than the debtor.

(d) Except as otherwise provided in subsection (h), a perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property and:

(1) the security interest is a purchase-money security interest;
(2) the interest of the encumbrancer or owner arises before the goods become fixtures; and
(3) the security interest is perfected by a fixture filing before the goods become fixtures or within twenty (20) days thereafter.

(e) A perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if:

(1) the debtor has an interest of record in the real property or is in possession of the real property and the security interest:
(A) is perfected by a fixture filing before the interest of the encumbrancer or owner is of record; and
(B) has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner;
(2) before the goods become fixtures, the security interest is perfected by any method permitted by IC 26-1-9.1 and the fixtures are readily removable:
(A) factory or office machines;
(B) equipment that is not primarily used or leased for use in the operation of the real property; or
(C) replacements of domestic appliances that are consumer goods;
(3) the conflicting interest is a lien on the real property obtained by legal or equitable proceedings after the security interest was perfected by any method permitted by IC 26-1-9.1; or
(4) the security interest is:
(A) created in a manufactured home in a manufactured-home transaction; and
(B) perfected pursuant to a statute described in IC 26-1-9.1-311(a)(2).

(f) A security interest in fixtures, whether or not perfected, has priority over a conflicting interest of an encumbrancer or owner of the real property if:

(1) the encumbrancer or owner has, in an authenticated record, consented to the security interest or disclaimed an interest in the goods as fixtures; or
(2) the debtor has a right to remove the goods against the encumbrancer or owner.

(g) The priority of the security interest under subsection (f) continues for a reasonable time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

(h) A mortgage is a construction mortgage to the extent that it secures an obligation incurred for the construction of an improvement on land, including the acquisition cost of the land, if a recorded record of the mortgage so indicates. Except as otherwise provided in subsections (e) and (f), a security interest in fixtures is subordinate to a construction mortgage if a record of the mortgage is recorded before the goods become fixtures and the goods become

fixtures before the completion of the construction. A mortgage has this priority to the same extent as a construction mortgage to the extent that it is given to refinance a construction mortgage.

(i) A perfected security interest in crops growing on real property has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-335
Accessions

Sec. 335. (a) A security interest may be created in an accession and continues in collateral that becomes an accession.

(b) If a security interest is perfected when the collateral becomes an accession, the security interest remains perfected in the collateral.

(c) Except as otherwise provided in subsection (d), the other provisions of IC 26-1-9.1-301 through IC 26-1-9.1-342 determine the priority of a security interest in an accession.

(d) A security interest in an accession is subordinate to a security interest in the whole which is perfected by compliance with the requirements of a certificate-of-title statute under IC 26-1-9.1-311(b).

(e) After default, subject to IC 26-1-9.1-601 through IC 26-1-9.1-628, a secured party may remove an accession from other goods if the security interest in the accession has priority over the claims of every person having an interest in the whole.

(f) A secured party that removes an accession from other goods under subsection (e) shall promptly reimburse any holder of a security interest or other lien on, or owner, of the whole or the other goods, other than the debtor, for the cost of repair of any physical injury to the whole or the other goods. The secured party need not reimburse the holder or owner for any diminution in value of the whole or the other goods caused by the absence of the accession removed or by any necessity for replacing it. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.9.

IC 26-1-9.1-336
Commingled goods

Sec. 336. (a) As used in this section, "commingled goods" means goods that are physically united with other goods in such a manner that their identity is lost in a product or mass.

(b) A security interest does not exist in commingled goods as such. However, a security interest may attach to a product or mass that results when goods become commingled goods.

(c) If collateral becomes commingled goods, a security interest

attaches to the product or mass.

(d) If a security interest in collateral is perfected before the collateral becomes commingled goods, the security interest that attaches to the product or mass under subsection (c) is perfected.

(e) Except as otherwise provided in subsection (f), the other provisions of IC 26-1-9.1-301 through IC 26-1-9.1-342 determine the priority of a security interest that attaches to the product or mass under subsection (c).

(f) If more than one (1) security interest attaches to the product or mass under subsection (c), the following rules determine priority:

(1) A security interest that is perfected under subsection (d) has priority over a security interest that is unperfected at the time the collateral becomes commingled goods.

(2) If more than one (1) security interest is perfected under subsection (d), the security interests rank equally in proportion to value of the collateral at the time it became commingled goods.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-337

Priority of security interests in goods covered by certificate of title

Sec. 337. If, while a security interest in goods is perfected by any method under the law of another jurisdiction, this state issues a certificate of title that does not show that the goods are subject to the security interest or contain a statement that they may be subject to security interests not shown on the certificate:

(1) a buyer of the goods, other than a person in the business of selling goods of that kind, takes free of the security interest if the buyer gives value and receives delivery of the goods after issuance of the certificate and without knowledge of the security interest; and

(2) the security interest is subordinate to a conflicting security interest in the goods that attaches, and is perfected under IC 26-1-9.1-311(b), after issuance of the certificate and without the conflicting secured party's knowledge of the security interest.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-338

Priority of security interest or agricultural lien perfected by filed financing statement providing certain incorrect information

Sec. 338. If a security interest or agricultural lien is perfected by a filed financing statement providing information described in IC 26-1-9.1-516(b)(5) that is incorrect at the time the financing statement is filed:

(1) the security interest or agricultural lien is subordinate to a conflicting perfected security interest in the collateral to the extent that the holder of the conflicting security interest gives

value in reasonable reliance upon the incorrect information; and

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

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.75.

IC 26-1-9.1-339

Priority subject to subordination

Sec. 339. IC 26-1-9.1 does not preclude subordination by agreement by a person entitled to priority.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-340

Effectiveness of right of recoupment or setoff against deposit account

Sec. 340. (a) Except as otherwise provided in subsection (c), a bank with which a deposit account is maintained may exercise any right of recoupment or set-off against a secured party that holds a security interest in the deposit account.

(b) Except as otherwise provided in subsection (c), the application of IC 26-1-9.1 to a security interest in a deposit account does not affect a right of recoupment or set-off of the secured party as to a deposit account maintained with the secured party.

(c) The exercise by a bank of a set-off against a deposit account is ineffective against a secured party that holds a security interest in the deposit account which is perfected by control under IC 26-1-9.1-104(a)(3), if the set-off is based on a claim against the debtor.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-341

Bank's rights and duties with respect to deposit account

Sec. 341. Except as otherwise provided in IC 26-1-9.1-340(c), and unless the bank otherwise agrees in an authenticated record, a bank's rights and duties with respect to a deposit account maintained with the bank are not terminated, suspended, or modified by:

(1) the creation, attachment, or perfection of a security interest in the deposit account;

(2) the bank's knowledge of the security interest; or

(3) the bank's receipt of instructions from the secured party.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-342

Bank's right to refuse to enter into or disclose existence of control

agreement

Sec. 342. IC 26-1-9.1 does not require a bank to enter into an agreement of the kind described in IC 26-1-9.1-104(a)(2), even if its customer so requests or directs. A bank that has entered into such an agreement is not required to confirm the existence of the agreement to another person unless requested to do so by its customer.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-401

Alienability of debtor's rights

Sec. 401. (a) Except as otherwise provided in subsection (b) and IC 26-1-9.1-406, IC 26-1-9.1-407, IC 26-1-9.1-408, and IC 26-1-9.1-409, whether a debtor's rights in collateral may be voluntarily or involuntarily transferred is governed by law other than IC 26-1-9.1.

(b) An agreement between the debtor and secured party that prohibits a transfer of the debtor's rights in collateral or makes the transfer a default does not prevent the transfer from taking effect.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-402

Secured party not obligated on contract of debtor or in tort

Sec. 402. The existence of a security interest, agricultural lien, or authority given to a debtor to dispose of or use collateral, without more, does not subject a secured party to liability in contract or tort for the debtor's acts or omissions.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-403

Agreement not to assert defenses against assignee

Sec. 403. (a) As used in this section, "value" has the meaning provided in IC 26-1-3-303(a).

(b) Except as otherwise provided in this section, an agreement between an account debtor and an assignor not to assert against an assignee any claim or defense that the account debtor may have against the assignor is enforceable by an assignee that takes an assignment:

(1) for value;

(2) in good faith;

(3) without notice of a claim of a property or possessory right to the property assigned; and

(4) without notice of a defense or claim in recoupment of the type that may be asserted against a person entitled to enforce a negotiable instrument under IC 26-1-3.1-305(a).

(c) Subsection (b) does not apply to defenses of a type that may be asserted against a holder in due course of a negotiable instrument under IC 26-1-3.1-305(b).

(d) In a consumer transaction, if a record evidences the account

debtor's obligation, law other than IC 26-1-9.1 requires that the record include a statement to the effect that the rights of an assignee are subject to claims or defenses that the account debtor could assert against the original obligee, and the record does not include such a statement:

(1) the record has the same effect as if the record included such a statement; and

(2) the account debtor may assert against an assignee those claims and defenses that would have been available if the record included such a statement.

(e) This section is subject to law other than IC 26-1-9.1 that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(f) Except as otherwise provided in subsection (d), this section does not displace law other than IC 26-1-9.1 which gives effect to an agreement by an account debtor not to assert a claim or defense against an assignee.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-404

Rights acquired by assignee; claims and defenses against assignee

Sec. 404. (a) Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to subsections (b) through (e), the rights of an assignee are subject to:

(1) all terms of the agreement between the account debtor and assignor and any defense or claim in recoupment arising from the transaction that gave rise to the contract; and

(2) any other defense or claim of the account debtor against the assignor which accrues before the account debtor receives a notification of the assignment authenticated by the assignor or the assignee.

(b) Subject to subsection (c) and except as otherwise provided in subsection (d), the claim of an account debtor against an assignor may be asserted against an assignee under subsection (a) only to reduce the amount the account debtor owes.

(c) This section is subject to law other than IC 26-1-9.1 that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(d) In a consumer transaction, if a record evidences the account debtor's obligation, law other than IC 26-1-9.1 requires that the record include a statement to the effect that the account debtor's recovery against an assignee with respect to claims and defenses against the assignor may not exceed amounts paid by the account debtor under the record, and the record does not include such a statement, the extent to which a claim of an account debtor against the assignor may be asserted against an assignee is determined as if

the record included such a statement.

(e) This section does not apply to an assignment of a health-care-insurance receivable.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-405

Modification of assigned contract

Sec. 405. (a) A modification of or substitution for an assigned contract is effective against an assignee if made in good faith. The assignee acquires corresponding rights under the modified or substituted contract. The assignment may provide that the modification or substitution is a breach of contract by the assignor. This subsection is subject to subsections (b) through (d).

(b) Subsection (a) applies to the extent that:

(1) the right to payment or a part thereof under an assigned contract has not been fully earned by performance; or

(2) the right to payment or a part thereof has been fully earned by performance and the account debtor has not received notification of the assignment under IC 26-1-9.1-406(a).

(c) This section is subject to law other than IC 26-1-9.1 that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(d) This section does not apply to an assignment of a health-care-insurance receivable.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-406

Discharge of account debtor; notification of assignment; identification and proof of assignment; restrictions on assignment of accounts, chattel paper, payment intangibles, and promissory notes ineffective

Sec. 406. (a) Subject to subsections (b) through (i), an account debtor on an account, chattel paper, or a payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, authenticated by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.

(b) Subject to subsection (h), notification is ineffective under subsection (a):

(1) if it does not reasonably identify the rights assigned;

(2) to the extent that an agreement between an account debtor and a seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than IC 26-1-9.1; or

(3) at the option of an account debtor, if the notification notifies the account debtor to make less than the full amount of any installment or other periodic payment to the assignee, even if:

(A) only a portion of the account, chattel paper, or payment intangible has been assigned to that assignee;

(B) a portion has been assigned to another assignee; or

(C) the account debtor knows that the assignment to that assignee is limited.

(c) Subject to subsection (h), if requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under subsection (a).

(d) Except as otherwise provided in subsection (e) and IC 26-1-2.1-303 and IC 26-1-9.1-407, and subject to subsection (h), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

(1) prohibits, restricts, or requires the consent of the account debtor or person obligated on the promissory note to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, the account, chattel paper, payment intangible, or promissory note; or

(2) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the account, chattel paper, payment intangible, or promissory note.

(e) Subsection (d) does not apply to the sale of a payment intangible or promissory note other than a sale pursuant to a disposition under IC 26-1-9.1-610 or an acceptance of collateral under IC 26-1-9.1-620.

(f) Except as provided in IC 26-1-2.1-303 and IC 26-1-9.1-407, and subject to subsections (h) and (i), a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, or account debtor to the assignment or transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent that the rule of law, statute, or regulation:

(1) prohibits, restricts, or requires the consent of the government, governmental body or official, or account debtor to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in the account or chattel paper; or

(2) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, right of recoupment, claim, defense, termination, right of termination, or remedy under the account

or chattel paper.

(g) Subject to subsection (h), an account debtor may not waive or vary its option under subsection (b)(3).

(h) This section is subject to law other than IC 26-1-9.1 which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(i) This section does not apply to an assignment of a health-care-insurance receivable.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.10.

IC 26-1-9.1-407

Restrictions on creation or enforcement of security interest in leasehold interest or in lessor's residual interest

Sec. 407. (a) Except as otherwise provided in subsection (b), a term in a lease agreement is ineffective to the extent that it:

(1) prohibits, restricts, or requires the consent of a party to the lease to the assignment, transfer, creation, attachment, perfection, or enforcement of a security interest in an interest of a party under the lease contract or in the lessor's residual interest in the goods; or

(2) provides that the assignment, transfer, creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the lease.

(b) Except as otherwise provided in IC 26-1-2.1-303(7), a term described in subsection (a)(2) is effective to the extent that there is:

(1) a transfer by the lessee of the lessee's right of possession or use of the goods in violation of the term; or

(2) a delegation of a material performance of either party to the lease contract in violation of the term.

(c) The creation, attachment, perfection, or enforcement of a security interest in the lessor's interest under the lease contract or the lessor's residual interest in the goods is not a transfer that materially impairs the lessee's prospect of obtaining return performance or materially changes the duty of or materially increases the burden or risk imposed on the lessee within the purview of IC 26-1-2.1-303(4) unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-408

Restrictions on assignment of promissory notes, health care insurance receivables, and certain general intangibles ineffective

Sec. 408. (a) Except as otherwise provided in subsection (b), a term in a promissory note or in an agreement between an account debtor and a debtor that relates to a health-care-insurance receivable

or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:

(1) would impair the creation, attachment, or perfection of a security interest; or

(2) provides that the assignment, transfer, creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

(b) Subsection (a) applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note other than a sale under a disposition under IC 26-1-9.1-610 or an acceptance of collateral under IC 26-1-9.1-620.

(c) A rule of law, statute, or regulation, which prohibits, restricts, or requires the consent of a government, governmental body or official, person obligated on a promissory note, or account debtor to the assignment or transfer of, or creation of a security interest in, a promissory note, health-care-insurance receivable, or general intangible, including a contract, permit, license, or franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law, statute, or regulation:

(1) would impair the creation, attachment, or perfection of a security interest; or

(2) provides that the assignment, transfer, creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

(d) To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or general intangible or a rule of law, statute, or regulation described in subsection (c) would be effective under law other than IC 26-1-9.1 but is ineffective under subsection (a) or (c), the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible:

(1) is not enforceable against the person obligated on the promissory note or the account debtor;

(2) does not impose a duty or obligation on the person obligated on the promissory note or the account debtor;

(3) does not require the person obligated on the promissory note or the account debtor to recognize the security interest, pay or

render performance to the secured party, or accept payment or performance from the secured party;

(4) does not entitle the secured party to use or assign the debtor's rights under the promissory note, health-care-insurance receivable, or general intangible, including any related information or materials furnished to the debtor in the transaction giving rise to the promissory note, health-care-insurance receivable, or general intangible;

(5) does not entitle the secured party to use, assign, possess, or have access to any trade secrets or confidential information of the person obligated on the promissory note or the account debtor; and

(6) does not entitle the secured party to enforce the security interest in the promissory note, health-care-insurance receivable, or general intangible.

(e) This section prevails over any inconsistent provision in statute, administrative rule, or regulation.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.10; P.L.54-2011, SEC.11.

IC 26-1-9.1-409

Restrictions on assignment of letter-of-credit rights ineffective

Sec. 409. (a) A term in a letter-of-credit or a rule of law, statute, regulation, custom, or practice applicable to the letter-of-credit that prohibits, restricts, or requires the consent of an applicant, issuer, or nominated person to a beneficiary's assignment of or creation of a security interest in a letter-of-credit right is ineffective to the extent that the term or rule of law, statute, regulation, custom, or practice:

(1) would impair the creation, attachment, or perfection of a security interest in the letter-of-credit right; or

(2) provides that the assignment, transfer, creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the letter-of-credit right.

(b) To the extent that a term in a letter-of-credit is ineffective under subsection (a) but would be effective under law other than IC 26-1-9.1 or a custom or practice applicable to the letter-of-credit, to the transfer of a right to draw or otherwise demand performance under the letter-of-credit, or to the assignment of a right to proceeds of the letter-of-credit, the creation, attachment, or perfection of a security interest in the letter-of-credit right:

(1) is not enforceable against the applicant, issuer, nominated person, or transferee beneficiary;

(2) imposes no duties or obligations on the applicant, issuer, nominated person, or transferee beneficiary; and

(3) does not require the applicant, issuer, nominated person, or transferee beneficiary to recognize the security interest, pay or render performance to the secured party, or accept payment or

other performance from the secured party.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-501
Filing office

Sec. 501. (a) Except as otherwise provided in subsections (b), (c), and (d), if the local law of this state governs perfection of a security interest or agricultural lien, the office in which to file a financing statement to perfect the security interest or agricultural lien is:

(1) the office designated for the filing or recording of a record of a mortgage on the related real property, if:

(A) the collateral is as-extracted collateral or timber to be cut; or

(B) the financing statement is filed as a fixture filing and the collateral is goods that are or are to become fixtures; or

(2) the office of the secretary of state, in all other cases, including a case in which the collateral is goods that are or are to become fixtures and the financing statement is not filed as a fixture filing.

(b) The office in which to file a financing statement to perfect a security interest in collateral, including fixtures, of a transmitting utility is the office of the secretary of state. The financing statement also constitutes a fixture filing as to the collateral indicated in the financing statement which is or is to become fixtures.

(c) Before July 1, 2002, the requirements for perfection of an agricultural lien are as prescribed in the statute establishing the agricultural lien.

(d) Before July 1, 2002, the office in which to file a financing statement to perfect a security interest in equipment used in a farming operation, a farm product, or an account or a general intangible arising from or relating to the sale of a farm product by a farmer is:

(1) the office of the county recorder in the county of the debtor's principal residence, if the debtor is an individual with the debtor's principal residence in Indiana;

(2) the office of the county recorder in the county of the debtor's place of business, if the debtor is an organization with one (1) place of business in Indiana;

(3) the office of the county recorder in the county of the debtor's chief executive office, if the debtor is an organization with two (2) or more places of business in Indiana and the debtor's chief executive office is in Indiana; and

(4) the office of the county recorder in the county in which the collateral is located, for equipment used in a farming operation or farm product, or the office of the secretary of state, for an account or a general intangible arising from or relating to the sale of a farm product by a farmer, in all other cases.

(e) A financing statement filed under subsection (d) is effective

for five (5) years after the date the financing statement is filed.

(f) After June 30, 2001, and before July 1, 2002, a financing statement filed under subsection (d) may be amended only by filing an amendment in the same office of county recorder as the office in which the financing statement being amended was filed.

(g) After June 30, 2002, a financing statement filed under subsection (d) may be amended only if a replacement financing statement is filed in the office of the secretary of state. The replacement financing statement must:

(1) satisfy the requirements of IC 26-1-9.1 for an initial financing statement;

(2) identify the earlier financing statement filed under subsection (d) by:

(A) indicating the office in which the earlier financing statement was filed; and

(B) providing the dates of filing and file numbers, if any, of:

(i) the earlier financing statement filed under subsection (d); and

(ii) the most recent amendment filed with respect to the financing statement filed under subsection (d); and

(3) indicate that the earlier financing statement filed under subsection (d) remains effective.

(h) The filing of a replacement financing statement under subsection (g) is effective as a continuation statement of the earlier financing statement filed under subsection (d) if it is filed:

(1) after June 30, 2002; and

(2) before the lapse of the earlier financing statement filed under subsection (d).

The filing of a replacement financing statement under subsection (g) continues the effectiveness of the earlier financing statement filed under subsection (d) for five (5) years after the date the replacement financing statement is filed.

(i) After June 30, 2002, a financing statement filed under subsection (d) may be terminated:

(1) by filing a termination statement in the office in which the initial financing statement has been filed if no replacement financing statement has been filed under subsection (g); or

(2) by filing a termination statement in the office of the secretary of state if a replacement financing statement has been filed under subsection (g).

(j) After June 30, 2002, a financing statement filed under subsection (d) may be assigned only if:

(1) a replacement financing statement is filed under subsection (g); and

(2) an assignment of record is filed that satisfies IC 26-1-9.1-514.

(k) After June 30, 2002, a financing statement filed under subsection (c) may be amended (for purposes other than

continuation, termination, or assignment) only if:

(1) a replacement financing statement is filed under subsection (g); and

(2) an amendment is filed that satisfies IC 26-1-9.1-512.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.11.

IC 26-1-9.1-502

Contents of financing statement; record of mortgage as financing statement; time of filing financing statement

Sec. 502. (a) Subject to subsection (b), a financing statement is sufficient only if it:

(1) provides the name of the debtor;

(2) provides the name of the secured party or a representative of the secured party; and

(3) indicates the collateral covered by the financing statement.

(b) Except as otherwise provided in IC 26-1-9.1-501(b), to be sufficient, a financing statement that covers as-extracted collateral or timber to be cut, or which is filed as a fixture filing and covers goods that are or are to become fixtures, must satisfy subsection (a) and also:

(1) indicate that it covers this type of collateral;

(2) indicate that it is to be filed in the real property records;

(3) provide a description of the real property to which the collateral is related that is sufficient to give constructive notice of a mortgage under the law of this state if the description were contained in a record of the mortgage of the real property; and

(4) if the debtor does not have an interest of record in the real property, provide the name of a record owner.

(c) A record of a mortgage is effective, from the date of recording, as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut only if:

(1) the record indicates the goods or accounts that it covers;

(2) the goods are or are to become fixtures related to the real property described in the record or the collateral is related to the real property described in the record and is as-extracted collateral or timber to be cut;

(3) the record satisfies the requirements for a financing statement in this section, but:

(A) the record need not indicate that it is to be filed in the real property records; and

(B) the record sufficiently provides the name of a debtor who is an individual if it provides the individual name of the debtor or the surname and first personal name of the debtor, even if the debtor is an individual to whom IC 26-1-9.1-503(a)(4) applies; and

(4) the record is recorded.

(d) A financing statement may be filed before a security

agreement is made or a security interest otherwise attaches.

(e) To the extent that IC 36-2-11-15 applies to require the identification of the preparer of a financing statement, the failure of the financing statement to identify the preparer does not affect the sufficiency of the financing statement.

(f) This subsection does not apply to a financing statement described in IC 26-1-9.1-706. Not later than thirty (30) days after the date the financing statement is filed, the secured party that files the financing statement shall furnish a copy of the financing statement to the debtor. The secured party has the burden of establishing compliance with this subsection. The failure of the secured party to comply with this subsection does not affect the sufficiency or effectiveness of the financing statement. A person who fails to comply with this subsection is subject to IC 26-1-9.1-625.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.12; P.L.54-2011, SEC.12.

IC 26-1-9.1-503

Name of debtor and secured party

Sec. 503. (a) A financing statement sufficiently provides the name of the debtor:

(1) except as otherwise provided in subdivision (3), if the debtor is a registered organization or the collateral is held in a trust that is a registered organization, only if the financing statement provides the name that is stated to be the registered organization's name on the public organic record most recently filed with or issued or enacted by the registered organization's jurisdiction of organization which purports to state, amend, or restate the registered organization's name;

(2) subject to subsection (f), if the collateral is being administered by the personal representative of a decedent only if the financing statement provides as the name of the debtor the name of the decedent, and, in a separate part of the financing statement, indicates that the collateral is being administered by a personal representative;

(3) if the collateral is held in a trust that is not a registered organization, only if the financing statement:

(A) provides as the name of the debtor:

(i) if the organic record of the trust specifies a name for the trust, the name specified; or

(ii) if the organic record of the trust does not specify a name for the trust, the name of the settlor or testator; and

(B) in a separate part of the financing statement:

(i) if the name is provided in accordance with clause (A)(i), indicates that the collateral is held in a trust; or

(ii) if the name is provided in accordance with clause (A)(ii), provides additional information sufficient to distinguish the trust from other trusts having one (1) or

more of the same settlors of the same testator and indicates that the collateral is held in a trust, unless the additional information so indicates;

(4) subject to subsection (g), if the debtor is an individual to whom this state has issued a driver's license, an identification card for nondrivers under IC 9-24-16, or a photo exempt identification card for nondrivers under IC 9-24-16.5 that has not expired, only if the financing statement provides the name of the individual which is indicated on the driver's license, identification card, or photo exempt identification card;

(5) if the debtor is an individual to whom subdivision (4) does not apply, only if the financing statement provides the individual name of the debtor or the surname and first personal name of the debtor; and

(6) in other cases:

(A) if the debtor has a name, only if it provides the individual or organizational name of the debtor; and

(B) if the debtor does not have a name, only if it provides the names of the partners, members, associates, or other persons comprising the debtor in a manner that each name provided would be sufficient if the person named were the debtor.

(b) A financing statement that provides the name of the debtor in accordance with subsection (a) is not rendered ineffective by the absence of:

(1) a trade name or other name of the debtor; or

(2) unless required under subsection (a)(6)(B), names of partners, members, associates, or other persons comprising the debtor.

(c) A financing statement that provides only the debtor's trade name does not sufficiently provide the name of the debtor.

(d) Failure to indicate the representative capacity of a secured party or representative of a secured party does not affect the sufficiency of a financing statement.

(e) A financing statement may provide the name of more than one (1) debtor and the name of more than one (1) secured party.

(f) The name of the decedent indicated on the order appointing the personal representative of the decedent issued by the court having jurisdiction over the collateral is sufficient as the "name of the decedent" under subsection (a)(2).

(g) If this state has issued to an individual more than one (1) driver's license or identification card of a kind described in subsection (a)(4), the one (1) that was issued most recently is the one (1) to which subsection (a)(4) refers.

(h) In this section, "name of the settlor or testator" means:

(1) if the settlor is a registered organization, the name that is stated to be the settlor's name on the public organic record most recently filed with or issued or enacted by the settlor's jurisdiction of organization which purports to state, amend, or

restate the settlor's name; or

(2) in other cases, the name of the settlor or testator indicated in the trust's organic record.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.13; P.L.197-2015, SEC.16.

IC 26-1-9.1-504

Indication of collateral

Sec. 504. A financing statement sufficiently indicates the collateral that it covers if the financing statement provides:

(1) a description of the collateral pursuant to IC 26-1-9.1-108; or

(2) an indication that the financing statement covers all assets or all personal property.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-505

Filing and compliance with other statutes and treaties for consignments, leases, other bailments, and other transactions

Sec. 505. (a) A consignor, lessor, or other bailor of goods or a buyer of a payment intangible or a promissory note may file a financing statement, or may comply with a statute or treaty described in IC 26-1-9.1-311(a), using the terms "consignor", "consignee", "lessor", "lessee", "bailor", "bailee", "licensor", "licensee", "owner", "registered owner", "buyer", "seller", or words of similar import, instead of the terms "secured party" and "debtor".

(b) IC 26-1-9.1-501 through IC 26-1-9.1-527 apply to the filing of a financing statement under subsection (a) and, as appropriate, to compliance that is equivalent to filing a financing statement under IC 26-1-9.1-311(b), but the filing or compliance is not of itself a factor in determining whether the collateral secures an obligation. If it is determined for another reason that the collateral secures an obligation, a security interest held by the consignor, lessor, bailor, owner, or buyer which attaches to the collateral is perfected by the filing or compliance.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-506

Effect of errors or omissions

Sec. 506. (a) A financing statement substantially satisfying the requirements of IC 26-1-9.1-501 through IC 26-1-9.1-527 is effective, even if it has minor errors or omissions, unless the errors or omissions make the financing statement seriously misleading.

(b) Except as otherwise provided in subsection (c), a financing statement that fails sufficiently to provide the name of the debtor in accordance with IC 26-1-9.1-503(a) is seriously misleading.

(c) If a search of the records of the filing office under the debtor's correct name, using the filing office's standard search logic, if any,

would disclose a financing statement that fails to sufficiently provide the name of the debtor in accordance with IC 26-1-9.1-503(a), the name provided does not make the financing statement seriously misleading.

(d) For purposes of IC 26-1-9.1-508(b), the "debtor's correct name" in subsection (c) means the correct name of the new debtor.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.13.

IC 26-1-9.1-507

Effect of certain events on effectiveness of financing statement

Sec. 507. (a) A filed financing statement remains effective with respect to collateral that is sold, exchanged, leased, licensed, or otherwise disposed of and in which a security interest or agricultural lien continues, even if the secured party knows of or consents to the disposition.

(b) Except as otherwise provided in subsection (c) and IC 26-1-9.1-508, a financing statement is not rendered ineffective if, after the financing statement is filed, the information provided in the financing statement becomes seriously misleading under IC 26-1-9.1-506.

(c) If the name that a filed financing statement provides for a debtor becomes insufficient as the name of the debtor under IC 26-1-9.1-503(a) so that the financing statement becomes seriously misleading under IC 26-1-9.1-506:

(1) the financing statement is effective to perfect a security interest in collateral acquired by the debtor before, or within four (4) months after, the filed financing statement becomes seriously misleading; and

(2) the financing statement is not effective to perfect a security interest in collateral acquired by the debtor more than four (4) months after the filed financing statement becomes seriously misleading, unless an amendment to the financing statement which renders the financing statement not seriously misleading is filed within four months (4) after the financing statement became seriously misleading.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.14.

IC 26-1-9.1-508

Effectiveness of financing statement if new debtor becomes bound by security agreement

Sec. 508. (a) Except as otherwise provided in this section, a filed financing statement naming an original debtor is effective to perfect a security interest in collateral in which a new debtor has or acquires rights to the extent that the financing statement would have been effective had the original debtor acquired rights in the collateral.

(b) If the difference between the name of the original debtor and

that of the new debtor causes a filed financing statement that is effective under subsection (a) to be seriously misleading under IC 26-1-9.1-506:

(1) the financing statement is effective to perfect a security interest in collateral acquired by the new debtor before, and within four (4) months after, the new debtor becomes bound under IC 26-1-9.1-203(d); and

(2) the financing statement is not effective to perfect a security interest in collateral acquired by the new debtor more than four (4) months after the new debtor becomes bound under IC 26-1-9.1-203(d) unless an initial financing statement providing the name of the new debtor is filed before the expiration of that time.

(c) This section does not apply to collateral as to which a filed financing statement remains effective against the new debtor under IC 26-1-9.1-507(a).

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-509

Persons entitled to file a record

Sec. 509. (a) A person may file an initial financing statement, amendment that adds collateral covered by a financing statement, or amendment that adds a debtor to a financing statement only if:

(1) the debtor authorizes the filing in an authenticated record or under subsection (b) or (c); or

(2) the person holds an agricultural lien that has become effective at the time of filing and the financing statement covers only collateral in which the person holds an agricultural lien.

(b) By authenticating or becoming bound as debtor by a security agreement, a debtor or new debtor authorizes the filing of an initial financing statement, and an amendment, covering:

(1) the collateral described in the security agreement; and

(2) property that becomes collateral under IC 26-1-9.1-315(a)(2), whether or not the security agreement expressly covers proceeds.

(c) By acquiring collateral in which a security interest or agricultural lien continues under IC 26-1-9.1-315(a)(1), a debtor authorizes the filing of an initial financing statement, and an amendment, covering the collateral and property that becomes collateral under IC 26-1-9.1-315(a)(2).

(d) A person may file an amendment other than an amendment that adds collateral covered by a financing statement or an amendment that adds a debtor to a financing statement only if:

(1) the secured party of record authorizes the filing; or

(2) the amendment is a termination statement for a financing statement as to which the secured party of record has failed to file or send a termination statement as required by IC 26-1-9.1-513(a) or IC 26-1-9.1-513(c), the debtor authorizes

the filing, and the termination statement indicates that the debtor authorized it to be filed.

(e) If there is more than one (1) secured party of record for a financing statement, each secured party of record may authorize the filing of an amendment under subsection (d).

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.14; P.L.1-2010, SEC.108.

IC 26-1-9.1-510
Effectiveness of filed record

Sec. 510. (a) A filed record is effective only to the extent that it was filed by a person that may file it under IC 26-1-9.1-509.

(b) A record authorized by one secured party of record does not affect the financing statement with respect to another secured party of record.

(c) A continuation statement that is not filed within the six (6) month period prescribed by IC 26-1-9.1-515(d) is ineffective.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-511
Secured party of record

Sec. 511. (a) A secured party of record with respect to a financing statement is a person whose name is provided as the name of the secured party or a representative of the secured party in an initial financing statement that has been filed. If an initial financing statement is filed under IC 26-1-9.1-514(a), the assignee named in the initial financing statement is the secured party of record with respect to the financing statement.

(b) If an amendment of a financing statement that provides the name of a person as a secured party or a representative of a secured party is filed, the person named in the amendment is a secured party of record. If an amendment is filed under IC 26-1-9.1-514(b), the assignee named in the amendment is a secured party of record.

(c) A person remains a secured party of record until the filing of an amendment of the financing statement that deletes the person.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-512
Amendment of financing statement

Sec. 512. (a) Subject to IC 26-1-9.1-509, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or, subject to subsection (e), otherwise amend the information provided in, a financing statement by filing an amendment that:

(1) identifies, by its file number, the initial financing statement to which the amendment relates; and

(2) if the amendment relates to an initial financing statement filed or recorded in a filing office described in IC 26-1-9.1-501(a)(1), provides the information specified in

IC 26-1-9.1-502(b).

(b) Except as otherwise provided in IC 26-1-9.1-515, the filing of an amendment does not extend the period of effectiveness of the financing statement.

(c) A financing statement that is amended by an amendment that adds collateral is effective as to the added collateral only from the date of the filing of the amendment.

(d) A financing statement that is amended by an amendment that adds a debtor is effective as to the added debtor only from the date of the filing of the amendment.

(e) An amendment is ineffective to the extent it:

(1) purports to delete all debtors and fails to provide the name of a debtor to be covered by the financing statement; or

(2) purports to delete all secured parties of record and fails to provide the name of a new secured party of record.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-513

Termination statement

Sec. 513. (a) A secured party shall cause the secured party of record for a financing statement to file a termination statement for the financing statement if the financing statement covers consumer goods and:

(1) there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value; or

(2) the debtor did not authorize the filing of the initial financing statement.

(b) To comply with subsection (a), a secured party shall cause the secured party of record to file the termination statement:

(1) within one (1) month after there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value; or

(2) if earlier, within twenty (20) days after the secured party receives an authenticated demand from a debtor.

(c) In cases not governed by subsection (a), within twenty (20) days after a secured party receives an authenticated demand from a debtor, the secured party shall cause the secured party of record for a financing statement to send to the debtor a termination statement for the financing statement or file the termination statement in the filing office if:

(1) except in the case of a financing statement covering accounts or chattel paper that has been sold or goods that are the subject of a consignment, there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value;

(2) the financing statement covers accounts or chattel paper that has been sold but as to which the account debtor or other person obligated has discharged its obligation;
(3) the financing statement covers goods that were the subject of a consignment to the debtor but are not in the debtor's possession; or
(4) the debtor did not authorize the filing of the initial financing statement.

(d) Except as otherwise provided in IC 26-1-9.1-510, upon the filing of a termination statement with the filing office, the financing statement to which the termination statement relates ceases to be effective. Except as otherwise provided in IC 26-1-9.1-510, for purposes of IC 26-1-9.1-519(g), IC 26-1-9.1-522(a), and IC 26-1-9.1-523(c), the filing with the filing office of a termination statement relating to a financing statement that indicates that the debtor is a transmitting utility also causes the effectiveness of the financing statement to lapse.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-514

Assignment of powers of secured party of record

Sec. 514. (a) Except as otherwise provided in subsection (c), an initial financing statement may reflect an assignment of all of the secured party's power to authorize an amendment to the financing statement by providing the name and mailing address of the assignee as the name and address of the secured party.

(b) Except as otherwise provided in subsection (c), a secured party of record may assign of record all or part of its power to authorize an amendment to a financing statement by filing in the filing office an amendment of the financing statement which:
(1) identifies, by its file number, the initial financing statement to which it relates;
(2) provides the name of the assignor; and
(3) provides the name and mailing address of the assignee.

(c) An assignment of record of a security interest in a fixture covered by a record of a mortgage which is effective as a financing statement filed as a fixture filing under IC 26-1-9.1-502(c) may be made only by an assignment of record of the mortgage in the manner provided by law of this state other than IC 26-1.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-515

Duration and effectiveness of financing statement; effect of lapsed financing statement

Sec. 515. (a) Except as otherwise provided in subsections (b), (e), (f), and (g), a filed financing statement is effective for a period of five (5) years after the date of filing.

(b) Except as otherwise provided in subsections (e), (f), and (g),

an initial financing statement filed in connection with a public-finance transaction or manufactured-home transaction is effective for a period of thirty (30) years after the date of filing if it indicates that it is filed in connection with a public-finance transaction or manufactured-home transaction.

(c) The effectiveness of a filed financing statement lapses on the expiration of the period of its effectiveness unless, before the lapse, a continuation statement is filed pursuant to subsection (d). Upon lapse, a financing statement ceases to be effective and any security interest or agricultural lien that was perfected by the financing statement becomes unperfected, unless the security interest is perfected otherwise. If the security interest or agricultural lien becomes unperfected upon lapse, it is considered never to have been perfected as against a purchaser of the collateral for value.

(d) A continuation statement may be filed only within six (6) months before the expiration of the five (5) year period specified in subsection (a) or the thirty (30) year period specified in subsection (b), whichever is applicable.

(e) Except as otherwise provided in IC 26-1-9.1-510, upon timely filing of a continuation statement, the effectiveness of the initial financing statement continues for a period of five (5) years commencing on the day on which the financing statement would have become ineffective in the absence of the filing. Upon the expiration of the five (5) year period, the financing statement lapses in the same manner as provided in subsection (c), unless, before the lapse, another continuation statement is filed pursuant to subsection (d). Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the initial financing statement.

(f) If a debtor is a transmitting utility and a filed initial financing statement so indicates, the financing statement is effective until a termination statement is filed.

(g) A record of a mortgage that is effective as a financing statement filed as a fixture filing under IC 26-1-9.1-502(c) remains effective as a financing statement filed as a fixture filing until the mortgage is released or satisfied of record or its effectiveness otherwise terminates as to the real property.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.15.

IC 26-1-9.1-516

What constitutes filing; effectiveness of filing

Sec. 516. (a) Except as otherwise provided in subsection (b) or section 901 of this chapter, communication of a record to a filing office and tender of the filing fee or acceptance of the record by the filing office constitutes filing.

(b) Filing does not occur with respect to a record that a filing office refuses to accept because:

(1) the record is not communicated by a method or medium of communication authorized by the filing office;
(2) an amount equal to or greater than the applicable filing fee is not tendered;
(3) the filing office is unable to index the record because:
(A) in the case of an initial financing statement, the record does not provide a name for the debtor;
(B) in the case of an amendment or information statement, the record:
(i) does not identify the initial financing statement as required by IC 26-1-9.1-512 or IC 26-1-9.1-518, as applicable; or
(ii) identifies an initial financing statement whose effectiveness has lapsed under IC 26-1-9.1-515;
(C) in the case of an initial financing statement that provides the name of a debtor identified as an individual or an amendment that provides a name of a debtor identified as an individual which was not previously provided in the financing statement to which the record relates, the record does not identify the debtor's surname; or
(D) in the case of a record recorded in the filing office described in IC 26-1-9.1-501(a)(1), the record does not provide a sufficient description of the real property to which it relates;
(4) in the case of an initial financing statement or an amendment that adds a secured party of record, the record does not provide a name and mailing address for the secured party of record;
(5) in the case of an initial financing statement or an amendment that provides a name of a debtor that was not previously provided in the financing statement to which the amendment relates, the record does not:
(A) provide a mailing address for the debtor; or
(B) indicate whether the name provided as the name of the debtor is the name of an individual or an organization;
(6) in the case of an assignment reflected in an initial financing statement under IC 26-1-9.1-514(a) or an amendment filed under IC 26-1-9.1-514(b), the record does not provide a name and mailing address for the assignee; or
(7) in the case of a continuation statement, the record is not filed within the six (6) month period prescribed by IC 26-1-9.1-515(d).
(c) For purposes of subsection (b):
(1) a record does not provide information if the filing office is unable to read or decipher the information; and
(2) a record that does not indicate that it is an amendment or identify an initial financing statement to which it relates, as required by IC 26-1-9.1-512, IC 26-1-9.1-514, or

IC 26-1-9.1-518, is an initial financing statement.

(d) A record that is communicated to the filing office with tender of the filing fee, but which the filing office refuses to accept for a reason other than one (1) set forth in subsection (b), is effective as a filed record except as against a purchaser of the collateral which gives value in reasonable reliance upon the absence of the record from the files.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.16; P.L.86-2013, SEC.1.

IC 26-1-9.1-517

Effect of indexing errors

Sec. 517. The failure of the filing office to index a record correctly does not affect the effectiveness of the filed record.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-518

Claim concerning inaccurate or wrongfully filed record

Sec. 518. (a) A person may file in the filing office an information statement with respect to a record indexed there under the person's name if the person believes that the record is inaccurate or was wrongfully filed.

(b) An information statement under subsection (a) must:

(1) identify the record to which it relates by the file number assigned to the initial financing statement to which the record relates;

(2) indicate that it is an information statement; and

(3) provide the basis for the person's belief that the record is inaccurate and indicate the manner in which the person believes the record should be amended to cure any inaccuracy or provide the basis for the person's belief that the record was wrongfully filed.

(c) A person may file in the filing office an information statement with respect to a record filed there if the person is a secured party of record with respect to the financing statement to which the record relates and believes that the person that filed the record was not entitled to do so under IC 26-1-9.1-509(d).

(d) An information statement under subsection (c) must:

(1) identify the record to which it relates by the file number assigned to the initial financing statement to which the record relates;

(2) indicate that it is an information statement; and

(3) provide the basis for the person's belief that the person that filed the record was not entitled to do so under IC 26-1-9.1-509(d).

(e) The filing of an information statement does not affect the effectiveness of an initial financing statement or other filed record.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011,

SEC.17.

IC 26-1-9.1-519
Numbering, maintaining, and indexing records; communicating information provided in records

Sec. 519. (a) For each record filed in a filing office, the filing office shall:

(1) assign a unique number to the filed record;

(2) create a record that bears the number assigned to the filed record and the date and time of filing;

(3) maintain the filed record for public inspection; and

(4) index the filed record in accordance with subsections (c), (d), and (e).

(b) A file number must include a digit that:

(1) is mathematically derived from or related to the other digits of the file number; and

(2) aids the filing office in determining whether a number communicated as the file number includes a single-digit or transpositional error.

(c) Except as otherwise provided in subsections (d) and (e), the filing office shall:

(1) index an initial financing statement according to the name of the debtor and index all filed records relating to the initial financing statement in a manner that associates with one another an initial financing statement and all filed records relating to the initial financing statement; and

(2) index a record that provides a name of a debtor that was not previously provided in the financing statement to which the record relates also according to the name that was not previously provided.

(d) If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, the filing office shall index it:

(1) under the names of the debtor and of each owner of record shown on the financing statement as if they were the mortgagors under a mortgage of the real property described; and

(2) to the extent that the law of this state provides for indexing of records of mortgages under the name of the mortgagee, under the name of the secured party as if the secured party were the mortgagee thereunder, or, if indexing is by description, as if the financing statement were a record of a mortgage of the real property described.

(e) If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, the filing office shall index an assignment filed under IC 26-1-9.1-514(a) or an amendment filed under IC 26-1-9.1-514(b):

(1) under the name of the assignor as grantor; and

(2) to the extent that the law of this state provides for indexing

a record of the assignment of a mortgage under the name of the assignee, under the name of the assignee.

(f) The filing office shall maintain a capability:

(1) to retrieve a record by the name of the debtor and by the file number assigned to the initial financing statement to which the record relates; and

(2) to associate and retrieve with one another an initial financing statement and each filed record relating to the initial financing statement.

(g) The filing office may not remove a debtor's name from the index until one (1) year after the effectiveness of a financing statement naming the debtor lapses under IC 26-1-9.1-515 with respect to all secured parties of record.

(h) The filing office shall perform the acts required by subsections (a) through (e) at the time and in the manner prescribed by filing-office rule, but not later than two (2) business days after the filing office receives the record in question.

(i) Subsections (b) and (h) do not apply to a filing office described in IC 26-1-9.1-501(a)(1).

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-520

Acceptance and refusal to accept record

Sec. 520. (a) A filing office shall refuse to accept a record for filing for a reason set forth in IC 26-1-9.1-516(b) and may refuse to accept a record for filing only for a reason set forth in IC 26-1-9.1-516(b).

(b) If a filing office refuses to accept a record for filing, it shall communicate to the person that presented the record the fact of and reason for the refusal and the date and time the record would have been filed had the filing office accepted it. The communication must be made at the time and in the manner prescribed by filing-office rule, but in the case of a filing office described in IC 26-1-9.1-501(a)(2), in no event more than two (2) business days after the filing office receives the record.

(c) A filed financing statement satisfying IC 26-1-9.1-502(a) and IC 26-1-9.1-502(b) is effective, even if the filing office is required to refuse to accept it for filing under subsection (a). However, IC 26-1-9.1-338 applies to a filed financing statement providing information described in IC 26-1-9.1-516(b)(5) that is incorrect at the time the financing statement is filed.

(d) If a record communicated to a filing office provides information that relates to more than one (1) debtor, IC 26-1-9.1-501 through IC 26-1-9.1-527 apply as to each debtor separately.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-521

Uniform form of written financing statement and amendment

Sec. 521. A filing office that accepts written records may not refuse to accept a written initial financing statement in the following form and format except for a reason set forth in IC 26-1-9.1-516(b) or IC 26-1-9.1-901:

UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
_____

B. E-MAIL CONTACT AT FILER (optional)
_____

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
_____

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME - provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any word in the Debtor's name)

1a. ORGANIZATION'S NAME
_____

OR

1b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME
_____ _____

ADDITIONAL NAME(S)/INITIAL(S) THAT ARE PART OF THE NAME OF THIS DEBTOR SUFFIX
_____ _____

1c. MAILING ADDRESS
_____

CITY STATE POSTAL CODE COUNTRY
_____ _____ _____ _____

2. DEBTOR'S NAME - provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any word in the Debtor's name)

2a. ORGANIZATION'S NAME
_____

OR

2b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME
_____ _____

ADDITIONAL NAME(S)/INITIAL(S) THAT ARE PART OF THE NAME OF THIS DEBTOR SUFFIX
_____ _____

2c. MAILING ADDRESS
_____

CITY STATE POSTAL CODE COUNTRY
_____ _____ _____ _____

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY) - provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME
_____

OR

3b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME
_____ _____

ADDITIONAL NAME(S)/INITIAL(S) SUFFIX
_____ _____

3c. MAILING ADDRESS
_____

CITY STATE POSTAL CODE COUNTRY
_____ _____ _____ _____

4. COLLATERAL: This financing statement covers the following collateral:
_____

5. Check only if applicable and check only one box:
Collateral is ☐ held in a Trust (see Instructions)
☐ being administered by a Decedent's Personal Representative.

6a. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction
☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:

□ Agricultural Lien □ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): □ Lessee/Lessor □ Consignee/Consignor □ Seller/Buyer □ Bailee/Bailor □ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA

_____

[UCC FINANCING STATEMENT (Form UCC1)]

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR (same as item 1a or 1b on Financing Statement)

9a. ORGANIZATION'S NAME

_____

OR

9b. INDIVIDUAL'S SURNAME

_____

FIRST PERSONAL NAME

_____

ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

_____ _____

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. ADDITIONAL DEBTOR'S NAME - provide only one Debtor name (10a or 10b) (use exact, full name; do not omit, modify, or abbreviate any word in the Debtor's name)

10a. ORGANIZATION'S NAME

_____

OR

10b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME

_____ _____

ADDITIONAL NAME(S)/INITIAL(S) THAT ARE PART OF THE NAME OF THIS DEBTOR SUFFIX

_____ _____

10c. MAILING ADDRESS

_____

CITY STATE POSTAL CODE COUNTRY

_____ _____ _____ _____

11. □ ADDITIONAL SECURED PARTY'S NAME or □ ASSIGNOR SECURED PARTY'S NAME - provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME

_____

OR

11b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME

_____ _____

ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

_____ _____

11c. MAILING ADDRESS

_____

CITY STATE POSTAL CODE COUNTRY

_____ _____ _____ _____

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral)

_____

13. □ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS (if applicable)

14. This FINANCING STATEMENT:

□ covers timber to be cut □ covers as-extracted collateral □ is filed as a fixture filing

15. Name and address of a RECORD OWNER of real estate described in item 16 (if Debtor does not have a record interest):

_____

16. Description of real estate:

_____

17. MISCELLANEOUS:

_____

[UCC FINANCING STATEMENT ADDENDUM (Form UCC1Ad)]

(b) A filing office that accepts written records may not refuse to accept a written record in the following form and format except for a reason described in IC 26-1-9.1-516(b):

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)

_____

B. E-MAIL CONTACT AT FILER (optional)

_____

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

_____

THE ABOVE SPACE IS FOR
FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER

_____

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS.
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13.

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of
Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9. For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured
Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record.
AND
Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b, and item 7a or 7b and item 7c.
☐ ADD name: Complete item 7a or 7b, and item 7c.
☐ DELETE name: Give record name to be deleted in item 6a or 6b.

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b) (use exact, full name; do not omit, modify, or abbreviate any word in the Debtor's name)
6a. ORGANIZATION'S NAME

_____

OR

6b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME

_____ | _____

ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

_____ | _____

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact full name; do not omit, modify, or abbreviate any word in the Debtor's name)
7a. ORGANIZATION'S NAME

_____

OR

7b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME

_____ | _____

ADDITIONAL NAME(S)/INITIAL(S) THAT ARE PART OF THE NAME OF THIS DEBTOR | SUFFIX

_____ | _____

7c. MAILING ADDRESS

_____

CITY | STATE | POSTAL CODE | COUNTRY

_____ | _____ | _____ | _____

8. ☐ COLLATERAL CHANGE:
Also check one of these four boxes:
☐ ADD collateral ☐ DELETE collateral ☐ RESTATE covered collateral
☐ ASSIGN collateral
Indicate collateral:

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT - provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)

If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME

_____

OR

9b. INDIVIDUAL'S SURNAME _____ FIRST PERSONAL NAME _____

ADDITIONAL NAME(S)/INITIAL(S) _____ SUFFIX _____

10. OPTIONAL FILER REFERENCE DATA

_____

[UCC FINANCING STATEMENT AMENDMENT (Form UCC3)]

UCC FINANCING STATEMENT AMENDMENT ADDENDUM

FOLLOW INSTRUCTIONS

11. INITIAL FINANCING STATEMENT FILE NUMBER (same as item 1a on Amendment form)

_____

12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (same as item 9 on Amendment form)

12a. ORGANIZATION'S NAME

_____

OR

12b. INDIVIDUAL'S SURNAME _____ FIRST PERSONAL NAME _____

ADDITIONAL NAME(S)/INITIAL(S) _____ SUFFIX _____

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

13. Name of DEBTOR on related financing statement (Name of a current Debtor of record required for indexing purposes only in some filing offices - see Instruction for item 13 - insert only one Debtor name (13a or 13b) (use exact, full name; do not omit, modify, or abbreviate any word in the Debtor's name)

13a. ORGANIZATION'S NAME

_____

OR

13b. INDIVIDUAL'S SURNAME _____ FIRST PERSONAL NAME _____

ADDITIONAL NAME(S)/INITIAL(S) _____ SUFFIX _____

14. ADDITIONAL SPACE FOR ITEM 8 (Collateral)

_____

15. This FINANCING STATEMENT AMENDMENT: ☐ covers timber to be cut ☐ covers as-extracted collateral ☐ is filed as a fixture filing

16. Name and address of a RECORD OWNER of real estate described in item 17 (if Debtor does not have a record interest):

_____

17. Description of real estate

_____

18. MISCELLANEOUS:

_____

[UCC FINANCING STATEMENT AMENDMENT ADDENDUM (Form UCC3Ad)]".

As added by P.L.57-2000, SEC.45. Amended by P.L.1-2007, SEC.182; P.L.54-2011, SEC.18; P.L.86-2013, SEC.2.

IC 26-1-9.1-522

Maintenance and destruction of records

Sec. 522. (a) The filing office shall maintain a record of the information provided in a filed financing statement for at least one (1) year after the effectiveness of the financing statement has lapsed under IC 26-1-9.1-515 with respect to all secured parties of record. The record must be retrievable by using the name of the debtor and

by using the file number assigned to the initial financing statement to which the record relates.

(b) Except to the extent that a statute governing disposition of public records provides otherwise, the filing office immediately may destroy any written record evidencing a financing statement. However, if the filing office destroys a written record, it shall maintain another record of the financing statement that complies with subsection (a).

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-523

Information from filing office; sale or license of records

Sec. 523. (a) If a person that files a written record requests an acknowledgment of the filing, the filing office shall send to the person an image of the record showing the number assigned to the record pursuant to IC 26-1-9.1-519(a)(1) and the date and time of the filing of the record. However, if the person furnishes a copy of the record to the filing office, the filing office may instead:

(1) note upon the copy the number assigned to the record pursuant to IC 26-1-9.1-519(a)(1) and the date and time of the filing of the record; and

(2) send the copy to the person.

(b) If a person files a record other than a written record, the filing office shall communicate to the person an acknowledgment that provides:

(1) the information in the record;

(2) the number assigned to the record pursuant to IC 26-1-9.1-519(a)(1); and

(3) the date and time of the filing of the record.

(c) The filing office shall communicate or otherwise make available in a record the following information to any person that requests it:

(1) whether there is on file on a date and time specified by the filing office, but not a date earlier than three (3) business days before the filing office receives the request, any financing statement that:

(A) designates a particular debtor or, if the request so states, designates a particular debtor at the address specified in the request;

(B) has not lapsed under IC 26-1-9.1-515 with respect to all secured parties of record; and

(C) if the request so states, has lapsed under IC 26-1-9.1-515 and a record of which is maintained by the filing office under IC 26-1-9.1-522(a);

(2) the date and time of filing of each financing statement; and

(3) the information provided in each financing statement.

(d) In complying with its duty under subsection (c), the filing office may communicate information in any medium. However, if

requested, the filing office shall communicate information by issuing its written certificate.

(e) The filing office shall perform the acts required by subsections (a) through (d) at the time and in the manner prescribed by filing-office rule, but not later than two (2) business days after the filing office receives the request.

(f) At least weekly, the secretary of state shall offer to sell or license to the public on a nonexclusive basis, in bulk, copies of all records filed in it under IC 26-1-9.1-501 through IC 26-1-9.1-527, in every medium from time to time available to the filing office.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.15.

IC 26-1-9.1-524

Delay by filing office

Sec. 524. Delay by the filing office beyond a time limit prescribed in IC 26-1-9.1-501 through IC 26-1-9.1-527 is excused if:

(1) the delay is caused by interruption of communication or computer facilities, war, emergency conditions, failure of equipment, or other circumstances beyond control of the filing office; and

(2) the filing office exercises reasonable diligence under the circumstances.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-525

Fees

Sec. 525. (a) Except as otherwise provided in subsection (e), the fee for filing and indexing a record under IC 26-1-9.1-501 through IC 26-1-9.1-527, other than an initial financing statement of the kind described in IC 26-1-9.1-502(c), is:

(1) four dollars ($4) if the record is communicated in writing, including by facsimile, and consists of one (1) or two (2) pages;

(2) eight dollars ($8) if the record is communicated in writing, including by facsimile, and consists of more than two (2) pages; and

(3) no fee if the record is communicated by electronic filing.

(b) Except as otherwise provided in subsection (e), the fee for filing and indexing an initial financing statement of the kind described in IC 26-1-9.1-502(c) is:

(1) eight dollars ($8) if the financing statement indicates that it is filed in connection with a public-finance transaction; and

(2) eight dollars ($8) if the financing statement indicates that it is filed in connection with a manufactured-home transaction.

(c) The fee for responding to a request for information from the filing office, including for issuing a certificate showing whether there is on file any financing statement naming a particular debtor, is:

(1) five dollars ($5) if the request is communicated in writing,

including by facsimile; and

(2) no fee if the request is communicated electronically.

(d) This section does not require a fee with respect to a record of a mortgage which is effective as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut under IC 26-1-9.1-502(c). However, the recording and satisfaction fees that otherwise would be applicable to the record of the mortgage apply.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.16; P.L.277-2001, SEC.26.

IC 26-1-9.1-526

Filing—office rules

Sec. 526. (a) The secretary of state shall adopt and publish rules to implement IC 26-1-9.1. The filing-office rules must be consistent with IC 26-1-9.1.

(b) To keep the filing-office rules and practices of the filing office in harmony with the rules and practices of filing offices in other jurisdictions that enact substantially IC 26-1-9.1-501 through IC 26-1-9.1-527, and to keep the technology used by the filing office compatible with the technology used by filing offices in other jurisdictions that enact substantially IC 26-1-9.1-501 through IC 26-1-9.1-527, the secretary of state, so far as is consistent with the purposes, policies, and provisions of IC 26-1-9.1, in adopting, amending, and repealing filing-office rules, shall:

(1) consult with filing offices in other jurisdictions that enact substantially IC 26-1-9.1-501 through IC 26-1-9.1-527;

(2) consult the most recent version of the Model Rules promulgated by the International Association of Corporate Administrators or any successor organization; and

(3) take into consideration the rules and practices of, and the technology used by, filing offices in other jurisdictions that enact substantially IC 26-1-9.1-501 through IC 26-1-9.1-527.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.17.

IC 26-1-9.1-527

Duty to report

Sec. 527. The secretary of state shall report annually to the general assembly on the operation of the filing office. The report must be in an electronic format under IC 5-14-6 and must contain a statement of the extent to which:

(1) the filing office rules are not in harmony with the rules of filing offices in other jurisdictions that enact substantially IC 26-1-9.1-501 through IC 26-1-9.1-527 and the reasons for these variations; and

(2) the filing office rules are not in harmony with the most recent version of the Model Rules promulgated by the

International Association of Corporate Administrators, or any successor organization, and the reasons for these variations.

As added by P.L.57-2000, SEC.45. Amended by P.L.28-2004, SEC.164.

IC 26-1-9.1-601

Rights after default; judicial enforcement; consignor or buyer of accounts, chattel paper, payment intangibles, or promissory notes

Sec. 601. (a) After default, a secured party has the rights provided in this section through IC 26-1-9.1-628 and, except as otherwise provided in IC 26-1-9.1-602, those provided by agreement of the parties. A secured party:

(1) may reduce a claim to judgment, foreclose, or otherwise enforce the claim, security interest, or agricultural lien by any available judicial procedure; and

(2) if the collateral is documents, may proceed either as to the documents or as to the goods they cover.

(b) A secured party in possession of collateral or control of collateral under IC 26-1-7-106, IC 26-1-9.1-104, IC 26-1-9.1-105, IC 26-1-9.1-106, or IC 26-1-9.1-107 has the rights and duties provided in IC 26-1-9.1-207.

(c) The rights under subsections (a) and (b) are cumulative and may be exercised simultaneously.

(d) Except as otherwise provided in subsection (g) and IC 26-1-9.1-605, after default, a debtor and an obligor have the rights provided in IC 26-1-9.1-601 through IC 26-1-9.1-628 and by agreement of the parties.

(e) If a secured party has reduced its claim to judgment, the lien of any levy that may be made upon the collateral by virtue of an execution based upon the judgment relates back to the earliest of:

(1) the date of perfection of the security interest or agricultural lien in the collateral;

(2) the date of filing a financing statement covering the collateral; or

(3) any date specified in a statute under which the agricultural lien was created.

(f) A sale pursuant to an execution is a foreclosure of the security interest or agricultural lien by judicial procedure within the meaning of this section. A secured party may purchase at the sale and thereafter hold the collateral free of any other requirements of IC 26-1-9.1.

(g) Except as otherwise provided in IC 26-1-9.1-607(c), IC 26-1-9.1-601 through IC 26-1-9.1-628 impose no duties upon a secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles, or promissory notes.

As added by P.L.57-2000, SEC.45. Amended by P.L.143-2007, SEC.76.

IC 26-1-9.1-602
Waiver and variance of rights and duties

Sec. 602. Except as otherwise provided in IC 26-1-9.1-624, to the extent that they give rights to a debtor or obligor and impose duties on a secured party, the debtor or obligor may not waive or vary the rules stated in the following listed sections:

(1) IC 26-1-9.1-207(b)(4)(C), which deals with use and operation of the collateral by the secured party.

(2) IC 26-1-9.1-210, which deals with requests for an accounting and requests concerning a list of collateral and statement of account.

(3) IC 26-1-9.1-607(c), which deals with collection and enforcement of collateral.

(4) IC 26-1-9.1-608(a) and IC 26-1-9.1-615(c) to the extent that they deal with application or payment of noncash proceeds of collection, enforcement, or disposition.

(5) IC 26-1-9.1-608(a) and IC 26-1-9.1-615(d) to the extent that they require accounting for or payment of surplus proceeds of collateral.

(6) IC 26-1-9.1-609 to the extent that it imposes upon a secured party that takes possession of collateral without judicial process the duty to do so without breach of the peace.

(7) IC 26-1-9.1-610(b), IC 26-1-9.1-611, IC 26-1-9.1-613, and IC 26-1-9.1-614, which deal with disposition of collateral.

(8) IC 26-1-9.1-615(f), which deals with calculation of a deficiency or surplus when a disposition is made to the secured party, a person related to the secured party, or a secondary obligor.

(9) IC 26-1-9.1-616, which deals with explanation of the calculation of a surplus or deficiency.

(10) IC 26-1-9.1-620, IC 26-1-9.1-621, and IC 26-1-9.1-622, which deal with acceptance of collateral in satisfaction of obligation.

(11) IC 26-1-9.1-623, which deals with redemption of collateral.

(12) IC 26-1-9.1-624, which deals with permissible waivers.

(13) IC 26-1-9.1-625 and IC 26-1-9.1-626, which deal with the secured party's liability for failure to comply with IC 26-1-9.1.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-603
Agreement on standards concerning rights and duties

Sec. 603. (a) The parties may determine by agreement the standards measuring the fulfillment of the rights of a debtor or obligor and the duties of a secured party under a rule stated in IC 26-1-9.1-602 if the standards are not manifestly unreasonable.

(b) Subsection (a) does not apply to the duty under IC 26-1-9.1-609 to refrain from breaching the peace.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-604

Procedure if security agreement covers real property or fixtures

Sec. 604. (a) If a security agreement covers both personal and real property, a secured party may proceed:

(1) under IC 26-1-9.1-601 through IC 26-1-9.1-628 as to the personal property without prejudicing any rights with respect to the real property; or

(2) as to both the personal property and the real property in accordance with the rights with respect to the real property, in which case the other provisions of IC 26-1-9.1-601 through IC 26-1-9.1-628 do not apply.

(b) Subject to subsection (c), if a security agreement covers goods that are or become fixtures, a secured party may proceed:

(1) under IC 26-1-9.1-601 through IC 26-1-9.1-628; or

(2) in accordance with the rights with respect to real property, in which case the other provisions of IC 26-1-9.1-601 through IC 26-1-9.1-628 do not apply.

(c) Subject to the other provisions of IC 26-1-9.1-601 through IC 26-1-9.1-628, if a secured party holding a security interest in fixtures has priority over all owners and encumbrancers of the real property, the secured party, after default, may remove the collateral from the real property.

(d) A secured party that removes collateral shall promptly reimburse any encumbrancer or owner of the real property, other than the debtor, for the cost of repair of any physical injury caused by the removal. The secured party need not reimburse the encumbrancer or owner for any diminution in value of the real property caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-605

Unknown debtor or secondary obligor

Sec. 605. A secured party does not owe a duty based on its status as secured party:

(1) to a person that is a debtor or obligor, unless the secured party knows:

(A) that the person is a debtor or obligor;

(B) the identity of the person; and

(C) how to communicate with the person; or

(2) to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

(A) that the person is a debtor; and

(B) the identity of the person.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-606
Time of default for agricultural lien

Sec. 606. For purposes of IC 26-1-9.1-601 through IC 26-1-9.1-628, a default occurs in connection with an agricultural lien at the time the secured party becomes entitled to enforce the lien in accordance with the statute under which it was created.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-607
Collection and enforcement by secured party

Sec. 607. (a) If so agreed, and in any event after default, a secured party:

(1) may notify an account debtor or other person obligated on collateral to make payment or otherwise render performance to or for the benefit of the secured party;

(2) may take any proceeds to which the secured party is entitled under IC 26-1-9.1-315;

(3) may enforce the obligations of an account debtor or other person obligated on collateral and exercise the rights of the debtor with respect to the obligation of the account debtor or other person obligated on collateral to make payment or otherwise render performance to the debtor, and with respect to any property that secures the obligations of the account debtor or other person obligated on the collateral;

(4) if it holds a security interest in a deposit account perfected by control under IC 26-1-9.1-104(a)(1), may apply the balance of the deposit account to the obligation secured by the deposit account; and

(5) if it holds a security interest in a deposit account perfected by control under IC 26-1-9.1-104(a)(2) or IC 26-1-9.1-104(a)(3), may instruct the bank to pay the balance of the deposit account to or for the benefit of the secured party.

(b) If necessary to enable a secured party to exercise under subsection (a)(3) the right of a debtor to enforce a mortgage nonjudicially, the secured party may record in the office in which a record of the mortgage is recorded:

(1) a copy of the security agreement that creates or provides for a security interest in the obligation secured by the mortgage; and

(2) the secured party's sworn affidavit in recordable form stating that:

(A) a default has occurred with respect to the obligation secured by the mortgage; and

(B) the secured party is entitled to enforce the mortgage nonjudicially.

(c) A secured party shall proceed in a commercially reasonable manner if the secured party:

(1) undertakes to collect from or enforce an obligation of an

account debtor or other person obligated on collateral; and

(2) is entitled to charge back uncollected collateral or otherwise to full or limited recourse against the debtor or a secondary obligor.

(d) A secured party may deduct from the collections made pursuant to subsection (c) reasonable expenses of collection and enforcement, including reasonable attorney's fees and legal expenses incurred by the secured party.

(e) This section does not determine whether an account debtor, bank, or other person obligated on collateral owes a duty to a secured party.

As added by P.L.57-2000, SEC.45. Amended by P.L.54-2011, SEC.19.

IC 26-1-9.1-608

Application of proceeds of collection or enforcement; liability for deficiency and right to surplus

Sec. 608. (a) If a security interest or agricultural lien secures payment or performance of an obligation, the following rules apply:

(1) A secured party shall apply or pay over for application the cash proceeds of collection or enforcement under IC 26-1-9.1-607 in the following order to:

(A) the reasonable expenses of collection and enforcement and, to the extent provided for by agreement and not prohibited by law, reasonable attorney's fees and legal expenses incurred by the secured party;

(B) the satisfaction of obligations secured by the security interest or agricultural lien under which the collection or enforcement is made; and

(C) the satisfaction of obligations secured by any subordinate security interest in or other lien on the collateral subject to the security interest or agricultural lien under which the collection or enforcement is made if the secured party receives an authenticated demand for proceeds before distribution of the proceeds is completed.

(2) If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder complies, the secured party need not comply with the holder's demand under subdivision (1)(C).

(3) A secured party need not apply or pay over for application noncash proceeds of collection and enforcement under IC 26-1-9.1-607 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(4) A secured party shall account to and pay a debtor for any surplus, and the obligor is liable for any deficiency.

(b) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for any deficiency.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-609
Secured party's right to take possession after default

Sec. 609. (a) After default, a secured party:

(1) may take possession of the collateral; and

(2) without removal, may render equipment unusable and dispose of collateral on a debtor's premises under IC 26-1-9.1-610.

(b) A secured party may proceed under subsection (a):

(1) pursuant to judicial process; or

(2) without judicial process, if it proceeds without breach of the peace.

(c) If so agreed, and in any event after default, a secured party may require the debtor to assemble the collateral and make it available to the secured party at a place to be designated by the secured party which is reasonably convenient to both parties.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-610
Disposition of collateral after default

Sec. 610. (a) After default, a secured party may sell, lease, license, or otherwise dispose of any or all of the collateral in its present condition or following any commercially reasonable preparation or processing.

(b) Every aspect of a disposition of collateral, including the method, manner, time, place, and other terms, must be commercially reasonable. If commercially reasonable, a secured party may dispose of collateral by public or private proceedings, by one or more contracts, as a unit or in parcels, and at any time and place and on any terms.

(c) A secured party may purchase collateral:

(1) at a public disposition; or

(2) at a private disposition only if the collateral is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations.

(d) A contract for sale, lease, license, or other disposition includes the warranties relating to title, possession, quiet enjoyment, and the like, which by operation of law accompany a voluntary disposition of property of the kind subject to the contract.

(e) A secured party may disclaim or modify warranties under subsection (d):

(1) in a manner that would be effective to disclaim or modify the warranties in a voluntary disposition of property of the kind

subject to the contract of disposition; or

(2) by communicating to the purchaser a record evidencing the contract for disposition and including an express disclaimer or modification of the warranties.

(f) A record is sufficient to disclaim warranties under subsection (e) if it indicates "There is no warranty relating to title, possession, quiet enjoyment, or the like in this disposition" or uses words of similar import.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-611

Notification before disposition of collateral

Sec. 611. (a) As used in this section, "notification date" means the earlier of the date on which:

(1) a secured party sends to the debtor and any secondary obligor an authenticated notification of disposition; or

(2) the debtor and any secondary obligor waive the right to notification.

(b) Except as otherwise provided in subsection (d), a secured party that disposes of collateral under IC 26-1-9.1-610 shall send to the persons specified in subsection (c) a reasonable authenticated notification of disposition.

(c) To comply with subsection (b), the secured party shall send an authenticated notification of disposition to:

(1) the debtor;

(2) any secondary obligor; and

(3) if the collateral is other than consumer goods:

(A) any other person from which the secured party has received, before the notification date, an authenticated notification of a claim of an interest in the collateral;

(B) any other secured party or lienholder that, ten (10) days before the notification date, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that:

(i) identified the collateral;

(ii) was indexed under the debtor's name as of that date; and

(iii) was filed in the office in which to file a financing statement against the debtor covering the collateral as of that date; and

(C) any other secured party that, ten (10) days before the notification date, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in IC 26-1-9.1-311(a).

(d) Subsection (b) does not apply if the collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

(e) A secured party complies with the requirement for notification

prescribed in subsection (c)(3)(B) if:

(1) not later than twenty (20) days or earlier than thirty (30) days before the notification date, the secured party requests, in a commercially reasonable manner, information concerning financing statements indexed under the debtor's name in the office indicated in subsection (c)(3)(B); and

(2) before the notification date, the secured party:

(A) did not receive a response to the request for information; or

(B) received a response to the request for information and sent an authenticated notification of disposition to each secured party or other lienholder named in that response whose financing statement covered the collateral.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-612

Timeliness of notification before disposition of collateral

Sec. 612. (a) Except as otherwise provided in subsection (b), whether a notification is sent within a reasonable time is a question of fact.

(b) In a transaction other than a consumer transaction, a notification of disposition sent after default and ten (10) days or more before the earliest time of disposition set forth in the notification is sent within a reasonable time before the disposition.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-613

Contents and form of notification before disposition of collateral; general

Sec. 613. Except in a consumer-goods transaction, the following rules apply:

(1) The contents of a notification of disposition are sufficient if the notification:

(A) describes the debtor and the secured party;

(B) describes the collateral that is the subject of the intended disposition;

(C) states the method of intended disposition;

(D) states that the debtor is entitled to an accounting of the unpaid indebtedness and states the charge, if any, for an accounting; and

(E) states the time and place of a public disposition or the time after which any other disposition is to be made.

(2) Whether the contents of a notification that lacks any of the information specified in subdivision (1) are nevertheless sufficient is a question of fact.

(3) The contents of a notification providing substantially the information specified in subdivision (1) are sufficient, even if the notification includes:

(A) information not specified by that subdivision; or

(B) minor errors that are not seriously misleading.

(4) A particular phrasing of the notification is not required.

(5) The following form of notification and the form appearing in IC 26-1-9.1-614(3), when completed, each provides sufficient information:

NOTIFICATION OF DISPOSITION OF COLLATERAL

To: Name of debtor, obligor, or other person to which the notification is sent

From: Name, address, and telephone number of secured party

Name of Debtor(s): Include only if debtor(s) are not an addressee

(For a public disposition:)

We will sell (or lease or license, as applicable) the describe collateral to the highest qualified bidder in public as follows:

Day and Date: _____

Time: _____

Place: _____

(For a private disposition:)

We will sell (or lease or license, as applicable) the describe collateral privately sometime after day and date.

You are entitled to an accounting of the unpaid indebtedness secured by the property that we intend to sell (or lease or license, as applicable) (for a charge of $____). You may request an accounting by calling us at telephone number.

(End of Form)

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-614

Contents and form of notification before disposition of collateral; consumer goods transaction

Sec. 614. In a consumer-goods transaction, the following rules apply:

(1) A notification of disposition must provide the following information:

(A) The information specified in IC 26-1-9.1-613(1).

(B) A description of any liability for a deficiency of the person to which the notification is sent.

(C) A telephone number from which the amount that must be paid to the secured party to redeem the collateral under IC 26-1-9.1-623 is available.

(D) A telephone number or mailing address from which additional information concerning the disposition and the obligation secured is available.

(2) A particular phrasing of the notification is not required.

(3) The following form of notification, when completed, provides sufficient information:

Name and address of secured party

Date

NOTICE OF OUR PLAN TO SELL PROPERTY

Name and address of any obligor who is also a debtor

Subject: Identification of Transaction

We have your describe collateral, because you broke promises in our agreement.

(For a public disposition:)

We will sell describe collateral at public sale. A sale could include a lease or license. The sale will be held as follows:

Date: _____

Time: _____

Place: _____

You may attend the sale and bring bidders if you want.

(For a private disposition:)

We will sell describe collateral at private sale sometime after date. A sale could include a lease or license.

The money that we get from the sale (after paying our costs) will reduce the amount you owe. If we get less money than you owe, you will or will not, as applicable still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.

You can get the property back at any time before we sell it by paying us the full amount you owe (not just the past due payments), including our expenses. To learn the exact amount you must pay, call us at telephone number.

If you want us to explain to you in writing how we have figured the amount that you owe us, you may call us at telephone number or write us at secured party's address and request a written explanation. We will charge you $ for the explanation if we sent you another written explanation of the amount you owe us within the last six (6) months.

If you need more information about the sale call us at telephone number or write us at secured party's address.

We are sending this notice to the following other people who have an interest in describe collateral or who owe money under your agreement:

Names of all other debtors and obligors, if any.

(End of Form)

(4) A notification in the form of subdivision (3) is sufficient, even if additional information appears at the end of the form.

(5) A notification in the form of subdivision (3) is sufficient, even if it includes errors in information not required by subdivision (1), unless the error is misleading with respect to rights arising under IC 26-1-9.1.

(6) If a notification under this section is not in the form of subdivision (3), law other than IC 26-1-9.1 determines the effect of including information not required by subdivision (1).

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-615

Application of proceeds of disposition; liability for deficiency and right to surplus

Sec. 615. (a) A secured party shall apply or pay over for application the cash proceeds of disposition under IC 26-1-9.1-610 in the following order to:

(1) the reasonable expenses of retaking, holding, preparing for disposition, processing, and disposing, and, to the extent provided for by agreement and not prohibited by law, reasonable attorney's fees and legal expenses incurred by the secured party;

(2) the satisfaction of obligations secured by the security interest or agricultural lien under which the disposition is made;

(3) the satisfaction of obligations secured by any subordinate security interest in or other subordinate lien on the collateral if:

(A) the secured party receives from the holder of the subordinate security interest or other lien an authenticated demand for proceeds before distribution of the proceeds is completed; and

(B) in a case in which a consignor has an interest in the collateral, the subordinate security interest or other lien is senior to the interest of the consignor; and

(4) a secured party that is a consignor of the collateral if the secured party receives from the consignor an authenticated demand for proceeds before distribution of the proceeds is completed.

(b) If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder does so, the secured party need not comply with the holder's demand under subsection (a)(3).

(c) A secured party need not apply or pay over for application noncash proceeds of disposition under IC 26-1-9.1-610 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(d) If the security interest under which a disposition is made secures payment or performance of an obligation, after making the payments and applications required by subsection (a) and permitted by subsection (c):

(1) unless subsection (a)(4) requires the secured party to apply or pay over cash proceeds to a consignor, the secured party shall account to and pay a debtor for any surplus; and

(2) the obligor is liable for any deficiency.

(e) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes:

(1) the debtor is not entitled to any surplus; and

(2) the obligor is not liable for any deficiency.

(f) The surplus or deficiency following a disposition is calculated based on the amount of proceeds that would have been realized in a disposition complying with IC 26-1-9.1-601 through IC 26-1-9.1-628 to a transferee other than the secured party, a person related to the secured party, or a secondary obligor if:

(1) the transferee in the disposition is the secured party, a person related to the secured party, or a secondary obligor; and

(2) the amount of proceeds of the disposition is significantly below the range of proceeds that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

(g) A secured party that receives cash proceeds of a disposition in good faith and without knowledge that the receipt violates the rights of the holder of a security interest or other lien that is not subordinate to the security interest or agricultural lien under which the disposition is made:

(1) takes the cash proceeds free of the security interest or other lien;

(2) is not obligated to apply the proceeds of the disposition to the satisfaction of obligations secured by the security interest or other lien; and

(3) is not obligated to account to or pay the holder of the security interest or other lien for any surplus.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-616

Explanation of calculation of surplus or deficiency

Sec. 616. (a) As used in this section:

(1) "Explanation" means a writing that:

(A) states the amount of the surplus or deficiency;

(B) provides an explanation in accordance with subsection (c) of how the secured party calculated the surplus or deficiency;

(C) states, if applicable, that future debits, credits, charges, including additional credit service charges or interest, rebates, and expenses may affect the amount of the surplus or deficiency; and

(D) provides a telephone number or mailing address from which additional information concerning the transaction is available.

(2) "Request" means a record:

(A) authenticated by a debtor or consumer obligor;

(B) requesting that the recipient provide an explanation; and

(C) sent after disposition of the collateral under IC 26-1-9.1-610.

(b) In a consumer-goods transaction in which the debtor is entitled to a surplus or a consumer obligor is liable for a deficiency under IC 26-1-9.1-615, the secured party shall:

(1) send an explanation to the debtor or consumer obligor, as applicable, after the disposition and:

(A) before or when the secured party accounts to the debtor and pays any surplus or first makes written demand on the consumer obligor after the disposition for payment of the deficiency; and

(B) within fourteen (14) days after receipt of a request; or

(2) in the case of a consumer obligor who is liable for a deficiency, within fourteen (14) days after receipt of a request, send to the consumer obligor a record waiving the secured party's right to a deficiency.

(c) To comply with subsection (a)(1)(B), a writing must provide the following information in the following order:

(1) the aggregate amount of obligations secured by the security interest under which the disposition was made, and, if the amount reflects a rebate of unearned interest or credit service charge, an indication of that fact, calculated as of a specified date:

(A) if the secured party takes or receives possession of the collateral after default, not more than thirty-five (35) days before the secured party takes or receives possession; or

(B) if the secured party takes or receives possession of the collateral before default or does not take possession of the collateral, not more than thirty-five (35) days before the disposition;

(2) the amount of proceeds of the disposition;

(3) the aggregate amount of the obligations after deducting the amount of proceeds;

(4) the amount, in the aggregate or by type, and types of expenses, including expenses of retaking, holding, preparing for disposition, processing, and disposing of the collateral, and attorney's fees secured by the collateral that are known to the secured party and relate to the current disposition;

(5) the amount, in the aggregate or by type, and types of credits, including rebates of interest or credit service charges, to which the obligor is known to be entitled and that are not reflected in the amount in paragraph (1); and

(6) the amount of the surplus or deficiency.

(d) A particular phrasing of the explanation is not required. An explanation complying substantially with the requirements of subsection (a) is sufficient, even if it includes minor errors that are not seriously misleading.

(e) A debtor or consumer obligor is entitled without charge to one (1) response to a request under this section during any six (6) month period in which the secured party did not send to the debtor or consumer obligor an explanation pursuant to subsection (b)(1). The secured party may require payment of a charge not exceeding twenty-five dollars ($25) for each additional response.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-617
Rights of transferee of collateral

Sec. 617. (a) A secured party's disposition of collateral after default:

(1) transfers to a transferee for value all of the debtor's rights in the collateral;

(2) discharges the security interest under which the disposition is made; and

(3) discharges any subordinate security interest or other subordinate lien.

(b) A transferee that acts in good faith takes free of the rights and interests described in subsection (a), even if the secured party fails to comply with IC 26-1-9.1 or the requirements of any judicial proceeding.

(c) If a transferee does not take free of the rights and interests described in subsection (a), the transferee takes the collateral subject to:

(1) the debtor's rights in the collateral;

(2) the security interest or agricultural lien under which the disposition is made; and

(3) any security interest or other lien.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-618
Rights and duties of certain secondary obligors

Sec. 618. (a) A secondary obligor acquires the rights and becomes obligated to perform the duties of the secured party after the secondary obligor:

(1) receives an assignment of a secured obligation from the secured party;

(2) receives a transfer of collateral from the secured party and agrees to accept the rights and assume the duties of the secured party; or

(3) is subrogated to the rights of a secured party with respect to collateral.

(b) An assignment, transfer, or subrogation described in subsection (a):

(1) is not a disposition of collateral under IC 26-1-9.1-610; and

(2) relieves the secured party of further duties under IC 26-1-9.1.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-619
Transfer of record or legal title

Sec. 619. (a) In this section, "transfer statement" means a record authenticated by a secured party stating:

(1) that the debtor has defaulted in connection with an obligation secured by specified collateral;
(2) that the secured party has exercised its post-default remedies with respect to the collateral;
(3) that, by reason of the exercise, a transferee has acquired the rights of the debtor in the collateral; and
(4) the name and mailing address of the secured party, debtor, and transferee.

(b) A transfer statement entitles the transferee to the transfer of record of all rights of the debtor in the collateral specified in the statement in any official filing, recording, registration, or certificate-of-title system covering the collateral. If a transfer statement is presented with the applicable fee and request form to the official or office responsible for maintaining the system, the official or office shall:
(1) accept the transfer statement;
(2) promptly amend its records to reflect the transfer; and
(3) if applicable, issue a new appropriate certificate of title in the name of transferee.

(c) A transfer of the record or legal title to collateral to a secured party under subsection (b) or otherwise is not of itself a disposition of collateral under IC 26-1-9.1 and does not of itself relieve the secured party of its duties under IC 26-1-9.1.
As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-620
Acceptance of collateral in full or partial satisfaction of obligation; compulsory disposition of collateral

Sec. 620. (a) Except as otherwise provided in subsection (g), a secured party may accept collateral in full or partial satisfaction of the obligation it secures only if:
(1) the debtor consents to the acceptance under subsection (c);
(2) the secured party does not receive, within the time set forth in subsection (d), a notification of objection to the proposal authenticated by:
(A) a person to which the secured party was required to send a proposal under IC 26-1-9.1-621; or
(B) any other person, other than the debtor, holding an interest in the collateral subordinate to the security interest that is the subject of the proposal;
(3) if the collateral is consumer goods, the collateral is not in the possession of the debtor when the debtor consents to the acceptance; and
(4) subsection (e) does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to IC 26-1-9.1-624.

(b) A purported or apparent acceptance of collateral under this section is ineffective unless:

(1) the secured party consents to the acceptance in an authenticated record or sends a proposal to the debtor; and

(2) the conditions of subsection (a) are met.

(c) For purposes of this section:

(1) a debtor consents to an acceptance of collateral in partial satisfaction of the obligation it secures only if the debtor agrees to the terms of the acceptance in a record authenticated after default; and

(2) a debtor consents to an acceptance of collateral in full satisfaction of the obligation it secures only if the debtor agrees to the terms of the acceptance in a record authenticated after default or the secured party:

(A) sends to the debtor after default a proposal that is unconditional or subject only to a condition that collateral not in the possession of the secured party be preserved or maintained;

(B) in the proposal, proposes to accept collateral in full satisfaction of the obligation it secures; and

(C) does not receive a notification of objection authenticated by the debtor within twenty (20) days after the proposal is sent.

(d) To be effective under subsection (a)(2), a notification of objection must be received by the secured party:

(1) in the case of a person to which the proposal was sent pursuant to IC 26-1-9.1-621, within twenty (20) days after notification was sent to that person; and

(2) in other cases:

(A) within twenty (20) days after the last notification was sent pursuant to IC 26-1-9.1-621; or

(B) if a notification was not sent, before the debtor consents to the acceptance under subsection (c).

(e) A secured party that has taken possession of collateral shall dispose of the collateral pursuant to IC 26-1-9.1-610 within the time specified in subsection (f) if:

(1) sixty percent (60%) of the cash price has been paid in the case of a purchase-money security interest in consumer goods; or

(2) sixty percent (60%) of the principal amount of the obligation secured has been paid in the case of a non-purchase-money security interest in consumer goods.

(f) To comply with subsection (e), the secured party shall dispose of the collateral:

(1) within ninety (90) days after taking possession; or

(2) within any longer period to which the debtor and all secondary obligors have agreed in an agreement to that effect entered into and authenticated after default.

(g) In a consumer transaction, a secured party may not accept collateral in partial satisfaction of the obligation it secures.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-621
Notification of proposal to accept collateral

Sec. 621. (a) A secured party that desires to accept collateral in full or partial satisfaction of the obligation it secures shall send its proposal to:

(1) any person from which the secured party has received, before the debtor consented to the acceptance, an authenticated notification of a claim of an interest in the collateral;

(2) any other secured party or lienholder that, ten (10) days before the debtor consented to the acceptance, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that:

(A) identified the collateral;

(B) was indexed under the debtor's name as of that date; and

(C) was filed in the office or offices in which to file a financing statement against the debtor covering the collateral as of that date; and

(3) any other secured party that, ten (10) days before the debtor consented to the acceptance, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in IC 26-1-9.1-311(a).

(b) A secured party that desires to accept collateral in partial satisfaction of the obligation it secures shall send its proposal to any secondary obligor in addition to the persons described in subsection (a).

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-622
Effect of acceptance of collateral

Sec. 622. (a) A secured party's acceptance of collateral in full or partial satisfaction of the obligation it secures:

(1) discharges the obligation to the extent consented to by the debtor;

(2) transfers to the secured party all of a debtor's rights in the collateral;

(3) discharges the security interest or agricultural lien that is the subject of the debtor's consent and any subordinate security interest or other subordinate lien; and

(4) terminates any other subordinate interest.

(b) A subordinate interest is discharged or terminated under subsection (a), even if the secured party fails to comply with IC 26-1-9.1.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-623
Right to redeem collateral

Sec. 623. (a) A debtor, any secondary obligor, or any other secured party or lienholder may redeem collateral.

(b) To redeem collateral, a person shall tender:

(1) fulfillment of all obligations secured by the collateral; and

(2) the reasonable expenses and attorney's fees described in IC 26-1-9.1-615(a)(1).

(c) A redemption may occur at any time before a secured party:

(1) has collected collateral under IC 26-1-9.1-607;

(2) has disposed of collateral or entered into a contract for its disposition under IC 26-1-9.1-610; or

(3) has accepted collateral in full or partial satisfaction of the obligation it secures under IC 26-1-9.1-622.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-624

Waiver

Sec. 624. (a) A debtor or secondary obligor may waive the right to notification of disposition of collateral under IC 26-1-9.1-611 only by an agreement to that effect entered into and authenticated after default.

(b) A debtor may waive the right to require disposition of collateral under IC 26-1-9.1-620(e) only by an agreement to that effect entered into and authenticated after default.

(c) Except in a consumer-goods transaction, a debtor or secondary obligor may waive the right to redeem collateral under IC 26-1-9.1-623 only by an agreement to that effect entered into and authenticated after default.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-625

Remedies for secured party's failure to comply with chapter

Sec. 625. (a) If it is established that a secured party is not proceeding in accordance with IC 26-1-9.1, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.

(b) Subject to subsections (c), (d), and (f), a person is liable for damages in the amount of any loss caused by a failure to comply with IC 26-1-9.1. Loss caused by a failure to comply may include loss resulting from the debtor's inability to obtain, or increased costs of, alternative financing.

(c) Except as otherwise provided in IC 26-1-9.1-628:

(1) a person that, at the time of the failure, was a debtor, was an obligor, or held a security interest in or other lien on the collateral may recover damages under subsection (b) for its loss; and

(2) if the collateral is consumer goods, a person that was a debtor or a secondary obligor at the time a secured party failed to comply with IC 26-1-9.1-601 through IC 26-1-9.1-628 may

recover for that failure in any event an amount not less than the credit service charge plus ten percent (10%) of the principal amount of the obligation or the time-price differential plus ten percent (10%) of the cash price.

(d) A debtor whose deficiency is eliminated under IC 26-1-9.1-626 may recover damages for the loss of any surplus. However, a debtor or secondary obligor whose deficiency is eliminated or reduced under IC 26-1-9.1-626 may not otherwise recover under subsection (b) for noncompliance with the provisions of IC 26-1-9.1-601 through IC 26-1-9.1-628 relating to collection, enforcement, disposition, or acceptance.

(e) In addition to any damages recoverable under subsection (b), the debtor, consumer obligor, or person named as a debtor in a filed record, as applicable, may recover five hundred dollars ($500) in each case from a person that:

(1) fails to comply with IC 26-1-9.1-208;

(2) fails to comply with IC 26-1-9.1-209;

(3) files a record that the person is not entitled to file under IC 26-1-9.1-509(a);

(4) fails to cause the secured party of record to file or send a termination statement as required by IC 26-1-9.1-513(a) or IC 26-1-9.1-513(c);

(5) fails to comply with IC 26-1-9.1-616(b)(1) and whose failure is part of a pattern or consistent with a practice, of noncompliance;

(6) fails to comply with IC 26-1-9.1-616(b)(2); or

(7) fails to comply with IC 26-1-9.1-502(f).

(f) A debtor or consumer obligor may recover damages under subsection (b) and, in addition, five hundred dollars ($500) in each case from a person that, without reasonable cause, fails to comply with a request under IC 26-1-9.1-210. A recipient of a request under IC 26-1-9.1-210 that never claimed an interest in the collateral or obligations that are the subject of a request under that section has a reasonable excuse for failure to comply with the request within the meaning of this subsection.

(g) If a secured party fails to comply with a request regarding a list of collateral or a statement of account under IC 26-1-9.1-210, the secured party may claim a security interest only as shown in the list or statement included in the request as against a person that is reasonably misled by the failure.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.18.

IC 26-1-9.1-626

Action in which deficiency or surplus is in issue

Sec. 626. In an action arising from a transaction in which the amount of a deficiency or surplus is in issue, the following rules apply:

(1) A secured party need not prove compliance with the provisions of IC 26-1-9.1-601 through IC 26-1-9.1-628 relating to collection, enforcement, disposition, or acceptance unless the debtor or a secondary obligor places the secured party's compliance in issue.

(2) If the secured party's compliance is placed in issue, the secured party has the burden of establishing that the collection, enforcement, disposition, or acceptance was conducted in accordance with IC 26-1-9.1-601 through IC 26-1-9.1-628.

(3) Except as otherwise provided in IC 26-1-9.1-628, if a secured party fails to prove that the collection, enforcement, disposition, or acceptance was conducted in accordance with the provisions of IC 26-1-9.1-601 through IC 26-1-9.1-628 relating to collection, enforcement, disposition, or acceptance, the liability of a debtor or a secondary obligor for a deficiency is limited to an amount by which the sum of the secured obligation, expenses, and attorney's fees exceeds the greater of:

(A) the proceeds of the collection, enforcement, disposition, or acceptance; or

(B) the amount of proceeds that would have been realized had the noncomplying secured party proceeded in accordance with the provisions of IC 26-1-9.1-601 through IC 26-1-9.1-628 relating to collection, enforcement, disposition, or acceptance.

(4) For purposes of subdivision (3)(B), the amount of proceeds that would have been realized is equal to the sum of the secured obligation, expenses, and attorney's fees unless the secured party proves that the amount is less than that sum.

(5) If a deficiency or surplus is calculated under IC 26-1-9.1-615(f), the debtor or obligor has the burden of establishing that the amount of proceeds of the disposition is significantly below the range of prices that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.19.

IC 26-1-9.1-627

Determination of whether conduct was commercially reasonable

Sec. 627. (a) The fact that a greater amount could have been obtained by a collection, enforcement, disposition, or acceptance at a different time or in a different method from that selected by the secured party is not of itself sufficient to preclude the secured party from establishing that the collection, enforcement, disposition, or acceptance was made in a commercially reasonable manner.

(b) A disposition of collateral is made in a commercially reasonable manner if the disposition is made:

(1) in the usual manner on any recognized market;
(2) at the price current in any recognized market at the time of the disposition; or
(3) otherwise in conformity with reasonable commercial practices among dealers in the type of property that was the subject of the disposition.

(c) A collection, enforcement, disposition, or acceptance is commercially reasonable if it has been approved:
(1) in a judicial proceeding;
(2) by a bona fide creditors' committee;
(3) by a representative of creditors; or
(4) by an assignee for the benefit of creditors.

(d) Approval under subsection (c) need not be obtained, and lack of approval does not mean that the collection, enforcement, disposition, or acceptance is not commercially reasonable.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-628

Nonliability and limitation on liability of secured party; liability of secondary obligor

Sec. 628. (a) Unless a secured party knows that a person is a debtor or obligor, knows the identity of the person, and knows how to communicate with the person:
(1) the secured party is not liable to the person, or to a secured party or lienholder that has filed a financing statement against the person, for failure to comply with IC 26-1-9.1; and
(2) the secured party's failure to comply with IC 26-1-9.1 does not affect the liability of the person for a deficiency.

(b) A secured party is not liable because of its status as secured party:
(1) to a person that is a debtor or obligor, unless the secured party knows:
(A) that the person is a debtor or obligor;
(B) the identity of the person; and
(C) how to communicate with the person; or
(2) to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:
(A) that the person is a debtor; and
(B) the identity of the person.

(c) A secured party is not liable to any person, and a person's liability for a deficiency is not affected, because of any act or omission arising out of the secured party's reasonable belief that a transaction is not a consumer-goods transaction or a consumer transaction or that goods are not consumer goods, if the secured party's belief is based on its reasonable reliance on:
(1) a debtor's representation concerning the purpose for which collateral was to be used, acquired, or held; or
(2) an obligor's representation concerning the purpose for which

a secured obligation was incurred.

(d) A secured party is not liable to any person under IC 26-1-9.1-625(c)(2) for its failure to comply with IC 26-1-9.1-616.

(e) A secured party is not liable under IC 26-1-9.1-625(c)(2) more than once with respect to any one secured obligation.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-701
Effective date

Sec. 701. IC 26-1-9.1 takes effect on July 1, 2001.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-702
Savings clause

Sec. 702. (a) Except as otherwise provided in this section through section 709 of this chapter, IC 26-1-9.1 applies to a transaction or lien within its scope, even if the transaction or lien was entered into or created before IC 26-1-9.1 takes effect.

(b) Except as otherwise provided in subsection (c) and IC 26-1-9.1-703 through IC 26-1-9.1-709:

(1) transactions and liens that were not governed by IC 26-1-9, before its repeal, were validly entered into or created before IC 26-1-9.1 takes effect, and would be subject to IC 26-1-9.1 if they had been entered into or created after IC 26-1-9.1 takes effect, and the rights, duties, and interests flowing from those transactions and liens remain valid after IC 26-1-9.1 takes effect; and

(2) the transactions and liens may be terminated, completed, consummated, and enforced as required or permitted by IC 26-1-9.1 or by the law that otherwise would apply if IC 26-1-9.1 had not taken effect.

(c) IC 26-1-9.1 does not affect an action, case, or proceeding commenced before IC 26-1-9.1 takes effect.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-703
Security interest perfected before effective date

Sec. 703. (a) A security interest that is enforceable immediately before IC 26-1-9.1 takes effect and would have priority over the rights of a person that becomes a lien creditor at that time is a perfected security interest under IC 26-1-9.1 if, when IC 26-1-9.1 takes effect, the applicable requirements for enforceability and perfection under IC 26-1-9.1 are satisfied without further action.

(b) Except as otherwise provided in IC 26-1-9.1-705, if, immediately before IC 26-1-9.1 takes effect, a security interest is enforceable and would have priority over the rights of a person that becomes a lien creditor at that time, but the applicable requirements for enforceability or perfection under IC 26-1-9.1 are not satisfied

when IC 26-1-9.1 takes effect, the security interest:

(1) is a perfected security interest for one (1) year after IC 26-1-9.1 takes effect;

(2) remains enforceable thereafter only if the security interest becomes enforceable under IC 26-1-9.1-203 before the year expires; and

(3) remains perfected thereafter only if the applicable requirements for perfection under IC 26-1-9.1 are satisfied before the year expires.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-704

Security interest unperfected before effective date

Sec. 704. A security interest that is enforceable immediately before IC 26-1-9.1 takes effect but which would be subordinate to the rights of a person that becomes a lien creditor at that time:

(1) remains an enforceable security interest for one (1) year after IC 26-1-9.1 takes effect;

(2) remains enforceable thereafter if the security interest becomes enforceable under IC 26-1-9.1-203 when IC 26-1-9.1 takes effect or within one (1) year thereafter; and

(3) becomes perfected:

(A) without further action, when IC 26-1-9.1 takes effect if the applicable requirements for perfection under IC 26-1-9.1 are satisfied before or at that time; or

(B) when the applicable requirements for perfection are satisfied if the requirements are satisfied after that time.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-705

Effectiveness of action taken before effective date

Sec. 705. (a) If action, other than the filing of a financing statement, is taken before IC 26-1-9.1 takes effect and the action would have resulted in priority of a security interest over the rights of a person that becomes a lien creditor had the security interest become enforceable before IC 26-1-9.1 takes effect, the action is effective to perfect a security interest that attaches under IC 26-1-9.1 within one (1) year after IC 26-1-9.1 takes effect. An attached security interest becomes unperfected one (1) year after IC 26-1-9.1 takes effect unless the security interest becomes a perfected security interest under IC 26-1-9.1 before the expiration of that period.

(b) The filing of a financing statement before IC 26-1-9.1 takes effect is effective to perfect a security interest to the extent the filing would satisfy the applicable requirements for perfection under IC 26-1-9.1.

(c) IC 26-1-9.1 does not render ineffective an effective financing statement that is filed before IC 26-1-9.1 takes effect and satisfied the applicable requirements for perfection under the law of the

jurisdiction governing perfection as provided in IC 26-1-9-103, before its repeal. However, except as otherwise provided in subsections (d) and (e) and IC 26-1-9.1-706, the financing statement ceases to be effective at the earlier of:

(1) the time the financing statement would have ceased to be effective under the law of the jurisdiction in which it is filed; or

(2) June 30, 2006.

(d) The filing of a continuation statement after IC 26-1-9.1 takes effect does not continue the effectiveness of the financing statement filed before IC 26-1-9.1 takes effect. However, upon the timely filing of a continuation statement after IC 26-1-9.1 takes effect and in accordance with the law of the jurisdiction governing perfection as provided in IC 26-1-9.1-301 through IC 26-1-9.1-342, the effectiveness of a financing statement filed in the same office in that jurisdiction before IC 26-1-9.1 takes effect continues for the period provided by the law of that jurisdiction.

(e) Subsection (c)(2) applies to a financing statement that is filed against a transmitting utility before IC 26-1-9.1 takes effect and satisfied the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in IC 26-1-9-103, before its repeal, only to the extent that IC 26-1-9.1-301 through IC 26-1-9.1-342 provide that the law of a jurisdiction other than jurisdiction in which the financing statement is filed governs perfection of a security interest in collateral covered by the financing statement.

(f) A financing statement that includes a financing statement filed before IC 26-1-9.1 takes effect and a continuation statement filed after IC 26-1-9.1 takes effect is effective only to the extent that it satisfies the requirements of IC 26-1-9.1-501 through IC 26-1-9.1-527 for an initial financing statement.

As added by P.L.57-2000, SEC.45. Amended by P.L.165-2001, SEC.20.

IC 26-1-9.1-706

Filing of initial financing statement; effectiveness of financing statement

Sec. 706. (a) The filing of an initial financing statement in the office specified in IC 26-1-9.1-501 continues the effectiveness of a financing statement filed before IC 26-1-9.1 takes effect if:

(1) the filing of an initial financing statement in that office would be effective to perfect a security interest under IC 26-1-9.1;

(2) the pre-effective-date financing statement was filed in an office in another state or another office in this state; and

(3) the initial financing statement satisfies subsection (c).

(b) The filing of an initial financing statement under subsection (a) continues the effectiveness of the pre-effective date financing statement if the initial financing statement is filed:

(1) before IC 26-1-9.1 takes effect, for the period provided in IC 26-1-9-403 (before its repeal) for a financing statement; and
(2) after IC 26-1-9.1 takes effect, for the period provided in IC 26-1-9.1-515 for an initial financing statement.

(c) To be effective for purposes of subsection (a), an initial financing statement must:

(1) satisfy the requirements of IC 26-1-9.1-501 through IC 26-1-9.1-526 for an initial financing statement;
(2) identify the pre-effective-date financing statement by indicating the office in which the financing statement was filed and providing the dates of filing and file numbers, if any, of the financing statement and of the most recent continuation statement filed with respect to the financing statement; and
(3) indicate that the pre-effective-date financing statement remains effective.

As added by P.L.57-2000, SEC.45. Amended by P.L.1-2007, SEC.183.

IC 26-1-9.1-707
Pre-effective-date financing statement

Sec. 707. (a) In this section, "pre-effective-date financing statement" means a financing statement filed before IC 26-1-9.1 takes effect.

(b) After IC 26-1-9.1 takes effect, a person may add or delete collateral covered by, continue, or terminate the effectiveness of, or otherwise amend the information provided in, a pre-effective-date financing statement only in accordance with the law of the jurisdiction governing perfection as provided under IC 26-1-9.1-301 through IC 26-1-9.1-342. However, the effectiveness of a pre-effective-date financing statement also may be terminated in accordance with the law of the jurisdiction in which the financing statement is filed.

(c) Except as otherwise provided in subsection (d), if Indiana law governs perfection of a security interest, the information in a pre-effective-date financing statement may be amended after IC 26-1-9.1 takes effect only if:

(1) the pre-effective date financing statement and an amendment are filed in the office specified in IC 26-1-9.1-501;
(2) an amendment is filed in the office specified in IC 26-1-9.1-501 concurrently with, or after the filing in that office of, an initial financing statement that satisfies IC 26-1-9.1-706(c); or
(3) an initial financing statement that provides the information as amended and satisfies IC 26-1-9.1-706(c) is filed in the office specified in IC 26-1-9.1-501.

(d) If Indiana law governs the perfection of a security interest, the effectiveness of a pre-effective-date financing statement may be continued only under IC 26-1-9.1-705(d) and IC 26-1-9.1-705(f) or

IC 26-1-9.1-706.

(e) Whether or not Indiana law governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement filed in Indiana may be terminated after IC 26-1-9.1 takes effect by filing a termination statement in the office in which the pre-effective-date financing statement is filed, unless an initial financing statement that satisfies IC 26-1-9.1-706(c) has been filed in the office specified by the law of the jurisdiction governing perfection in IC 26-1-9.1-301 through IC 26-1-9.1-342 as the office in which to file a financing statement.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-708

Persons entitled to file initial financing statement or continuation statement

Sec. 708. A person may file an initial financing statement or a continuation statement under IC 26-1-9.1-701 through IC 26-1-9.1-709 if:

(1) the secured party of record authorizes the filing; and

(2) the filing is necessary under IC 26-1-9.1-701 through IC 26-1-9.1-709:

(A) to continue the effectiveness of a financing statement filed before IC 26-1-9.1 takes effect; or

(B) to perfect or continue the perfection of a security interest.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-709

Priority

Sec. 709. (a) IC 26-1-9, before its repeal, determines the priority of conflicting claims to collateral if the relative priorities of the claims were established before IC 26-1-9.1 takes effect. In other cases, IC 26-1-9.1 determines priority.

(b) For purposes of IC 26-1-9.1-322(a), the priority of a security interest that becomes enforceable under IC 26-1-9.1-203 dates from the time IC 26-1-9.1 takes effect if the security interest is perfected under IC 26-1-9.1 by the filing of a financing statement before IC 26-1-9.1 takes effect which would not have been effective to perfect the security interest under IC 26-1-9, before its repeal. This subsection does not apply to conflicting security interests each of which is perfected by the filing of such a financing statement.

As added by P.L.57-2000, SEC.45.

IC 26-1-9.1-801

Transactions or liens entered into or created before July 1, 2013

Sec. 801. (a) Except as otherwise provided in this section through IC 26-1-9.1-808, amendments to this chapter made by P.L.54-2011 apply to a transaction or lien with its scope, even if the transaction or

lien was entered into or created before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013).

(b) The amendments to this chapter made by P.L.54-2011 do not affect an action, case, or proceeding commenced before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013).

As added by P.L.54-2011, SEC.20. Amended by P.L.6-2012, SEC.178.

IC 26-1-9.1-802

Security interest perfected before July 1, 2013

Sec. 802. (a) A security interest that is a perfected security interest immediately before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) is a perfected security interest under this chapter, as amended by P.L.54-2011 if, when the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), the applicable requirements for attachment and perfection under this chapter, as amended by P.L.54-2011, are satisfied without further action.

(b) Except as otherwise provided in IC 26-1-9.1-804, if, immediately before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), a security interest is a perfected security interest, but the applicable requirements for perfection under this chapter, as amended by P.L.54-2011, are not satisfied when the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), the security interest remains perfected thereafter only if the applicable requirements for perfection under this chapter, as amended by P.L.54-2011, are satisfied within one (1) year after the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013).

As added by P.L.54-2011, SEC.21. Amended by P.L.6-2012, SEC.179.

IC 26-1-9.1-803

Security interest unperfected before July 1, 2013

Sec. 803. A security interest that is an unperfected security interest immediately before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) becomes a perfected security interest:

(1) without further action, when the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) if the applicable requirements for perfection under this chapter, as amended by P.L.54-2011, are satisfied before or at that time; or

(2) when the applicable requirements for perfection are satisfied if the requirements are satisfied after this time.

As added by P.L.54-2011, SEC.22. Amended by P.L.6-2012, SEC.180.

IC 26-1-9.1-804
Effectiveness of action taken before July 1, 2013

Sec. 804. (a) The filing of a financing statement before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) is effective to perfect a security interest to the extent the filing would satisfy the applicable requirements for perfection under this chapter, as amended by P.L.54-2011.

(b) The amendments to this chapter made by P.L.54-2011 do not render ineffective an effective financing statement that, before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), is filed and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection provided in this chapter as it existed before it was amended by P.L.54-2011. However, except as otherwise provided in subsections (c) and (d) and IC 26-1-9.1-805, the financing statement ceases to be effective:

(1) if the financing statement is filed in this state, at the time the financing statement would have ceased to be effective had the amendments to this chapter made by P.L.54-2011 not taken effect; or

(2) if the financing statement is filed in another jurisdiction, at the earlier of:

(A) the time the financing statement would have ceased to be effective under the law of that jurisdiction; or

(B) June 30, 2018.

(c) The filing of a continuation statement after the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) does not continue the effectiveness of a financing statement filed before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013). However, upon the timely filing of a continuation statement after the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) and in accordance with the law of the jurisdiction governing perfection as provided in this chapter as amended by P.L.54-2011, the effectiveness of a financing statement filed in the same office in that jurisdiction before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) continues for the period provided by the law of that jurisdiction.

(d) Subsection (b)(2)(B) applies to a financing statement that, before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), is filed against a transmitting utility and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in this chapter as it existed before it was amended by P.L.54-2011, only to the extent that this chapter, as amended by P.L.54-2011, provides that the law of a jurisdiction other than the jurisdiction in which the financing statement is filed governs perfection of a security interest in collateral covered by the financing statement.

(e) A financing statement that includes a financing statement filed before the amendments to this chapter made by P.L.54-2011 take

effect (July 1, 2013) and a continuation statement filed after the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) is effective only to the extent that it satisfies the requirements of IC 26-1-9.1-501 through IC 26-1-9.1-527, as amended by P.L.54-2011, for an initial financing statement. A financing statement that indicates that the debtor is a decedent's estate indicates that the collateral is being administered by a personal representative within the meaning of IC 26-1-9.1-503(a)(2), as amended by P.L.54-2011. A financing statement that indicates that the debtor is a trust or is a trustee acting with respect to property held in trust indicates that the collateral is held in a trust within the meaning of IC 26-1-9.1-503(a)(3) as amended by P.L.54-2011.
As added by P.L.54-2011, SEC.23. Amended by P.L.6-2012, SEC.181.

IC 26-1-9.1-805
When initial financing statement suffices to continue effectiveness of financing statement

Sec. 805. (a) The filing of an initial financing statement in the office specified in IC 26-1-9.1-501 continues the effectiveness of a financing statement filed before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) if:

(1) the filing of an initial financing statement in that office would be effective to perfect a security interest under this chapter, as amended by P.L.54-2011;

(2) the pre-effective-date financing statement was filed in an office in another state; and

(3) the initial financing statement satisfies subsection (c).

(b) The filing of an initial financing statement under subsection (a) continues the effectiveness of the pre-effective-date financing statement:

(1) if the initial financing statement is filed before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), for the period provided in IC 26-1-9.1-515, before it was amended by P.L.54-2011, with respect to an initial financing statement; and

(2) if the initial financing statement is filed after the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), for the period provided in IC 26-1-9.1-515, as amended by P.L.54-2011 with respect to an initial financing statement.

(c) To be effective for purposes of subsection (a), an initial financing statement must:

(1) satisfy the requirements of IC 26-1-9.1-501 through IC 26-1-9.1-527, as amended by P.L.54-2011 for an initial financing statement;

(2) identify the pre-effective-date financing statement by indicating the office in which the financing statement was filed

and providing the dates of filing and file numbers, if any, of the financing statement and of the most recent continuation statement filed with respect to the financing statement; and

(3) indicate that the pre-effective-date financing statement remains effective.

As added by P.L.54-2011, SEC.24. Amended by P.L.6-2012, SEC.182.

IC 26-1-9.1-806

Amendment of financing statement filed before July 1, 2013

Sec. 806. (a) In this section, "pre-effective-date financing statement" means a financing statement filed before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013).

(b) After the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), a person may add or delete collateral covered by, continue or terminate the effectiveness of, or otherwise amend the information provided in, a pre-effective-date financing statement only in accordance with the law of the jurisdiction governing perfection as provided in this chapter, as amended by P.L.54-2011. However, the effectiveness of a pre-effective-date financing statement also may be terminated in accordance with the law of the jurisdiction in which the financing statement is filed.

(c) Except as otherwise provided in subsection (d), if the law of this state governs perfection of a security interest, the information in a pre-effective-date financing statement may be amended after the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) only if:

(1) the pre-effective-date financing statement and an amendment are filed in the office specified in IC 26-1-9.1-501;

(2) an amendment is filed in the office specified in IC 26-1-9.1-501 concurrently with, or after the filing in that office of, an initial financing statement that satisfies IC 26-1-9.1-805(c); or

(3) an initial financing statement that provides the information as amended and satisfies IC 26-1-9.1-805(c) is filed in the office specified in IC 26-1-9.1-501.

(d) If the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement may be continued only under IC 26-1-9.1-804(c) and IC 26-1-9.1-804(e) or IC 26-1-9.1-805.

(e) Whether or not the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement filed in this state may be terminated after the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013) by filing a termination statement in the office in which the pre-effective-date financing statement is filed, unless an initial financing statement that satisfies IC 26-1-9.1-805(c) has been filed in the office specified by the law of the jurisdiction governing

perfection as provided in this chapter, as amended by P.L.54-2011, as the office in which to file a financing statement.
As added by P.L.54-2011, SEC.25. Amended by P.L.6-2012, SEC.183.

IC 26-1-9.1-807
Person entitled to file initial financing statement or continuation statement

Sec. 807. A person may file an initial financing statement or a continuation statement under this chapter if:

(1) the secured party of record authorizes the filing; and

(2) the filing is necessary under this chapter:

(A) to continue the effectiveness of a financing statement filed before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013); or

(B) to perfect or continue the perfection of a security interest.

As added by P.L.54-2011, SEC.26. Amended by P.L.6-2012, SEC.184.

IC 26-1-9.1-808
Priority

Sec. 808. The amendments to this chapter made by P.L.54-2011 determine the priority of conflicting claims to collateral. However, if the relative priorities of the claims were established before the amendments to this chapter made by P.L.54-2011 take effect (July 1, 2013), this chapter, as it existed before amendments to this chapter made by P.L.54-2011, determines priority.
As added by P.L.54-2011, SEC.27. Amended by P.L.6-2012, SEC.185.

IC 26-1-9.1-901
Refusal to accept financing statements; fraudulent financing statements; no duty to inspect financing statements

Sec. 901. (a) If a person presents a financing statement to the secretary of state for filing or recording, the secretary of state may refuse to accept the financing statement for filing or recording if:

(1) the financing statement is not required or authorized to be filed or recorded with the secretary of state; or

(2) the secretary of state has reasonable cause to believe the financing statement is materially false or fraudulent.

(b) A fraudulent financing statement that the secretary of state may refuse to accept includes the following:

(1) Any financing statement that has the same name listed as both the debtor and the secured party.

(2) Any financing statement that identifies an individual debtor as a transmitting utility.

(3) Any financing statement that is determined to be intended

for an improper purpose, such as hindering, harassing, or wrongfully interfering with another person or entity.

(4) Any financing statement that is filed:

(A) without the consent or participation of the:

(i) obligor named in the financing statement;

(ii) person named in the financing statement as debtor; and

(iii) owner of collateral described or indicated in the financing statement; or

(B) by consent of an agent, a fiduciary, or another representative of the secured party of record without the consent of the secured party.

(5) Any financing statement that is forged.

(c) The secretary of state does not have a duty to inspect, evaluate, or investigate a financing statement that is presented for filing or recording.

As added by P.L.86-2013, SEC.3.

IC 26-1-9.1-902

Judicial reviews of financing statements; pro se motions

Sec. 902. (a) A person who believes that a financing statement is fraudulent under section 901 of this chapter may file a motion for judicial review of the financing statement.

(b) If a court determines that a financing statement is fraudulent, the court may:

(1) award the prevailing party all costs related to the review, including:

(A) filing fees;

(B) attorney's fees;

(C) administrative costs; and

(D) other reasonable costs;

(2) declare the financing statement ineffective; and

(3) order the office or agency that possesses the financing statement to terminate or purge the financing statement.

(c) The secretary of state shall create a form to assist pro se individuals with a filing described in this section, and shall post the form on the secretary of state's Internet web site.

As added by P.L.86-2013, SEC.4.

IC 26-1-10

Chapter 10. Treatment of Inconsistent Statutes

IC 26-1-10-101

Repealed

(Repealed by P.L.93-1985, SEC.41.)

IC 26-1-10-102

Specific repealer

Sec. 102. (1) To the extent that the following statutes are inconsistent with IC 26-1-7, the statutes are repealed:

IC 32-33-14, dealing with liens for warehousing and forwarding.

IC 26-3-4, prescribing requirements of warehouse receipts for goods stored in another state.

(2) To the extent that the following statutes are inconsistent with IC 26-1, the statutes are repealed:

IC 26-2-3, governing the rights of parties on certain negotiable and non-negotiable instruments.

IC 30-2-4-3, concerning fiduciaries.

(3) To the extent that IC 34-1-2-1 (before its repeal), IC 34-1-2-2 (before its repeal), and IC 34-11-2 prescribe statutes of limitations inconsistent with IC 26-1-2-725, IC 26-1-2-725 prevails.

(Formerly: Acts 1963, c.317, s.10-102.) As amended by P.L.93-1985, SEC.39; P.L.1-1991, SEC.164; P.L.1-1998, SEC.136; P.L.2-2002, SEC.78.

IC 26-1-10-103

Repealed

(Repealed by P.L.93-1985, SEC.41.)

IC 26-1-10-104

Laws not repealed

Sec. 104. (1) IC 26-1-7 does not repeal or modify any laws prescribing the form or contents of documents of title or the services or facilities to be afforded by bailees, or otherwise regulating bailees' businesses in respects not specifically dealt with in IC 26-1; but, the fact that such laws are violated does not affect the status of a document of title which otherwise complies with the definition of a document of title (IC 26-1-1-201).

(2) IC 26-1 does not repeal IC 30-2-5, known as the Uniform Act for the Simplification of Fiduciary Security Transfers, and if in any respect there is any inconsistency between IC 30-2-5 and IC 26-1-8.1, the provisions of IC 30-2-5 control.

(Formerly: Acts 1963, c.317, s.10-104.) As amended by P.L.93-1985, SEC.40; P.L.247-1995, SEC.23.

IC 26-1-10-105

Repealed
(Repealed by P.L.93-1985, SEC.41.)

IC 26-1-10-106
Repealed
(Repealed by P.L.93-1985, SEC.41.)

IC 26-2

ARTICLE 2. COMMERCIAL TRANSACTIONS

IC 26-2-1

Chapter 1. Liability of Buyer for Goods Bought From Unlicensed Seller

IC 26-2-1-1

Liability of unlicensed buyer for goods purchased to conduct business requiring license

Sec. 1. Whenever any person or persons shall purchase any goods, wares, or merchandise for the purpose of using or selling the same in any business for the carrying on of which any statute of this state requires the person or persons so carrying on such business to procure a license, such person or persons at the time of purchasing such goods, wares, or merchandise not having procured such license, such person or persons shall nevertheless be liable to the seller thereof for the reasonable value or contract price of such goods, wares, or merchandise, and in any action brought by such seller to recover the value or contract price of the goods, wares, or merchandise so purchased, it shall not be a valid defense to such action that the purchaser or purchasers or either of them were not, at the time of such purchase, licensed as required by law to retail the same or to carry on the business for which they were purchased; provided, however, that the provisions of this section shall in no wise affect or lessen the criminal liability of such person or persons doing such business without having a license so to do.

(Formerly: Acts 1899, c.159, s.1.) As amended by P.L.152-1986, SEC.300.

IC 26-2-2
Chapter 2. Mortgage of Household Goods

IC 26-2-2-1
Mortgagee's power of sale proscribed; judicial sale

Sec. 1. No mortgage of household goods which may be executed after March 8, 1897, shall authorize the mortgagee to sell such mortgaged property, and any provision in any such mortgage giving the mortgagee the power of sale shall be void. But every sale of household goods to satisfy a mortgage thereon shall be under a judicial proceeding, in which such mortgage shall be foreclosed in the circuit or superior court.

(Formerly: Acts 1897, c.176, s.1.) As amended by P.L.152-1986, SEC.301.

IC 26-2-2-2
Restriction on mortgagee's right of possession

Sec. 2. The mortgagee of household goods shall not be entitled to the possession of the mortgaged property unless the mortgage specially provides that the mortgagee shall have possession of the mortgaged property from the time the mortgage is executed until sale, as provided in this chapter, and the mortgagee takes actual possession of such property when the mortgage is executed and holds it continuously until sale. In all other cases, the possession of the mortgaged property shall remain in the mortgagor until he is divested of his title by sale, as provided in section 1 of this chapter.

(Formerly: Acts 1897, c.176, s.2.) As amended by P.L.152-1986, SEC.302.

IC 26-2-2-3
Duty to receipt for payments made

Sec. 3. It shall be the duty of the holder of any mortgage on household goods, or the agent of such holder or mortgagee whose duty it is to receive money on such mortgage, when any money, check or anything taken in payment on such mortgage or interest due thereon, is received by them from the mortgagor or from any person acting for the mortgagor, to give to the mortgagor or person making the payment a receipt specifying the amount paid and stating the unpaid balance, if any. However, no receipt is required where payment is made by check. If any such holder or mortgagee or the agent of such holder or mortgagee whose duty it is to receive such payments, shall fail to execute and deliver such receipt to the mortgagor, such mortgage shall be void.

(Formerly: Acts 1897, c.176, s.3; Acts 1957, c.188, s.1; Acts 1973, P.L.267, SEC.1.) As amended by Acts 1977, P.L.279, SEC.1.

IC 26-2-3

Chapter 3. Negotiable Instruments

IC 26-2-3-1

Negotiability by endorsement

Sec. 1. All promissory notes, bills of exchange, bonds or other instruments in writing, signed by any person who promises to pay money, or acknowledges money to be due, or for the delivery of a specific article, or to convey property, or to perform any stipulation therein mentioned, shall be negotiable by endorsement thereon, so as to vest the property thereof in each endorsee successively.

(Formerly: Acts 1861, c.75, s.1.)

IC 26-2-3-2

Assignee's right of action

Sec. 2. The assignee of any such instrument may, in his own name, recover against the person who made the same.

(Formerly: Acts 1861, c.75, s.2.)

IC 26-2-3-3

Availability of defense or set-off against assignee

Sec. 3. Whatever defense or setoff the maker of any such instrument had, before notice of assignment, against an assignor, or against the original payee, he shall have also against their assignees.

(Formerly: Acts 1861, c.75, s.3.)

IC 26-2-3-4

Assignee's right of action against endorsers; defenses

Sec. 4. Any such assignee, having used due diligence in the premises, shall have his action against his immediate or any remote endorser, and in suit against a remote endorser, he shall have any defense which he might have had in a suit brought by his immediate assignee.

(Formerly: Acts 1861, c.75, s.4.)

IC 26-2-3-5

Construction of law

Sec. 5. The provisions of sections 3 and 4 of this chapter shall not alter the law relative to bills of exchange as it exists on July 5, 1861.

(Formerly: Acts 1861, c.75, s.5.) As amended by P.L.152-1986, SEC.303.

IC 26-2-3-6

Negotiability of notes payable to order or bearer in a bank

Sec. 6. Notes payable to order or bearer in a bank in this state shall be negotiable as inland bills of exchange, and the payees and endorsees thereof may recover as in case of such bills.

(Formerly: Acts 1861, c.75, s.6.)

IC 26-2-3-7
Damages payable on protest for nonpayment or nonacceptance of bill of exchange

Sec. 7. Damages payable on protest for nonpayment or nonacceptance of a bill of exchange, drawn or negotiated within this state, shall be, if drawn upon any person at any place out of this state, but within the United States, five per cent (5%), but if upon any person at any place without the United States, ten per cent (10%) on the principal of such bill.
(Formerly: Acts 1861, c.75, s.7.)

IC 26-2-3-8
Interest on protested bill of exchange

Sec. 8. Beyond such damages, no interest or charges accruing prior to protest shall be allowed, but interest from the date of the protest may be recovered.
(Formerly: Acts 1861, c.75, s.8.)

IC 26-2-3-9
Rate of exchange

Sec. 9. As to any such bills payable within the United States, the rate of exchange shall not be taken into account.
(Formerly: Acts 1861, c.75, s.9.)

IC 26-2-3-10
Limitation of damages against drawer or endorser of protested bill of exchange

Sec. 10. No damages beyond cost of protest shall be chargeable against drawer or endorser, if, upon notice of protest and demand of the principal sum, the same is paid.
(Formerly: Acts 1861, c.75, s.10.)

IC 26-2-3-11
Necessity of consideration

Sec. 11. No holder of a bill of exchange shall recover damages thereon, if he has not given for the same, or for some interest therein, a valuable consideration.
(Formerly: Acts 1861, c.75, s.11.)

IC 26-2-3-12
Bill payable out of state; effect of provision of means for discharge within state

Sec. 12. On any bill drawn or negotiated in this state, and payable at any place without the state, but in regard to which it shall appear that it was not to be presented for acceptance or payment at that place, if means were provided for its discharge within the state, no damages or charges for protest shall be allowed.
(Formerly: Acts 1861, c.75, s.12.)

IC 26-2-3-13
Exclusion of notes discounted by bank

Sec. 13. The provisions of this chapter relating to damages on bills of exchange shall not apply to promissory notes discounted by a bank, and protested for nonpayment.

(Formerly: Acts 1861, c.75, s.13.) As amended by P.L.152-1986, SEC.304.

IC 26-2-3-14
Judgment and execution

Sec. 14. Upon any instrument of writing, made within this state or elsewhere, containing a promise to pay money without relief from valuation laws, judgment shall be rendered and execution had accordingly.

(Formerly: Acts 1861, c.75, s.15.)

IC 26-2-4

Chapter 4. Agreements to Pay Attorney's Fees

IC 26-2-4-1

Repealed

(Repealed by P.L.243-1989, SEC.2.)

IC 26-2-5

Chapter 5. Construction or Design Contracts; Indemnity Agreements Invalid

IC 26-2-5-1

Indemnity agreements against public policy as void and unenforceable; exception

Sec. 1. All provisions, clauses, covenants, or agreements contained in, collateral to, or affecting any construction or design contract except those pertaining to highway contracts, which purport to indemnify the promisee against liability for:

(1) death or bodily injury to persons;
(2) injury to property;
(3) design defects; or
(4) any other loss, damage or expense arising under either (1), (2) or (3);

from the sole negligence or willful misconduct of the promisee or the promisee's agents, servants or independent contractors who are directly responsible to the promisee, are against public policy and are void and unenforceable.

(Formerly: Acts 1975, P.L.276, SEC.1.)

IC 26-2-5-2

Uninsurable facility excepted

Sec. 2. This chapter does not apply to a construction or design contract if liability insurance normally available within the United States at standard rates cannot be obtained for the facility being constructed or designed because it constitutes a dangerous instrumentality.

(Formerly: Acts 1975, P.L.276, SEC.1.)

IC 26-2-5-3

Application of chapter

Sec. 3. This chapter applies to a construction or design contract entered into after June 30, 1975.

As added by P.L.1-1989, SEC.53.

IC 26-2-6

Chapter 6. Service for Audio or Visual Entertainment Products

IC 26-2-6-1

Definitions

Sec. 1. The following definitions apply throughout this chapter:

(1) "Adequate service information" means facts sufficient to enable a service representative or independent service facility to repair a product, including detailed schematic diagrams, operational voltages, and parts identification.

(2) "Audio or visual entertainment product" means an electronic product that:

(A) generates electronic signals or uses amplification devices, such as a radio, an item of audio playback or recording equipment, a television, or a video playback or recording unit; and

(B) is purchased by a consumer primarily for personal, family, or household uses and not for business or agricultural uses.

(3) "Authorized service representative" means until July 1, 1996, any dealer of audio or visual entertainment products licensed under IC 25-36-1 (repealed) who has been designated by a manufacturer as one (1) of the dealers who will be reimbursed for service or repairs that the dealer may render, including labor or parts, in connection with an express warranty of the product made by the manufacturer.

(4) "Independent service facility" means any dealer of audio or visual entertainment products who:

(A) has not been designated an "authorized service representative" by a manufacturer;

(B) services audio or visual entertainment products without reimbursement from the manufacturer in connection with an express warranty made by the manufacturer; and

(C) until July 1, 1996, is licensed as a television and radio service technician under IC 25-36-1 (repealed).

As added by P.L.254-1983, SEC.2. Amended by P.L.234-1995, SEC.29; P.L.42-2011, SEC.59.

IC 26-2-6-2

Duty of manufacturer under express warranty

Sec. 2. A manufacturer who makes an express warranty in connection with the sale of an audio or visual entertainment product shall do the following:

(1) Authorize a representative within a designated service area to provide any service or repair required under the terms of the warranty.

(2) Reimburse the authorized service representative for any

service or repair, including labor and parts, made in connection with the express warranty in an amount negotiated between the manufacturer and the authorized service representative. However, reimbursement or exchange for all parts used in such warranty repairs shall include all transportation costs and a reasonable fee for handling. The handling fee is to be negotiated as part of the authorization proceedings.

(3) Except for audio or visual entertainment products having a retail selling price less than fifty dollars ($50), make available to service representatives or independent service facilities adequate service information and replacement parts for the audio or visual entertainment product for at least seven (7) years after the date that product model or type was manufactured, regardless of whether the product is still under warranty.

(4) Make available any service part to service representatives or independent service facilities within forty-five (45) days of receipt of an order for that part, regardless of whether the product is still under warranty; however, if a delay in providing that part is caused by conditions beyond the control of the manufacturer, the manufacturer shall provide the service representative or independent service facility with a replacement part promptly upon termination of the condition causing the delay.

As added by P.L.254-1983, SEC.2.

IC 26-2-6-3

Timeliness of service or repair

Sec. 3. Whenever authorized service representatives or independent service facilities undertake to service or repair an audio or visual entertainment product, they shall:

(1) provide services or make repairs on the product within forty-five (45) days of receipt of that product, regardless of whether the product is covered by an express warranty; or

(2) if a part necessary to effect the repair or service is not immediately available:

(A) notify the consumer requesting the service or repair that the part is not immediately available and order the necessary part, within fifteen (15) days of receipt of the product; and

(B) repair or service the product within thirty (30) days of receipt of the ordered part, unless the consumer agrees otherwise.

However, if a delay in completing the requested service or repair is caused by a condition beyond the control of the authorized service representative or independent service facility, the authorized service representative or independent service facility shall repair or service the audio or visual entertainment product upon termination of the condition causing the delay.

As added by P.L.254-1983, SEC.2. Amended by P.L.42-2011, SEC.60.

IC 26-2-6-4
Actions by consumers to recover damages

Sec. 4. A consumer may bring an action on his own behalf to recover damages resulting from a violation of this chapter. In addition to any other remedies available to the consumer, the court may:

(1) order replacement of the audio or visual entertainment product, the cost of which is to be borne by the manufacturer, manufacturer's agent or importer; or

(2) order damages in an amount equal to three (3) times the damages sustained due to the violation, plus reasonable attorney's fees.

As added by P.L.254-1983, SEC.2.

IC 26-2-6-5
Injunctive relief

Sec. 5. (a) The attorney general may bring an action on behalf of the state to obtain an injunction to enjoin noncompliance with this chapter. In this action the court may:

(1) order replacement of the audio or visual entertainment product, the cost of which is to be borne by the manufacturer, manufacturer's agent or importer;

(2) order a person who violates section 2 or section 3 of this chapter to pay restitution to the aggrieved party; or

(3) void or limit the application of:

(A) contracts; or

(B) contract clauses;

that are in conflict with this chapter.

(b) The court issuing an injunction under this chapter shall retain jurisdiction and the cause shall be continued.

As added by P.L.254-1983, SEC.2.

IC 26-2-6-6
Violations; action for recovery of penalties

Sec. 6. (a) A person who knowingly violates this chapter commits a Class C infraction. Each violation of this chapter constitutes a separate infraction.

(b) In addition to any other available legal remedy, a person who violates the terms of an injunction issued under section 5 of this chapter commits a Class A infraction. Each violation of the terms of an injunction issued under section 5 of this chapter constitutes a separate infraction. Whenever the court determines that the terms of an injunction issued under section 5 of this chapter have been violated, the court shall award reasonable costs to the state.

(c) Notwithstanding IC 34-28-5-1(a), the prosecuting attorney or

the attorney general in the name of the state may bring an action to petition for the recovery of the penalties outlined in this section.
As added by P.L.254-1983, SEC.2. Amended by P.L.1-1998, SEC.137; P.L.101-2009, SEC.15; P.L.198-2016, SEC.658.

IC 26-2-6-7
Actions by service representatives or facilities to recover for violations

Sec. 7. An authorized service representative or independent service facility may bring an action on his own behalf to recover for a violation of this chapter, and, in addition to other remedies, may obtain damages in an amount equal to three (3) times the damages sustained due to the violation, plus reasonable attorney fees.
As added by P.L.254-1983, SEC.2.

IC 26-2-7

Chapter 7. Penalties for Stopping Payments or Permitting Dishonor of Checks and Drafts

IC 26-2-7-1

Check

Sec. 1. As used in this chapter, "check" includes a draft.

As added by P.L.42-1993, SEC.18.

IC 26-2-7-2

Financial institution

Sec. 2. (a) As used in this chapter, "financial institution" refers to a financial institution (as defined in IC 28-1-1-3).

(b) The term does not include a person licensed under IC 24-4.5.

As added by P.L.42-1993, SEC.18. Amended by P.L.10-2006, SEC.24 and P.L.57-2006, SEC.24; P.L.213-2007, SEC.33; P.L.217-2007, SEC.31.

IC 26-2-7-3

Notice of nonpayment

Sec. 3. For purposes of this chapter, notice that a check has not been paid by a financial institution is considered as having been given at the time that the notice was deposited in the regular United States mail, if the notice was addressed to either of the following:

(1) The address printed on the check.

(2) The address given by the person in writing to the payee or holder at the time the check was issued or delivered.

As added by P.L.42-1993, SEC.18.

IC 26-2-7-4

Liability for stopping payment or permitting dishonor of checks

Sec. 4. Subject to section 8 of this chapter, a person found liable under other applicable law is liable under this chapter to the holder of a check if the person executed and delivered the check to another person drawn on or payable at a financial institution and the person does either of the following:

(1) Without valid legal cause stops payment on the check.

(2) Allows the check to be dishonored by a financial institution because of any of the following:

(A) Lack of funds.

(B) Failure to have an account.

(C) Lack of an authorized signature of the drawer or a necessary endorser.

As added by P.L.42-1993, SEC.18.

IC 26-2-7-5

Extent of liability for stopping payment or permitting dishonor of checks

Sec. 5. A person liable under section 4 of this chapter is also liable for all of the following:

(1) Interest at the rate of eighteen percent (18%) per annum on the face amount of the check from the date of the check's execution until payment is made in full.

(2) Court costs incurred in prosecuting an action that may be brought by the holder to collect on the check.

(3) Reasonable attorney's fees incurred by the holder if the responsibility for collection is referred to an attorney who is not a salaried employee of the holder. If legal action is filed to effect collection and the collection on the check is referred to an attorney who is not a salaried employee of the holder, the holder of the check is entitled to minimum attorney's fees of not less than one hundred dollars ($100).

(4) Actual travel expenses not otherwise reimbursed under subdivisions (1) through (3) and incurred by the holder to do either of the following:

(A) Have the holder or an employee or agent of the holder file papers and attend court proceedings related to the recovery of a judgment under this chapter.

(B) Provide witnesses to testify in court proceedings related to the recovery of a judgment under this chapter.

(5) A reasonable amount to compensate the holder for time used to do either of the following:

(A) File papers and attend court proceedings related to the recovery of a judgment under this chapter.

(B) Travel to and from activities described in clause (A).

(6) Actual direct and indirect expenses incurred by the holder to compensate employees and agents for time used to do either of the following:

(A) File papers and attend court proceedings related to the recovery of a judgment under this section.

(B) Travel to and from activities described in clause (A).

(7) All other reasonable costs of collection.

As added by P.L.42-1993, SEC.18.

IC 26-2-7-6

Liability for continued nonpayment of checks

Sec. 6. (a) This section does not apply to a person who has allowed a check to be dishonored because of lack of funds if both of the following apply:

(1) The person reasonably believed that there were sufficient funds in the account to cover the check.

(2) The insufficiency of funds is caused by the dishonoring of a third party check that had been deposited into the person's account.

(b) If a person liable under this chapter does not pay to the holder the full amount of the check not more than thirty (30) days after the

certified mailing of written notice that the check has not been paid, the person is liable for, and the court shall award judgment for, the following, whichever applies:

(1) If the face amount of the check is not greater than two hundred fifty dollars ($250), three (3) times the face amount of the check.

(2) If the face amount of the check is greater than two hundred fifty dollars ($250), the face amount of the check plus five hundred dollars ($500).

As added by P.L.42-1993, SEC.18.

IC 26-2-7-7

Election of remedies

Sec. 7. A person must elect whether to pursue a claim either under this chapter or under IC 34-24-3-1 (or IC 34-4-30-1 before its repeal).

As added by P.L.42-1993, SEC.18. Amended by P.L.1-1998, SEC.138.

IC 26-2-7-8

Exemption from liability for permitting dishonor of checks

Sec. 8. (a) A person who has allowed a check to be dishonored is not liable under this chapter if, not more than ten (10) days after the holder has given notice that the check has not been paid by the financial institution, the person pays to the holder the full amount of the check.

(b) A payment made under subsection (a) is effective for all purposes as of the date the payment is made.

As added by P.L.42-1993, SEC.18.

IC 26-2-8

Chapter 8. Uniform Electronic Transactions Act

IC 26-2-8-101

Short title

Sec. 101. IC 26-2-8 may be cited as the Uniform Electronic Transactions Act.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-102

Definitions

Sec. 102. As used in this chapter:

(1) "Agreement" means the bargain of the parties in fact, as found in their language or inferred from other circumstances and from rules, regulations, and procedures given the effect of agreements under laws otherwise applicable to a particular transaction.

(2) "Automated transaction" means a transaction conducted or performed, in whole or in part, by electronic means or electronic records in which the acts or records of one (1) or both parties are not reviewed by an individual in the ordinary course in forming a contract, performing under an existing contract, or fulfilling an obligation required by the transaction.

(3) "Business entity" means a corporation, nonprofit corporation, limited liability company, limited liability partnership, limited partnership, business trust, real estate investment trust, or any other entity that is formed under the requirements of applicable Indiana law.

(4) "Computer program" means a set of statements or instructions to be used directly or indirectly in an information processing system in order to bring about a certain result.

(5) "Constituent" means a person who holds a position defined in the business entity's organic law that permits the person, directly or indirectly, to own, manage, or operate a business entity either alone or with others. The term includes officers, directors, shareholders, members, managers, general partners, limited partners, partners, and persons occupying a similar status or performing similar functions for a business entity.

(6) "Contract" means the total legal obligation resulting from the parties' agreement as affected by this chapter and other applicable law.

(7) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(8) "Electronic agent" means a computer program or an electronic or other automated means used to initiate an action or respond to electronic records or performances in whole or in part without review by an individual at the time of the action or

response.

(9) "Electronic record" means a record created, generated, sent, communicated, received, or stored by electronic means.

(10) "Electronic signature" means an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record.

(11) "Governing documents" means the publicly filed and nonpublicly filed organic documents of a business entity.

(12) "Governmental agency" means an executive, legislative, or judicial agency, department, board, commission, authority, institution, instrumentality, or other political subdivision of the state.

(13) "Information" means data, text, images, sounds, codes, computer programs, software, databases, or the like.

(14) "Information processing system" means an electronic system for creating, generating, sending, receiving, storing, displaying, or processing information.

(15) "Organic actions" means actions, notices, consents, and signatures relating to the operation of a business entity that are undertaken among constituents of that business entity or among constituents of a business entity and that business entity. The term does not include the service of process or the service of a summons, subpoena, or other service contemplated by rules or statutes governing trial procedure, civil procedure, or comparable provisions.

(16) "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, governmental agency, public corporation, or any other legal or commercial entity.

(17) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form. The term includes records transmitted in the course of organic actions.

(18) "Security procedure" means a procedure employed for the purpose of verifying that an electronic signature, record, or performance is that of a specific person or for detecting changes or errors in the information in an electronic record. The term includes a procedure that requires the use of algorithms or other codes, identifying words or numbers, encryption, or callback or other acknowledgment procedures.

(19) "Transaction" means an action or set of actions relating to the conduct of business, commercial, or governmental affairs and occurring between two (2) or more persons. The term includes an organic action.

As added by P.L.62-2000, SEC.1. Amended by P.L.110-2008, SEC.10.

IC 26-2-8-103
Scope

Sec. 103. (a) Except as otherwise provided in subsection (b), this chapter applies to electronic records and electronic signatures that relate to a transaction.

(b) This chapter does not apply to transactions subject to the following laws:

(1) A law governing the creation and execution of wills, codicils, or testamentary trusts.

(2) IC 26-1 other than IC 26-1-1-107, IC 26-1-1-206, IC 26-1-2, and IC 26-1-2.1.

(3) Laws specifically excluded by a governmental agency under sections 201 and 202 of this chapter.

(c) This chapter applies to an electronic record or electronic signature otherwise excluded from the application of this chapter under subsection (b) when used for transactions subject to a law other than those specified in subsection (b).

(d) A transaction subject to this chapter is also subject to other applicable substantive law.

As added by P.L.62-2000, SEC.1. Amended by P.L.46-2001, SEC.1.

IC 26-2-8-104
Agreement to conduct transaction electronically; variation by agreement

Sec. 104. (a) This chapter does not require that a record or signature be created, generated, sent, communicated, received, stored, or otherwise processed or used by electronic means or in electronic form.

(b) This chapter only applies to transactions between parties each of which has agreed to conduct transactions electronically. An agreement to conduct transactions electronically is determined from the context and surrounding circumstances, including the parties' conduct. A constituent of a business entity and a business entity are presumed to have agreed to conduct organic actions electronically unless and to the extent:

(1) the governing documents of the business entity limit or prohibit, in whole or in part, the use of electronic signatures, electronic records, or both; or

(2) the business entity expressly states the method, means, or requirement by which a constituent may respond to or participate in any organic action, including imposing a requirement that participants use a specific form of writing, record, or signature.

Unless and to the extent limited or prohibited in the governing documents of a business entity, any electronic record or electronic signature to be sent to a constituent is properly sent if sent in the manner and to the electronic address or other means of receipt designated by the constituent to receive the electronic record or

electronic signature as shown in the current records of the business entity. If the electronic record is a notice, it is effective when sent. Unless and to the extent limited or prohibited, any electronic record or electronic signature sent by a constituent to a business entity shall be considered properly sent if it is sent in a manner designated by the business entity to an electronic address or other location designated by the business entity in a publication or notice provided by the business entity to the constituent. If the electronic record is a notice, it is effective upon receipt. The publication or notice may be included in the governing documents of the business entity, may be communicated to the constituent in writing, or may be transmitted by any other means selected by the business entity that is reasonably likely to convey the information to the constituent. A constituent or business entity may revoke or change any instruction regarding the manner, electronic address, or means of receipt the person requires for electronic records or electronic signatures by sending notice of the change and the corresponding new information.

(c) If a party agrees to conduct a transaction electronically, this chapter does not prohibit the party from refusing to conduct other transactions electronically. This subsection may not be varied by agreement.

(d) Except as otherwise provided in this chapter, the effect of any provision of this chapter may be varied by agreement. The presence in certain provisions of this chapter of the words "unless otherwise agreed", or words of similar import, does not imply that the effect of other provisions may not be varied by agreement.

(e) Whether an electronic record or electronic signature has legal consequences is determined by this chapter, if applicable, and otherwise by other applicable law.

As added by P.L.62-2000, SEC.1. Amended by P.L.110-2008, SEC.11; P.L.133-2009, SEC.41.

IC 26-2-8-105
Construction and application

Sec. 105. This chapter must be construed and applied:

(1) to facilitate electronic transactions consistent with other applicable law;

(2) to be consistent with reasonable practices concerning electronic transactions and with the continued expansion of those practices; and

(3) to effectuate its general purpose to make uniform the law with respect to the subject of this chapter among states enacting it.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-106
Legal recognition of electronic records, electronic signatures, and electronic contracts

Sec. 106. (a) A record or signature may not be denied legal effect or enforceability solely because it is in electronic form.

(b) A contract may not be denied legal effect or enforceability solely because an electronic record or electronic signature was used in its formation.

(c) If a law requires a record to be in writing, or provides consequences if it is not, an electronic record satisfies the law.

(d) If a law requires a signature, or provides consequences in the absence of a signature, the law is satisfied with respect to an electronic record if the electronic record includes an electronic signature.

As added by P.L.62-2000, SEC.1. Amended by P.L.110-2008, SEC.12.

IC 26-2-8-107

Provision of information in writing; presentation of records

Sec. 107. (a) If parties have agreed to conduct transactions electronically and a law requires a person to provide, send, or deliver information in writing to another person, that requirement is satisfied if the information is provided, sent, or delivered, as the case may be, in an electronic record and the information is capable of retention by the recipient at the time the information is received.

(b) If a law other than this chapter requires a record (i) to be posted or displayed in a certain manner, (ii) to be sent, communicated, or transmitted by a specified method, or (iii) to contain information that is formatted in a certain manner, the following rules apply:

(1) The record must be posted or displayed in the manner specified in the other law.

(2) Except as otherwise provided in subsection (d)(2), the record must be sent, communicated, or transmitted by the method specified in the other law.

(3) The record must contain the information formatted in the manner specified in the other law.

(c) An electronic record may not be sent, communicated, or transmitted by an information processing system that inhibits the ability to print or download the information in the electronic record.

(d) This section may not be varied by agreement, but:

(1) a requirement under a law other than this chapter to provide information in writing may be varied by agreement to the extent permitted by the other law; and

(2) a requirement under a law other than this chapter to send, communicate, or transmit a record by first class mail, may be varied by agreement to the extent permitted by the other law.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-108

Attribution and effect of electronic record and electronic signature

Sec. 108. (a) An electronic record or electronic signature is attributable to a person if it was the act of the person. The act of the person may be proved in any manner, including a showing of the efficacy of any security procedure applied to determine the person to which the electronic record or electronic signature was attributable.

(b) The effect of an electronic record or electronic signature attributed to a person under subsection (a) is determined from the context and surrounding circumstances at the time of its creation, execution, or adoption, including the parties' agreement, if any, and otherwise as provided by law.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-109
Effect of change or error

Sec. 109. If a change or error in an electronic record occurs in a transmission between parties to a transaction, the following rules apply:

(1) If the parties have agreed to use a security procedure to detect changes or errors and one (1) party has conformed to the procedure, but the other party has not, and the nonconforming party would have detected the change or error had that party also conformed, the effect of the changed or erroneous electronic record is avoidable by the conforming party.

(2) In an automated transaction involving an individual, the individual may avoid the effect of an electronic record that resulted from an error by the individual made in dealing with the electronic agent of another person if the electronic agent did not provide an opportunity for the prevention or correction of the error and, at the time the individual learns of the error, the individual:

(A) promptly notifies the other person of the error and that the individual did not intend to be bound by the electronic record received by the other person;

(B) takes reasonable steps, including steps that conform to the other person's reasonable instructions, to return to the other person or, if instructed by the other person, to destroy the consideration received, if any, as a result of the erroneous electronic record; and

(C) has not used or received any benefit or value from the consideration, if any, received from the other person.

(3) If neither subdivision (1) nor subdivision (2) applies, the change or error has the effect provided by law, including the law of mistake, and the parties' contract, if any.

(4) Subdivisions (2) and (3) may not be varied by agreement.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-110
Notarization and acknowledgment

Sec. 110. If a law requires that a signature be notarized, the requirement is satisfied with respect to an electronic signature if an electronic record includes, in addition to the electronic signature to be notarized, the electronic signature of a notary public together with all other information required to be included in a notarization by other applicable law.
As added by P.L.62-2000, SEC.1.

IC 26-2-8-111
Retention of electronic records; originals

Sec. 111. (a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

(1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and

(2) remains accessible for later reference.

(b) A requirement to retain records in accordance with subsection (a) does not apply to any information whose sole purpose is to enable the record to be sent, communicated, or received.

(c) A person satisfies subsection (a) by using the services of any other person if the requirements of subsection (a) are met.

(d) If a law requires a record to be presented or retained in its original form, or provides consequences if the record is not presented or retained in its original form, that law is satisfied by an electronic record retained in accordance with subsection (a).

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a).

(f) A record retained as an electronic record in accordance with subsection (a) satisfies a law requiring a person to retain records for evidentiary, audit, or like purposes, unless a law enacted after July 1, 2000, specifically prohibits the use of an electronic record for a specified purpose.

(g) This section does not preclude a governmental agency from specifying additional requirements for the retention of records, written or electronic, subject to the agency's jurisdiction.
As added by P.L.62-2000, SEC.1.

IC 26-2-8-112
Admissibility of evidence

Sec. 112. In a legal proceeding, evidence of an electronic record or electronic signature may not be excluded because it is an electronic record or electronic signature or it is not an original or is not in its original form.
As added by P.L.62-2000, SEC.1.

IC 26-2-8-113

Automated transaction

Sec. 113. (a) If an offer evokes an electronic record in response, a contract may be formed in the same manner and with the same effect as if the record were not electronic, but an acceptance of the offer is effective, if at all, when received.

(b) In an automated transaction, the following rules apply:

(1) A contract may be formed by the interaction of electronic agents of the parties even if no individual was aware of or reviewed the electronic agents' actions or the resulting terms and agreements.

(2) A contract may be formed by the interaction of an electronic agent and an individual, acting on the individual's own behalf or for another person, including by an interaction in which the individual performs actions that the individual is free to refuse to perform and which the individual knows or has reason to know will cause the electronic agent to complete the transaction or performance.

(c) The terms of a contract are determined by the substantive law applicable to the particular contract.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-114

Time and place of sending and receipt

Sec. 114. (a) Unless otherwise agreed between the sender and the recipient, an electronic record is sent when the information is addressed or otherwise directed properly to the recipient and either:

(1) enters an information processing system outside the control of the sender or of a person that sent the electronic record on behalf of the sender; or

(2) enters a region of an information processing system that is under the control of the recipient.

(b) Unless otherwise agreed between the sender and the recipient, an electronic record is received when:

(1) it enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic records or information of the type sent from which the recipient is able to retrieve the electronic record; and

(2) the electronic record is in a form capable of being processed by that system.

(c) Subsection (b) applies even if the place the information processing system is located is different from the place the electronic record is deemed to be received under subsection (d).

(d) Unless otherwise expressly provided in the electronic record or agreed between the sender and the recipient, an electronic record is deemed to be sent from the sender's place of business and is deemed to be received at the recipient's place of business. For purposes of this subsection, the following rules apply:

(1) If the sender or recipient has more than one (1) place of

business, the place of business of that person is that which has the closest relationship to the underlying transaction.

(2) If the sender or the recipient does not have a place of business, the place of business is the sender's or recipient's residence, as the case may be.

(e) An electronic record is effective when received even if no individual is aware of its receipt.

(f) Receipt of an electronic acknowledgment from an information processing system described in subsection (b) establishes that a record was received but, in itself, does not establish that the content sent corresponds to the content received.

(g) If a law other than this chapter requires that a record be sent or received, the requirement is satisfied by an electronic record only if it is sent in accordance with subsection (a) or received in accordance with subsection (b). If a person is aware that an electronic record purportedly sent under subsection (a), or purportedly received under subsection (b), was not actually sent or received, the legal effect of the sending or receipt is determined by other applicable law. Except to the extent permitted by the other law, this subsection may not be varied by agreement.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-115

Transferable records

Sec. 115. (a) In this section, "transferable record" means an electronic record that:

(1) would be a note under IC 26-1-3.1 or a document under IC 26-1-7, if the electronic record were in writing; and

(2) the issuer of the electronic record expressly has agreed is subject to this chapter.

(b) A person has control of a transferable record if a system employed for evidencing the transfer of interests in the transferable record reliably establishes that person as the person to whom the transferable record has been issued or transferred.

(c) A system satisfies subsection (a), and a person is deemed to have control of a transferable record, if the record or records are created, stored, and assigned in such a manner that:

(1) a single authoritative copy of the record or records exists that is unique, identifiable, and except as otherwise provided in subdivisions (4), (5), and (6), unalterable;

(2) the authoritative copy identifies the person asserting control as the assignee of the record or records;

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

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

(5) each copy of the authoritative copy and any copy of a copy

is readily identifiable as a copy that is not the authoritative copy; and

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

(d) Except as otherwise agreed, a person having control of a transferable record is the holder, as defined in IC 26-1-1-201(20), of the transferable record and has the same rights and defenses as a holder of an equivalent record or writing under IC 26-1, including, if the applicable statutory requirements under IC 26-1-3.1-302(a), IC 26-1-7-501, or IC 26-1-9.1-330 are satisfied, the rights and defenses of a holder in due course, a holder to which a negotiable document of title has been duly negotiated, or a purchaser, respectively. Delivery, possession, and endorsement are not required to obtain or exercise any of the rights in this subsection.

(e) Except as otherwise agreed, obligors under a transferable record have the same rights and defenses as equivalent obligors under equivalent records and writings under IC 26-1.

(f) If requested by the person against whom enforcement is sought, the person seeking to enforce the transferable record shall provide reasonable proof that the person is in control of the transferable record. This proof may include access to the authoritative copy of the transferable record and related business records sufficient to review the terms of the transferable record and establish the identity of the person in control of the transferable record.

As added by P.L.62-2000, SEC.1. Amended by P.L.1-2001, SEC.32.

IC 26-2-8-116

Electronic signature involving individual health information

Sec. 116. (a) As used in this section, "authorization" means a consent, an approval, or an authorization between an individual and a person.

(b) As used in this section, "electronic identification" means the electronic identification system for form, location, and endorsement that is specified in subsection (d).

(c) Electronic signature authentication and identification may be used for an individual who participates in agreements, authorizations, contracts, records, or transactions that involve individually identifiable health information, including medical records and record keeping, transfer of medical records, medical billing, health care proxies, health care directives, consent to medical treatment, medical research, and organ and tissue donation or procurement.

(d) The electronic authentication and identification under subsection (c) may be accomplished by an interactive system of security procedures that include any of the following:

(1) A tamper proof electric appliance that receives input of unique identification numbers, unique biometric identifiers, or location devices.

(2) A computerized authentication process for biometric identifiers that is linked to the appropriate identification numbers upon receipt of the identifiers.

(3) Transmission of verification of the identifiers to a securely maintained electronic repository.

No provision in this section may be construed to supersede or preempt applicable federal and state law, including the Indiana Uniform Electronic Transactions Act (IC 26-2-8), the Health Insurance Portability and Accountability Act of 1996 and associated regulations, and 21 CFR Part 11.

As added by P.L.77-2005, SEC.1.

IC 26-2-8-201

Creation and retention of electronic records and conversion of written records by governmental agency

Sec. 201. Each governmental agency shall determine whether, and the extent to which, the governmental agency will create and retain electronic records and convert written records to electronic records.

As added by P.L.62-2000, SEC.1.

IC 26-2-8-202

Acceptance and distribution of electronic records by governmental agencies

Sec. 202. (a) Except as otherwise provided in section 111(f) of this chapter, each governmental agency shall determine whether, and the extent to which, it will send and accept electronic records and electronic signatures to and from other persons and otherwise create, generate, communicate, store, process, use, and rely upon electronic records and electronic signatures.

(b) To the extent that a governmental agency uses electronic records and electronic signatures under subsection (a), the governmental agency, giving due consideration to security, may specify:

(1) the manner and format in which the electronic records must be created, generated, sent, communicated, received, and stored and the systems established for such purposes;

(2) if electronic records must be electronically signed, the type of electronic signature required, the manner and format in which the electronic signature must be affixed to the electronic record, and the identity of, or criteria that must be met by, any third party used by a person filing a document to facilitate the process;

(3) control processes and procedures as appropriate to ensure adequate preservation, disposition, integrity, security, confidentiality, and auditability of electronic records; and

(4) any other required attributes for electronic records that are specified for corresponding nonelectronic records or reasonably necessary under the circumstances.

(c) Except as otherwise provided in section 111(f) of this chapter, this chapter does not require a governmental agency to use or permit the use of electronic records or electronic signatures.
As added by P.L.62-2000, SEC.1.

IC 26-2-8-203
Interoperability

Sec. 203. Standards adopted by a governmental agency under section 202 of this chapter must encourage and promote consistency and interoperability with similar requirements adopted by:

(1) other governmental agencies;
(2) other states;
(3) the federal government; and
(4) nongovernmental persons interacting with governmental agencies.

If appropriate, those standards must specify differing levels of standards from which governmental agencies may choose in implementing the most appropriate standard for a particular application.
As added by P.L.62-2000, SEC.1.

IC 26-2-8-301
Severability clause

Sec. 301. If any provision of this chapter or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this chapter that can be given effect without the invalid provision or application, and to this end the provisions of this chapter are severable.
As added by P.L.62-2000, SEC.1.

IC 26-2-8-302
Prospective application

Sec. 302. This chapter applies to an electronic record or electronic signature created, generated, sent, communicated, received, or stored after June 30, 2000.
As added by P.L.62-2000, SEC.1.

IC 26-2-9

Chapter 9. Credit Agreements

IC 26-2-9-0.2

Application of certain amendments to prior law

Sec. 0.2. The addition of IC 32-2-1.5 (before its repeal, now codified in this chapter) by P.L.275-1989 does not apply to credit agreements entered into before July 1, 1989.

As added by P.L.220-2011, SEC.419.

IC 26-2-9-1

"Credit agreement"

Sec. 1. (a) As used in this chapter, "credit agreement" means an agreement to:

(1) lend or forbear repayment of money, goods, or things in action;

(2) otherwise extend credit; or

(3) make any other financial accommodation.

(b) The term includes an agreement to:

(1) amend or modify an agreement;

(2) enter into a new agreement;

(3) forbear from exercising rights under an agreement; or

(4) grant an extension under an agreement;

described in subsection (a).

As added by P.L.2-2002, SEC.79. Amended by P.L.10-2006, SEC.25 and P.L.57-2006, SEC.25; P.L.76-2011, SEC.1.

IC 26-2-9-2

"Creditor"

Sec. 2. As used in this chapter, "creditor" means:

(1) a bank, a savings bank, a trust company, a savings association, a credit union, an industrial loan and investment company, or any other financial institution regulated by any agency of the United States or any state, including a consumer finance institution licensed to make supervised or regulated loans under IC 24-4.5;

(2) a person authorized to sell and service loans for the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, issue securities backed by the Government National Mortgage Association, make loans insured by the United States Department of Housing and Urban Development, make loans guaranteed by the United States Department of Veterans Affairs, or act as a correspondent of loans insured by the United States Department of Housing and Urban Development or guaranteed by the United States Department of Veterans Affairs; or

(3) an insurance company or its affiliates that extend credit under a credit agreement with a debtor.

As added by P.L.2-2002, SEC.79.

IC 26-2-9-3
"Debtor"

Sec. 3. As used in this chapter, "debtor" means a person who:

(1) obtains credit under a credit agreement with a creditor;
(2) seeks a credit agreement with a creditor; or
(3) owes money to a creditor.

As added by P.L.2-2002, SEC.79.

IC 26-2-9-4
Claims and defenses arising from credit agreements; writing required

Sec. 4. (a) A debtor may assert:

(1) a claim for legal or equitable relief; or
(2) a defense to a claim;

arising from a credit agreement only if the credit agreement at issue satisfies the requirements set forth in subsection (b).

(b) A debtor may assert a claim or defense under subsection (a) only if the credit agreement at issue:

(1) is in writing;
(2) sets forth all material terms and conditions of the credit agreement, including the loan amount, rate of interest, duration, and security; and
(3) is signed by the creditor and the debtor.

As added by P.L.2-2002, SEC.79. Amended by P.L.10-2006, SEC.26 and P.L.57-2006, SEC.26; P.L.76-2011, SEC.2.

IC 26-2-9-5
Repealed

(As added by P.L.2-2002, SEC.79. Repealed by P.L.76-2011, SEC.3.)

IC 26-2-10

Chapter 10. Repossessing Motor Vehicles or Watercraft

IC 26-2-10-1

"Motor vehicle"

Sec. 1. As used in this chapter, "motor vehicle" means a vehicle that is self-propelled.

As added by P.L.38-2009, SEC.1.

IC 26-2-10-2

"Motor vehicle repossession agent"

Sec. 2. As used in this chapter, "motor vehicle repossession agent" means a person who physically repossesses a motor vehicle or watercraft on behalf of another person or on the person's own behalf.

As added by P.L.38-2009, SEC.1.

IC 26-2-10-3

"Repossess"

Sec. 3. As used in this chapter, "repossess" or "repossesses" means to take possession of personal property used as collateral under IC 26-1-9.1-609.

As added by P.L.38-2009, SEC.1.

IC 26-2-10-4

"Sheriff's department of the county"

Sec. 4. As used in this chapter, "sheriff's department of the county" includes a consolidated law enforcement department established in IC 36-3-1-5.1.

As added by P.L.38-2009, SEC.1.

IC 26-2-10-5

"Watercraft"

Sec. 5. As used in this chapter, "watercraft" has the meaning set forth in IC 9-13-2-198.5.

As added by P.L.38-2009, SEC.1.

IC 26-2-10-6

Information required to be provided before repossession of a motor vehicle or watercraft

Sec. 6. (a) A motor vehicle repossession agent who repossesses or intends to repossess a motor vehicle or watercraft must provide the following information, if available, to the sheriff's department of the county having jurisdiction in the location where the motor vehicle repossession agent believes that the motor vehicle or watercraft will be found:

(1) The identity of the repossession company.

(2) A description of the motor vehicle or watercraft.

(3) The name and address of the person believed to be currently

in possession of the motor vehicle or watercraft (if the repossession has not yet occurred), or believed to have been in possession of the motor vehicle (if the repossession has already occurred).

(4) The address where the motor vehicle repossession agent believes that the motor vehicle or watercraft will be found (if the repossession has not yet occurred), or the address where the motor vehicle was found when it was repossessed.

(b) A motor vehicle repossession agent must provide the information described in subsection (a):

(1) before the repossession occurs; or

(2) not later than two (2) hours after the repossession.

As added by P.L.38-2009, SEC.1.

IC 26-2-10-7

Violations

Sec. 7. A motor vehicle repossession agent who violates section 6 of this chapter commits a Class C infraction.

As added by P.L.38-2009, SEC.1.

IC 26-3

ARTICLE 3. WAREHOUSES

IC 26-3-1

Repealed

(Repealed by Acts 1978, P.L.2, SEC.2609.)

IC 26-3-2

Chapter 2. Uniform Warehouse Receipts Act

IC 26-3-2-1

Issuance of receipt for goods not received

Sec. 1. A warehouseman, or any officer, agent, or servant of a warehouseman, who issues a receipt, knowing that the goods for which the receipt is issued have not been actually received by the warehouseman, or are not under the warehouseman's actual control at the time of issuing the receipt, commits a Level 6 felony.

(Formerly: Acts 1921, c.100, s.50.) As amended by Acts 1978, P.L.2, SEC.2601; P.L.158-2013, SEC.293.

IC 26-3-2-2

Issuance of false or fraudulent receipt

Sec. 2. A warehouseman, or any officer, agent or servant of a warehouseman, who fraudulently issues a receipt for goods, knowing that it contains any false statement, commits a Class A misdemeanor.

(Formerly: Acts 1921, c.100, s.51.) As amended by Acts 1978, P.L.2, SEC.2602.

IC 26-3-2-3

Issuance of duplicate or additional negotiable receipt with former receipt outstanding

Sec. 3. A warehouseman, or any officer, agent, or servant of a warehouseman, who issues a duplicate or additional negotiable receipt for goods, knowing that a former negotiable receipt for the same goods or any part of them is outstanding and uncanceled, without plainly placing upon the face thereof the word "Duplicate," except in case of a lost, stolen, or destroyed receipt, commits a Level 6 felony.

(Formerly: Acts 1921, c.100, s.52.) As amended by Acts 1978, P.L.2, SEC.2603; P.L.158-2013, SEC.294.

IC 26-3-2-4

Issuance of receipt failing to show warehouseman's ownership interest

Sec. 4. If there are deposited with or held by a warehouseman goods of which he is owner, either solely or jointly, or in common with others, and if the warehouseman, or his officer, agent, or servant, knowing the ownership, issues a negotiable receipt for the goods which does not state the ownership, he commits a Class A misdemeanor.

(Formerly: Acts 1921, c.100, s.53.) As amended by Acts 1978, P.L.2, SEC.2604.

IC 26-3-2-5

Delivery of goods without canceling outstanding receipt

Sec. 5. A warehouseman, or any officer, agent, or servant of a warehouseman, who delivers goods out of the possession of the warehouseman, knowing that a negotiable receipt, the negotiation of which would transfer the right to the possession of the goods, is outstanding and uncanceled, without obtaining the possession of the receipt at or before the time of delivery, commits a Class A misdemeanor.
(Formerly: Acts 1921, c.100, s.54.) As amended by Acts 1978, P.L.2, SEC.2605.

IC 26-3-2-6
Repealed
(Repealed by Acts 1978, P.L.2, SEC.2609.)

IC 26-3-2-7
Short title
Sec. 7. This chapter may be cited as the Uniform Warehouse Receipts Act.
(Formerly: Acts 1921, c.100, s.61.) As amended by P.L.152-1986, SEC.306.

IC 26-3-3
Repealed

(Repealed by Acts 1973, P.L.268, SEC.3.)

IC 26-3-4
Chapter 4. Illegal Issuance of Receipts

IC 26-3-4-1
Transfer of purported warehouse receipt not issued by warehouseman

Sec. 1. It shall be unlawful for any corporation, firm, limited liability company, or person, their agents or employees, to issue, sell, pledge, assign, or transfer, in this state, any receipt, certificate or other written instrument purporting to be a warehouse receipt, or in the similitude of a warehouse receipt, or designed to be understood as a warehouse receipt, for goods, wares or merchandise stored or deposited, or claimed to be stored or deposited, in any warehouse, public or private, in any other state, unless such receipt, certificate or other written instrument shall have been issued by the warehouseman operating such warehouse.

(Formerly: Acts 1897, c.124, s.1.) As amended by P.L.8-1993, SEC.405.

IC 26-3-4-2
Transfer of purported warehouse receipt with knowledge of nonexistence of warehouse or nonexistence of goods

Sec. 2. It shall be unlawful for any corporation, firm, limited liability company, or person, their agents or employees, to issue, sell, pledge, assign or transfer, in this state, any receipt, certificate or other written instrument for goods, wares or merchandise claimed to be stored or deposited in any warehouse, public or private, in any other state, knowing that there is no such warehouse located at the place named in such receipt, certificate or other written instrument, or if there be a warehouse at such place, knowing that there are no goods, wares or merchandise stored or deposited therein as specified in such report, certificate or other written instrument.

(Formerly: Acts 1897, c.124, s.2.) As amended by P.L.8-1993, SEC.406.

IC 26-3-4-3
Transfer of documents evidencing interest in goods under foreign warehouse receipt; form and contents; prohibition; exceptions

Sec. 3. It shall be unlawful for any corporation, firm, limited liability company, or person, their agents or employees, to issue, sign, sell, pledge, assign or transfer, in this state, any receipt, certificate or other written instrument evidencing, or purporting to evidence, the sale, pledge, mortgage, or bailment of any goods, wares or merchandise stored or deposited, or claimed to be stored or deposited, in any warehouse, public or private, in any other state, unless such receipt, certificate or other written instrument shall plainly designate the number and location of such warehouse, and shall also set forth therein a full, true and complete copy of the

receipt issued by the warehouseman operating such warehouse wherein such goods, wares, or merchandise are stored or deposited, or are claimed to be stored or deposited; however, the provisions of this section shall not apply to the issue, signing, sale, pledge, assignment, or transfer of bona fide warehouse receipt issued by the warehouseman operating public or bonded warehouses in other states according to the laws of the state wherein such warehouses may be located.

(Formerly: Acts 1897, c.124, s.3.) As amended by P.L.8-1993, SEC.407.

IC 26-3-4-4

Violations

Sec. 4. A person who knowingly violates this chapter commits a Class A misdemeanor.

(Formerly: Acts 1897, c.124, s.4.) As amended by Acts 1978, P.L.2, SEC.2606.

IC 26-3-5
Repealed

(Repealed by P.L.93-1985, SEC.41.)

IC 26-3-6
Repealed

(Repealed by Acts 1973, P.L.268, SEC.3.)

IC 26-3-7

Chapter 7. Indiana Grain Buyers and Warehouse Licensing and Bonding Law

IC 26-3-7-1

Indiana grain buyers and warehouse licensing agency; employees

Sec. 1. (a) The Indiana grain buyers and warehouse licensing agency is established within the Indiana state department of agriculture to administer this chapter. The director of the Indiana state department of agriculture may appoint the director of the agency, who shall serve at the pleasure of the director of the Indiana state department of agriculture. The director shall administer this chapter and shall be the ultimate authority in the administration of this chapter.

(b) The agency shall employ all necessary employees, counsel, and consultants to carry out the provisions of this chapter and is vested with the power necessary to fully and effectively carry out the provisions and objectives of this chapter.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1975, P.L.277, SEC.1.) As amended by Acts 1982, P.L.155, SEC.2; P.L.125-1997, SEC.18; P.L.1-2006, SEC.482; P.L.120-2008, SEC.91; P.L.60-2015, SEC.3.

IC 26-3-7-1.5

Liberal construction

Sec. 1.5. This chapter shall be liberally construed to effect its purposes.

As added by P.L.1-1989, SEC.54.

IC 26-3-7-2

Definitions

Sec. 2. The following definitions apply throughout this chapter:

(1) "Agency" refers to the Indiana grain buyers and warehouse licensing agency established under section 1 of this chapter.

(2) "Anniversary date" means the date that is ninety (90) calendar days after the fiscal year end of a business licensed under this chapter.

(3) "Bin" means a bin, tank, interstice, or other container in a warehouse in which bulk grain may be stored.

(4) "Buyer-warehouse" means a person that operates both as a warehouse licensed under this chapter and as a grain buyer.

(5) "Claimant" means a person that is unable to secure satisfaction within the twelve (12) months following delivery of the financial obligations due from a licensee under this chapter for grain that has been delivered to the licensee for sale or for storage under a bailment.

(6) "Daily position record" means a written or electronic document that is maintained on a daily basis for each grain commodity, contains a record of the total amount of grain in

inventory for that business day, and complies with any requirements established by the director.

(7) "Deferred pricing" or "price later" means a purchase by a buyer in which title to the grain passes to the buyer and the price to be paid to the seller is not determined:

(A) at the time the grain is received by the buyer; or

(B) less than twenty-one (21) days after delivery.

(8) "Delayed payment" means a purchase by a buyer in which title to the grain passes to the buyer at a determined price and payment to the seller is not made in less than twenty-one (21) days after delivery.

(9) "Depositor" means any of the following:

(A) A person that delivers grain to a licensee under this chapter for storage or sale.

(B) A person that:

(i) owns or is the legal holder of a ticket or receipt issued by a licensee for grain received by the licensee; and

(ii) is the creditor of the issuing licensee for the value of the grain received in return for the ticket or receipt.

(C) A licensee that stores grain that the licensee owns solely, jointly, or in common with others in a warehouse owned or controlled by the licensee or another licensee.

(10) "Designated representative" means the person or persons designated by the director to act instead of the director in assisting in the administration of this chapter.

(11) "Director" means the director of the Indiana grain buyers and warehouse licensing agency appointed under section 1 of this chapter.

(12) "Facility" means a location or one (1) of several locations in Indiana that are operated as a warehouse or by a grain buyer.

(13) "Failed" or "failure" means any of the following:

(A) The inability of a licensee to financially satisfy fully all obligations due to claimants.

(B) Public declaration of a licensee's insolvency.

(C) Revocation or suspension of a licensee's license, if the licensee has outstanding indebtedness owed to claimants.

(D) Nonpayment of a licensee's debts in the ordinary course of business, if there is not a good faith dispute.

(E) Voluntary surrender of a licensee's license, if the licensee has outstanding indebtedness to claimants.

(F) Involuntary or voluntary bankruptcy of a licensee.

(14) "Grain" means corn for all uses, popcorn, wheat, oats, barley, rye, sorghum, soybeans, oil seeds, other agricultural commodities as approved by the agency, and seed as defined in this section. The term does not include canning crops for processing, sweet corn, or flint corn.

(15) "Grain assets" means any of the following:

(A) All grain and grain coproducts owned or stored by a

licensee, including the following:

(i) Grain that is in transit following shipment by a licensee.

(ii) Grain that has not been paid for.

(iii) Grain that is stored in unlicensed facilities that are leased, owned, or occupied by the licensee.

(B) All proceeds, due or to become due, from the sale of a licensee's grain.

(C) Equity, less any secured financing directly associated with the equity, in hedging or speculative margin accounts of a licensee held by a commodity or security exchange, or a dealer representing a commodity or security exchange, and any money due the licensee from transactions on the exchange, less any secured financing directly associated with the money due the licensee from the transactions on the exchange.

(D) Any other unencumbered funds, property, or equity in funds or property, wherever located, that can be directly traced to the sale of grain by a licensee. However, funds, property, or equity in funds or property may not be considered encumbered unless:

(i) the encumbrance results from valuable consideration paid to the licensee in good faith by a secured party; and

(ii) the encumbrance did not result from the licensee posting the funds, property, or equity in funds or property as additional collateral for an antecedent debt.

(E) Any other unencumbered funds, property, or equity in assets of the licensee.

(16) "Grain bank grain" means grain owned by a depositor for use in the formulation of feed and stored by the warehouse to be returned to the depositor on demand.

(17) "Grain buyer" means a person who is engaged in the business of buying grain from producers.

(18) "Grain coproducts" means any milled or processed grain, including the grain byproduct of ethanol production.

(19) "Grain standards act" means the United States Grain Standards Act, approved August 11, 1916 (39 Stat. 482; 7 U.S.C. 71-87 as amended).

(20) "License" means a license issued under this chapter.

(21) "Official grain standards of the United States" means the standards of quality or condition for grain, fixed and established by the secretary of agriculture under the grain standards act.

(22) "Person" means an individual, partnership, corporation, association, or other form of business enterprise.

(23) "Receipt" means a warehouse receipt issued by a warehouse licensed under this chapter.

(24) "Seed", notwithstanding IC 15-15-1, means grain set apart to be used primarily for the purpose of producing new plants.

(25) "Seed inventory" means seed for commercial sale.
(26) "Ticket" means a scale weight ticket, a load slip, or other evidence, other than a receipt, given to a depositor upon initial delivery of grain to a facility.
(27) "Warehouse act" means the United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; 7 U.S.C. 241-273 as amended).
(28) "Warehouse" means any building or other protected enclosure in one (1) general location licensed or required to be licensed under this chapter in which grain is or may be:
(A) stored for hire;
(B) used for grain bank storage; or
(C) used to store company owned grain;
and the building or other protected enclosure is operated under one (1) ownership and run from a single office.
(29) "Warehouse operator" means a person that operates a facility or group of facilities in which grain is or may be stored for hire or which is used for grain bank storage and which is operated under one (1) ownership and run from a single office.
(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.1; Acts 1975, P.L.277, SEC.2.) As amended by Acts 1982, P.L.155, SEC.3; P.L.191-1991, SEC.1; P.L.1-1992, SEC.142; P.L.139-1996, SEC.6; P.L.125-1997, SEC.19; P.L.173-1999, SEC.1; P.L.1-2006, SEC.483; P.L.2-2008, SEC.66; P.L.64-2009, SEC.1; P.L.75-2010, SEC.10; P.L.60-2015, SEC.4.

IC 26-3-7-2.2
Determination of a single warehouse
Sec. 2.2. For purposes of determining whether a building or other protected enclosure constitutes a single warehouse that requires a single license under this chapter, the director may consider the following:
(1) The presence of a full weighing facility at geographically diverse warehouse facilities.
(2) The traditional method of record keeping with respect to the separate facilities.
(3) The hours, number of personnel, and activities of the separate facilities.
(4) Any other factor considered relevant.
In the absence of contradictory information, any warehouses owned and operated by the same person that are located within close proximity of each other are presumed to constitute a single warehouse.
As added by P.L.64-2009, SEC.2.

IC 26-3-7-3
Powers and duties of director
Sec. 3. (a) The director may do the following:

(1) Require any reports that are necessary to administer this chapter.
(2) Administer oaths, issue subpoenas, compel the attendance and testimony of witnesses, and compel the production of records in connection with any investigation or hearing under this chapter.
(3) Prescribe all forms within the provisions of this chapter.
(4) Establish grain standards in accordance with the grain standards act and federal regulations promulgated under that act that must be used by warehouses.
(5) Investigate the activities required by this chapter including the storage, shipping, marketing, and handling of grain and complaints with respect to the storage, shipping, marketing, and handling of grain.
(6) Inspect a facility, the grain stored in a facility, and all property and records pertaining to a facility. All inspections of an applicant or licensee under this chapter must take into consideration the proprietary nature of an applicant's or licensee's commercial information. The director may adopt rules under IC 4-22-2 regarding inspections permitted under this chapter, and the rules must take into consideration the proprietary nature of an applicant's or a licensee's commercial information. This chapter does not authorize the inspection of an applicant's or licensee's trade secret or intellectual property information.
(7) Determine whether a facility for which a license has been applied for or has been issued is suitable for the proper storage, shipping, and handling of the grain that is stored, shipped, or handled, or is expected to be stored, shipped, or handled.
(8) Require a licensee to terminate storage, shipping, marketing, and handling agreements upon revocation of the person's license.
(9) Attend and preside over any investigation or hearing allowed or required under this chapter.
(10) Impose sanctions for violations of this article.
(11) Require a grain buyer and all persons purchasing grain to show evidence of training or licensing on the risks associated with grain marketing practices only if a grain buyer engages in a risk factor higher than a standard defined by the director. This training or licensing may include requiring the grain buyer or person purchasing grain to do any of the following:
(A) Provide the agency with proof of registry with the commodity futures trading commission (CFTC) as a commodity trading adviser, a futures commission merchant, an introducing broker, or an associated person.
(B) Demonstrate passage of the series 3 examination administered by the National Futures Association.
(C) Annually attend six (6) hours of continuing education,

approved by the director, focusing on the risks to a grain buyer and seller that are associated with grain marketing practices and the communication of risks to the producer. Additionally, as part of continuing education, require a grain buyer, and all persons purchasing grain for a grain buyer, to pass a test, approved and administered by the director, that reasonably measures the grain buyer's understanding of the risks to grain buyers and sellers associated with producer marketing strategies.

(12) Require all contracts executed after June 30, 1997, for the purchase of grain from producers, except a flat price contract or a contract for the production of seed, to include the following notice immediately above the place on the contract where the seller of the grain must sign:

"NOTICE - SELLER IS CAUTIONED THAT CONTRACTING FOR THE SALE AND DELIVERY OF GRAIN INVOLVES RISKS. THESE RISKS MAY INCLUDE FUTURE PAYMENTS BY YOU TO MAINTAIN THIS CONTRACT, A LOWER SALES PRICE, AND OTHER RISKS NOT SPECIFIED.

COVERAGE UNDER THE INDIANA GRAIN INDEMNITY PROGRAM IS LIMITED TO 100% OF A LOSS FOR STORED GRAIN AND 80% OF A LOSS FOR OTHER COVERED CONTRACTS.

BE SURE YOU UNDERSTAND THE NATURE OF THIS CONTRACT AND THE ASSOCIATED RISKS."

(13) Require all contracts executed after January 1, 2000, for the production of seed to include the following notice, in conspicuous letters, immediately above the place on the contract or an addendum where the seller of the seed must sign:

"NOTICE - IF THE TERMS OF THIS CONTRACT STATE THAT THE CONTRACTOR RETAINS OWNERSHIP OF THE SEED AND ITS PRODUCTS, YOU MAY NOT BE ELIGIBLE FOR PARTICIPATION IN THE INDIANA GRAIN INDEMNITY PROGRAM. TO BE ELIGIBLE TO PARTICIPATE IN THE INDIANA GRAIN INDEMNITY PROGRAM, FARMERS MUST OWN AND SELL GRAIN OR SEED. BE SURE YOU UNDERSTAND THE NATURE OF THIS CONTRACT AND THE ASSOCIATED RISKS."

(14) At any time, order an unannounced audit for compliance with this article.

(15) Adopt rules under IC 4-22-2 to carry out the purposes and intent of this chapter.

(16) Require all grain buyers offering deferred pricing, delayed payments, or contracts linked to the commodity futures or commodity options market in connection with a grain purchase to document the agreement in writing not more than twenty-one

(21) days after delivery.

(b) The director shall do the following:

(1) Establish standards to ensure that a grain buyer has a suitable financial position to conduct a business as a grain buyer.

(2) Require a person who conducts business as a grain buyer to first be licensed by the agency.

(3) Require any person engaged in the business of advising producers on grain marketing for hire to:

(A) register with the agency; and

(B) provide the agency with proof of registry with the commodity futures trading commission (CFTC) as a commodity trading advisor, a futures commission merchant, an introducing broker, or an associated person.

(c) The director may designate an employee to act for the director in the administration of this chapter. A designee may not:

(1) act in matters that require a public hearing or the temporary suspension of a license;

(2) adopt rules; or

(3) act as the ultimate authority in the administration of this chapter.

(d) The director may determine whether geographically separate facilities constitute a single warehouse or grain buyer and in making the determination may consider the following:

(1) The number of facilities involved.

(2) Whether full weighing equipment is present at the geographically separate facilities.

(3) The method of bookkeeping employed by the separate facilities.

(4) The hours of operation of the separate facilities.

(5) The personnel employed at the separate facilities.

(6) Other factors the director deems relevant.

(e) The director and the director's designees shall become members of the national grain regulatory organization and shall:

(1) work in partnership with other state grain regulatory officials;

(2) participate in national grain regulatory meetings; and

(3) provide expertise and education at national meetings.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.2.) As amended by P.L.191-1991, SEC.2; P.L.1-1992, SEC.143; P.L.249-1995, SEC.1; P.L.139-1996, SEC.7; P.L.125-1997, SEC.20; P.L.173-1999, SEC.2; P.L.75-2010, SEC.11; P.L.60-2015, SEC.5.

IC 26-3-7-4

License; application; exemptions; suspension or revocation; prohibited operation

Sec. 4. (a) A person may not operate a warehouse or conduct business as a grain buyer or buyer-warehouse without first having

obtained the appropriate license from the agency, nor may a person or entity associated with the person continue to operate a warehouse or conduct business as a grain buyer or buyer-warehouse after the person's license has been revoked or suspended, except as provided in section 18 of this chapter.

(b) All facilities in Indiana that an applicant for a license uses to store or handle grain must qualify for and obtain a license and be licensed under this chapter before the applicant may operate a warehouse or conduct business as a grain buyer in Indiana. An applicant may not be licensed unless all of the applicant's facilities qualify for a license under this chapter. An applicant for a license must apply to the agency for a license that covers all facilities operated by the applicant for the storage or handling of grain in Indiana.

(c) If a licensee acquires an additional grain storage or handling facility in Indiana, the licensee shall promptly submit to the agency an amended application for licensure. A licensee shall promptly notify the agency of a material change to the licensee's operations, such as expansion of the amount of storage being used in the licensee's existing facilities or change of ownership of a facility, and shall provide the director with additional information the director may require. A licensee shall obtain the approval of the director before making use of increased storage or handling capacity.

(d) A licensee that acquires an additional grain storage or handling facility that is required to be licensed shall not use the facility for the storage or handling of grain until it qualifies for and is issued a license and is licensed as provided in this chapter. If a licensed grain storage or handling facility that a licensee operates in Indiana becomes ineligible for a license at any time for any reason, it shall not be used for the storage or handling of grain until the condition making it ineligible is removed.

(e) A licensee shall maintain at least eighty percent (80%) of the unpaid balance of grain payables in unencumbered assets represented by the aggregate of the following:

(1) Company owned grain.

(2) Cash on hand.

(3) Cash held on account in federally or state licensed financial institutions or lending institutions of the Federal Farm Credit Administration.

(4) Investments held in time accounts with federally or state licensed financial institutions.

(5) Direct obligations of the United States government.

(6) Balances in grain margin accounts determined by marking to market.

(7) Balances due or to become due to the licensee on deferred pricing contracts.

(8) Marketable securities, including mutual funds.

(9) Irrevocable letters of credit that are:

(A) in favor of the agency;
(B) acceptable to the agency; and
(C) in addition to any letter of credit deposited with the director to satisfy the bonding requirement of this chapter.

(10) Deferred pricing contract service charges due or to become due to the licensee.

(11) Other evidence of proceeds from or of grain that is acceptable to the agency.

(12) Seed inventory.

(13) Other assets approved by the director.

(f) A licensee must have the minimum positive net worth specified in section 16 of this chapter to hold any license or do business.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.3.) As amended by Acts 1982, P.L.155, SEC.4; P.L.191-1991, SEC.3; P.L.139-1996, SEC.8; P.L.125-1997, SEC.21; P.L.173-1999, SEC.3; P.L.60-2015, SEC.6.

IC 26-3-7-4.1
Renewal application

Sec. 4.1. (a) The agency shall mail by first class mail a renewal application, which must include a listing of all the licensee's facilities, to each licensee before the end of the licensee's fiscal year. The renewal application form must be completed and returned to the agency not later than ninety (90) days after the end of the licensee's fiscal year. The licensee must forward, with the renewal application, the following:

(1) Current reviewed level financial statement.

(2) Updated financial profile form supplied by the agency.

(3) Appropriate license fee.

(b) A renewal application must contain the information as required under rules adopted by the agency. The licensee shall receive an annual renewal license application form appropriate to the license issued to the licensee. The annual renewal license application forms are for a:

(1) grain bank;

(2) warehouse;

(3) grain buyer; or

(4) buyer-warehouse.

As added by P.L.64-2009, SEC.3.

IC 26-3-7-4.5
Repealed

(Repealed by P.L.125-1997, SEC.57.)

IC 26-3-7-5
Inspection and certification of scales

Sec. 5. All scales used to weigh grain for purchase or storage must

be inspected and certified as to accuracy at least once each year.
(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by P.L.2-1992, SEC.781; P.L.125-1997, SEC.22.

IC 26-3-7-6
Types of licenses issued; application for license; fees; payment of fees; current liability ratio; review level financial statement inspection

Sec. 6. (a) The agency shall issue the following licenses:

(1) A grain bank license may be issued to a person that:

(A) stores only grain bank grain;

(B) has a storage capacity of not more than fifty thousand (50,000) bushels of grain; and

(C) purchases less than fifty thousand (50,000) bushels of grain per year.

(2) A warehouse license may be issued to a person that:

(A) stores grain for hire; and

(B) purchases less than fifty thousand (50,000) bushels of grain per year.

(3) A grain buyer license may be issued to a person that:

(A) purchases annually at least fifty thousand (50,000) bushels of grain that are not for the sole purpose of feeding the person's own livestock or poultry;

(B) chooses to obtain a grain buyer's license; or

(C) offers deferred pricing, delayed payments, or contracts linked to the commodity futures or commodity options market in connection with grain purchases.

(4) A buyer-warehouse license may be issued to a person that operates both as a warehouse and as a grain buyer.

(b) An applicant shall file with the director a separate application for each license or amendment of a license at the times, on the forms, and containing the information that the director prescribes.

(c) An initial application for a license must be accompanied by a license fee as follows:

(1) For a grain bank or for a warehouse or buyer-warehouse with a storage capacity of less than two hundred fifty thousand (250,000) bushels, one thousand dollars ($1,000) for the first facility and two hundred fifty dollars ($250) for each additional facility.

(2) For a warehouse or a buyer-warehouse with a storage capacity of at least two hundred fifty thousand (250,000) bushels but less than one million (1,000,000) bushels, one thousand five hundred dollars ($1,500) for the first facility and two hundred fifty dollars ($250) for each additional facility.

(3) For a warehouse or a buyer-warehouse with a storage capacity of at least one million (1,000,000) bushels but less than ten million (10,000,000) bushels, two thousand dollars ($2,000) for the first facility and two hundred fifty dollars ($250) for

each additional facility.

(4) For a warehouse or buyer-warehouse with a storage capacity greater than ten million (10,000,000) bushels, two thousand five hundred dollars ($2,500) for the first facility and two hundred fifty dollars ($250) for each additional facility.

(5) For a grain buyer, including a grain buyer that is also licensed as a warehouse under the warehouse act, one thousand five hundred dollars ($1,500) for the first facility and two hundred fifty dollars ($250) for each additional facility.

The director may prorate the initial application fee for a license that is issued at least thirty (30) days after the anniversary date of the licensee's business.

(d) Before the anniversary date of the license, the licensee shall pay an annual fee in an amount equal to the amount required under subsection (c). The director may prorate the annual application fee for a license that is modified at least thirty (30) days after the anniversary date of the licensee's license.

(e) A licensee or an applicant for an initial license must have a minimum current asset to current liability ratio of one to one (1:1) or better.

(f) An applicant for an initial license shall submit with the person's application a review level financial statement or better financial statement that reflects the applicant's financial situation on a date not more than fifteen (15) months before the date on which the application is submitted. A financial statement submitted under this section must:

(1) be prepared by an independent accountant certified under IC 25-2.1;

(2) comply with generally accepted accounting principles; and

(3) contain:

(A) an income statement;

(B) a balance sheet;

(C) a statement of cash flow;

(D) a statement of retained earnings;

(E) an aged accounts receivable listing detailing accounts that are ninety (90) days due, one hundred twenty (120) days due, and more than one hundred twenty (120) days due;

(F) a copy of the daily position record for the end of the licensee's fiscal year;

(G) the preparer's notes; and

(H) other information the agency may require.

The director may adopt rules under IC 4-22-2 to allow the agency to accept other substantial supporting documents instead of those listed to determine the financial solvency of the applicant if the director determines that providing the listed documents creates a financial or other hardship on the applicant or licensee.

(g) If a licensee's storage capacity changes between license renewals, the agency shall charge the licensee a fee of two hundred

fifty dollars ($250).

(h) An application for a license implies a consent to be inspected.

(i) Fees collected under this section shall be deposited in the grain buyers and warehouse licensing agency license fee fund established by section 6.3 of this chapter.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.4; Acts 1975, P.L.277, SEC.3.) As amended by Acts 1979, P.L.249, SEC.2; Acts 1981, P.L.232, SEC.1; Acts 1982, P.L.155, SEC.6; P.L.191-1991, SEC.4; P.L.125-1997, SEC.23; P.L.173-1999, SEC.4; P.L.207-2007, SEC.28; P.L.64-2009, SEC.4; P.L.75-2010, SEC.12; P.L.60-2015, SEC.7.

IC 26-3-7-6.1

Financial statement; fines

Sec. 6.1. (a) Not more than ninety (90) days after the end of a licensee's fiscal year, the licensee shall file with the agency a current review level financial statement or better financial statement that reflects the licensee's financial situation for the previous fiscal year. The financial statement must be submitted with the licensee's renewal forms and fees.

(b) A financial statement submitted under this section must:

(1) be prepared by an independent accountant certified under IC 25-2.1;

(2) comply with generally accepted accounting principles; and

(3) contain:

(A) an income statement;

(B) a balance sheet;

(C) a statement of cash flow;

(D) a statement of retained earnings;

(E) an aged accounts receivable listing detailing accounts that are ninety (90) days due, one hundred twenty (120) days due, and more than one hundred twenty (120) days due;

(F) a copy of the daily position record for the end of the licensee's fiscal year;

(G) the preparer's notes; and

(H) other information the agency requires.

The director may adopt rules under IC 4-22-2 to allow the agency to accept other substantial supporting documents instead of those listed to determine the financial solvency of the applicant if the director determines that providing the listed documents creates a financial or other hardship on the applicant or licensee.

(c) If the licensee has failed to timely file the financial statement, renewal form, or renewal fee as required in subsection (a), the agency may assess a fine as follows:

(1) Fifty percent (50%) of the licensee's renewal fee for a financial statement, renewal form, or renewal fee that is at least one (1) day and not more than sixty (60) days late.

(2) One hundred percent (100%) of the licensee's renewal fee

for a financial statement, renewal form, or renewal fee that is more than sixty (60) days late.

(d) The agency may file a notice of hearing for any fines assessed under subsection (c).

As added by P.L.64-2009, SEC.5. Amended by P.L.60-2015, SEC.8; P.L.134-2015, SEC.2.

IC 26-3-7-6.3

Grain buyers and warehouse licensing agency license fee fund

Sec. 6.3. (a) The grain buyers and warehouse licensing agency license fee fund is established to provide funds for the administration of this chapter. The fund shall be administered by the agency. The fund consists of:

(1) the moisture testing device inspection fees collected under IC 15-11-8-3;

(2) the licensing fees collected under section 6 of this chapter;

(3) gifts and bequests; and

(4) appropriations made by the general assembly.

(b) Expenses of administering the fund shall be paid from money in the fund.

(c) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

As added by P.L.207-2007, SEC.29. Amended by P.L.2-2008, SEC.67.

IC 26-3-7-6.5

Disclosure of information

Sec. 6.5. The names, locations, respective counties, and license status of licensees may be disclosed. Unless in accordance with a judicial order, the director, the agency, its counsel, auditors, or its other employees or agents shall not divulge any other information disclosed by the applications or reports filed or inspections performed under the provisions of this chapter, except to agents and employees of the agency or to any other legal representative of the state or federal government otherwise empowered to see or review the information. The director may disclose the information only in the form of an information summary or profile, or statistical study based upon data provided with respect to more than one (1) warehouse, grain buyer, or buyer-warehouse that does not identify the warehouse, grain buyer, or buyer-warehouse to which the information applies.

(Formerly: Acts 1975, P.L.277, SEC.4.) As amended by Acts 1979, P.L.249, SEC.3; P.L.12-1984, SEC.5; P.L.139-1996, SEC.9; P.L.125-1997, SEC.24; P.L.64-2009, SEC.6; P.L.60-2015, SEC.9.

IC 26-3-7-7

Issuance of license or permit; false statements; applicant's qualifications

Sec. 7. (a) The director may issue or amend a license after the director has:

(1) received and approved the required information and documentation; and

(2) determined that:

(A) the facility or facilities covered by the application are suitable for the proper storage or handling of the grain intended to be stored or handled in the facility or facilities; and

(B) the applicant has complied with this chapter and the rules adopted under this chapter.

(b) A person may not represent that the person is licensed under this chapter, and may not use a name or description that conveys the impression that the person is licensed, in a receipt or otherwise, unless the person holds an unsuspended and unrevoked license to conduct the business indicated by the license.

(c) An applicant for a license under this chapter must show that the applicant:

(1) has a good business reputation;

(2) has not been involved in improper manipulation of books and records or other improper business practice;

(3) has the qualifications and background essential for the conduct of the business to be licensed;

(4) employs management and principal officers that have suitable business reputations, background, and qualifications to perform their duties;

(5) has not been found guilty of a crime that would affect the licensee's ability to conduct business with integrity; and

(6) does not employ an officer, director, partner, or manager that has been found guilty of a crime that would affect the licensee's ability to conduct business with integrity.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.5.) As amended by Acts 1979, P.L.249, SEC.4; Acts 1982, P.L.155, SEC.7; P.L.17-1985, SEC.21; P.L.191-1991, SEC.5; P.L.249-1995, SEC.2; P.L.125-1997, SEC.25.

IC 26-3-7-8

Temporary license

Sec. 8. Upon receipt of an application for a permanent license, the director may issue a temporary license to the applicant for a reasonable time, not to exceed ninety (90) days, as the director deems necessary or advisable to enable the applicant to comply with the further requirements for obtaining a license under this chapter. A temporary license entitles the temporary licensee to the same rights and subjects the temporary licensee to the same duties as if the

temporary licensee had a permanent license.
(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1975, P.L.277, SEC.5.) As amended by P.L.125-1997, SEC.26.

IC 26-3-7-8.5
Licensing requirements of successor owner

Sec. 8.5. If the ownership of a facility or business licensed under this chapter passes to a successor owner, the obligations under this chapter of the original licensee do not cease until the successor owner is properly licensed and has executed a successor's agreement with the agency.
As added by P.L.125-1997, SEC.27.

IC 26-3-7-9
Bond, cash deposit, or letter of credit

Sec. 9. (a) Each applicant for a license under this chapter shall, as a condition of licensure, file or have on file with the director:

(1) a cash deposit;
(2) an irrevocable letter of credit;
(3) a bond; or
(4) any combination of the above;

as provided in section 10 of this chapter.

(b) A bond filed under this chapter shall:

(1) be conditioned upon the faithful performance of all obligations of the licensee under this chapter and the rules adopted under this chapter from the effective date of the bond until the earlier of the date the license is revoked or the bond is canceled as provided in this chapter; and
(2) be further conditioned upon the faithful performance of all obligations from the effective date of the bond and thereafter, regardless of whether the licensee's facility or facilities exist on the effective date of the bond or are thereafter assumed prior to the date the licensee's license is revoked or the bond is canceled as provided in this chapter.

(c) The bond must remain in effect during a violation, a temporary suspension of the licensee's license, or a period during which the licensee is subject to a cease and desist order.
(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.6; Acts 1975, P.L.277, SEC.6.) As amended by Acts 1979, P.L.249, SEC.5; Acts 1982, P.L.155, SEC.8; P.L.191-1991, SEC.6; P.L.125-1997, SEC.28; P.L.173-1999, SEC.5.

IC 26-3-7-10
Amount of bond, cash deposit, letter of credit, or other surety; deficiencies

Sec. 10. (a) The minimum amount of bond, letter of credit, or cash deposit required from a licensee is as follows:

(1) For a grain bank license or a warehouse license:

(A) fifty thousand dollars ($50,000); and

(B) ten cents ($0.10) multiplied by the licensed bushel storage capacity of the grain bank or warehouse.

(2) For a grain buyer, including a grain buyer that is also a licensee under the warehouse act:

(A) fifty thousand dollars ($50,000); or

(B) five-tenths percent (0.5%) of the total amount the grain buyer paid for grain purchased from producers during the grain buyer's most recent fiscal year;

whichever is greater.

(3) For a buyer-warehouse:

(A) an amount equal to the sum of:

(i) fifty thousand dollars ($50,000); and

(ii) ten cents ($0.10) multiplied by the licensed bushel storage capacity of the buyer-warehouse's facility; or

(B) five-tenths percent (0.5%) of the total amount the buyer-warehouse paid for grain purchased from producers during the buyer-warehouse's most recent fiscal year;

whichever is greater.

(b) Except as provided in subsections (g) and (h), the amount of bond, letter of credit, or cash deposit required by this chapter may not exceed two hundred fifty thousand dollars ($250,000) per license and may not exceed a total of one million dollars ($1,000,000) per person.

(c) The licensed bushel storage capacity is the maximum number of bushels of grain that the licensee's facility could accommodate as determined by the director or the director's designated representative and shall be increased or reduced in accordance with the amount of space being used for storage from time to time.

(d) Instead of a bond or cash deposit, an irrevocable letter of credit in the prescribed amount may be provided with the director as the beneficiary. The director shall adopt rules under IC 4-22-2 to establish acceptable form, substance, terms, and conditions for letters of credit. The director may not release a party from the obligations of the letter of credit within eighteen (18) months of the termination of the licensee's license.

(e) The director shall adopt rules under IC 4-22-2 to provide for the receipt and retention of cash deposits. However, the director shall not return a cash deposit to a licensee until the director has taken reasonable precautions to assure that the licensee's obligations and liabilities have been or will be met.

(f) If a person is licensed or is applying for licenses to operate two (2) or more facilities in Indiana, the person may give a single bond, letter of credit, or cash deposit to satisfy the requirements of this chapter and the rules adopted under this chapter to cover all the person's facilities in Indiana.

(g) If a licensee has a deficiency in the minimum positive net worth required under section 16(a)(2)(B), 16(a)(3)(B), 16(a)(4)(B),

or 16(a)(5)(B) of this chapter, the licensee shall add to the amount of bond, letter of credit, or cash deposit determined under subsection (a) an amount equal to the deficiency or provide another form of surety as permitted under the rules of the agency.

(h) Except as provided in subsections (i) and (j), a licensee may not correct a deficiency in the minimum positive net worth required by section 16(a)(1), 16(a)(2)(A), 16(a)(3)(A), 16(a)(4)(A), or 16(a)(5)(A) of this chapter by adding to the amount of bond, letter of credit, or cash deposit required by subsection (a).

(i) A buyer-warehouse that has a bushel storage capacity of less than one million (1,000,000) bushels or purchases less than one million (1,000,000) bushels of grain per year may correct a deficiency in minimum positive net worth by adding to the amount of bond, letter of credit, or cash deposit determined under subsection (a) if the buyer-warehouse has a minimum positive net worth of at least fifty thousand dollars ($50,000), not including the amount added to the bond, letter of credit, or cash deposit.

(j) A buyer-warehouse that has a bushel storage capacity of at least one million (1,000,000) bushels, or purchases at least one million (1,000,000) bushels of grain per year, may correct a deficiency in minimum positive net worth by adding to the amount of bond, letter of credit, or cash deposit determined under subsection (a) if the buyer-warehouse has a minimum positive net worth of at least one hundred thousand dollars ($100,000), not including the amount added to the bond, letter of credit, or cash deposit.

(k) If the director or the director's designated representative finds that conditions exist that warrant requiring additional bond or cash deposit, there shall be added to the amount of bond or cash deposit as determined under the other provisions of this section, a further amount to meet the conditions.

(l) The director may accept, instead of a single cash deposit, letter of credit, or bond, a deposit consisting of any combination of cash deposits, letters of credit, or bonds in an amount equal to the licensee's obligation under this chapter. The director shall adopt rules under IC 4-22-2 to establish standards for determining the order in which the forms of security on deposit must be used to pay proven claims if the licensee defaults.

(m) The director may require additional bonding that the director considers necessary.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.7; Acts 1975, P.L.277, SEC.7.) As amended by Acts 1979, P.L.249, SEC.6; Acts 1982, P.L.155, SEC.9; P.L.191-1991, SEC.7; P.L.125-1997, SEC.29; P.L.173-1999, SEC.6; P.L.64-2009, SEC.7; P.L.60-2015, SEC.10.

IC 26-3-7-11
Repealed

(Repealed by Acts 1979, P.L.249, SEC.18.)

IC 26-3-7-12
Insurance; filing of certificate; settlement with depositor in case of destruction

Sec. 12. (a) Each applicant for a license under this chapter shall, as a condition to the granting of the license, file or have on file a certificate of insurance evidencing an effective policy of insurance issued by an insurance company authorized to do business in Indiana insuring in the name of the applicant all grain that is or may be in the licensee's facilities for its full market value against loss by fire, internal explosion, lightning, and windstorm.

(b) In case fire, internal explosion, lightning, or wind-storm destroys or damages any grain in a licensed facility, the licensee shall, upon demand by the depositor and upon being presented with the receipt or other evidence of ownership, make settlement, after deducting the licensee's charges and advances, at the market value of the grain based on the value at the average price paid for grain of the same grade and quality on the date of the loss at the location of the facility. If a settlement is not made within sixty (60) days from the date of demand, the depositor is entitled to seek recovery from the insurance company.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1975, P.L.277, SEC.8.) As amended by P.L.125-1997, SEC.30.

IC 26-3-7-13
Additional bond, cash deposit, letter of credit, or insurance

Sec. 13. Whenever the director determines that a previously approved bond, letter of credit, cash deposit, or previously approved insurance is insufficient, the director shall require an additional bond, letter of credit, cash deposit, or insurance to be given by the licensee in the form and upon the terms and conditions required by this chapter and rules adopted under this chapter.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.8; Acts 1975, P.L.277, SEC.9.) As amended by Acts 1979, P.L.249, SEC.7; P.L.125-1997, SEC.31.

IC 26-3-7-14
Cancellation of bond or insurance; approval; notice; suspension of license

Sec. 14. (a) A licensee may not cancel an approved bond or approved insurance unless the director has given prior written approval for the cancellation and has received a substitute cash deposit or has approved a substitute bond or insurance. The surety on a bond may cancel a bond required by this chapter only after the expiration of ninety (90) days from the date the surety mailed a notice of intent to cancel, by registered or certified mail, to the director. An insurance company may cancel insurance required by this chapter only after the expiration of a thirty (30) day period from

the mailing, by certified mail, of notice of intent to cancel, to the director. The surety and the insurance company shall, at the time of giving notice to the director, send a copy of the notice to the licensee.

(b) Notwithstanding any other provision of this chapter, the license of a licensee shall automatically be suspended for failure to:

(1) file a new bond, letter of credit, or cash deposit within the ninety (90) day period as provided in this section;

(2) file new evidence of insurance within the thirty (30) day period as provided in this section; or

(3) maintain at all times a bond or cash deposit and insurance as provided in this chapter.

The suspension shall continue until the licensee complies with the bonding and insurance requirements of this chapter.

(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by Acts 1979, P.L.249, SEC.8; P.L.125-1997, SEC.32.

IC 26-3-7-15

Grain inventories; sufficiency for outstanding warehouse receipts or other storage obligations

Sec. 15. (a) A licensee shall maintain inventories of sufficient quantity and grade of grain to meet the licensee's storage obligations.

(b) Inventories representing grain evidenced by outstanding warehouse receipts shall be maintained in the warehouse shown on the warehouse receipt issued by the warehouse in which the grain was originally deposited.

(c) Inventories representing storage obligations other than those evidenced by warehouse receipts may be represented by:

(1) receipts for grain stored in a facility licensed under this chapter;

(2) receipts in a warehouse licensed and bonded under the warehouse act; or

(3) other warehouse receipts or tickets as approved by the director.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.9.) As amended by Acts 1979, P.L.249, SEC.9; P.L.125-1997, SEC.33.

IC 26-3-7-16

Maintenance of minimum net worth

Sec. 16. (a) A licensee shall have and maintain a current asset to current liability ratio of one to one (1:1) and shall maintain, as evidenced by the financial statement required by section 6 of this chapter, the following minimum positive net worth:

(1) For a grain bank, minimum positive net worth is at least one hundred thousand dollars ($100,000).

(2) For a warehouse, minimum positive net worth is at least equal to the sum of:

(A) one hundred thousand dollars ($100,000); and

(B) ten cents ($0.10) multiplied by the bushel storage

capacity of the warehouse.

(3) For a grain buyer, minimum positive net worth is:

(A) one hundred thousand dollars ($100,000); or

(B) five cents ($0.05) multiplied by the total number of bushels of grain purchased by the grain buyer during the grain buyer's most recent fiscal year;

whichever is greater.

(4) For a buyer-warehouse that has a bushel storage capacity of less than one million (1,000,000) bushels or purchases less than one million (1,000,000) bushels of grain per year, minimum positive net worth is:

(A) the sum of:

(i) one hundred fifty thousand dollars ($150,000); and

(ii) ten cents ($0.10) multiplied by the bushel storage capacity of the buyer-warehouse; or

(B) five cents ($0.05) multiplied by the total number of bushels of grain purchased by the buyer-warehouse during the buyer-warehouse's most recent fiscal year;

whichever is greater.

(5) For a buyer-warehouse that has a bushel storage capacity of at least one million (1,000,000) bushels or purchases at least one million (1,000,000) bushels of grain per year, minimum positive net worth is:

(A) the sum of:

(i) two hundred thousand dollars ($200,000); and

(ii) ten cents ($0.10) multiplied by the bushel storage capacity of the buyer-warehouse; or

(B) five cents ($0.05) multiplied by the total number of bushels of grain purchased by the buyer-warehouse during the buyer-warehouse's most recent fiscal year;

whichever is greater.

(b) Except as provided in section 10 of this chapter, if a licensee is required to show additional net worth to comply with this section, the licensee may satisfy the requirement by adding to the amount of the bond, letter of credit, or cash deposit required under section 10 of this chapter an amount equal to the additional net worth required or provide another form of surety as permitted under the rules of the agency.

(c) The director may adopt rules under IC 4-22-2 to provide that a narrative market appraisal that demonstrates assets sufficient to comply with this section may satisfy the minimum positive net worth requirement.

(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by Acts 1979, P.L.249, SEC.10; P.L.125-1997, SEC.34; P.L.253-1997(ss), SEC.26; P.L.173-1999, SEC.7; P.L.64-2009, SEC.8; P.L.60-2015, SEC.11.

IC 26-3-7-16.1
Repealed

(Repealed by P.L.125-1997, SEC.57.)

IC 26-3-7-16.5
Determination of shortages; payment of claims; hearings and procedures

Sec. 16.5. (a) Upon learning of the possibility that a shortage exists, either as a result of an inspection or a report or complaint from a depositor, the agency, based on an on-premise inspection, shall make a preliminary determination as to whether a shortage exists. If a shortage is not discovered, the agency shall treat the audit as it would any other audit.

(b) If it is determined that a shortage may exist, the director or the director's designated representative shall hold a hearing as soon as possible to confirm the existence of a shortage as indicated by the licensee's books and records and the grain on hand. Only the licensee, the surety company named on the licensee's bond, the issuer of the irrevocable letter of credit, and any grain depositor who has made a claim or complaint to the agency in conjunction with the shortage shall be considered as interested parties for the purposes of that hearing, and each shall be given notice of the hearing. At the hearing, the director or the director's designated representative shall determine whether there appears to be a reasonable probability that a shortage exists. If it is determined that a reasonable probability exists and that the bond or letter of credit proceeds or the cash deposit should be distributed, a preliminary determination shall be entered to the effect that the licensee has failed to meet its obligations under this chapter or the rules adopted under this chapter. At the hearing, the director or the director's designated representative may order that all proceeds from grain sales are to be held in the form in which they are received and to be kept separate from all other funds held by the licensee. The order may also provide for informal conferences between agency representatives and persons who have or who appear to have grain deposited with the licensee. The surety company shall be permitted to participate in those conferences.

(c) In the event that the director determines that the bond or letter of credit proceeds or cash deposit is to be distributed, the agency shall hold a hearing on claims. Notice shall be given to the surety company named on the licensee's bond, the issuer of the irrevocable letter of credit, and to all persons shown by the licensee's books and records to have interests in grain deposited with the licensee. If the agency has actual knowledge of any other depositor or person claiming rights in the grain deposited with the licensee, the bond, the irrevocable letter of credit, or the cash deposit, notice shall also be provided to that person. In addition, public notice shall be provided in newspapers of general circulation that serve the counties in which licensed facilities are located, and notices shall be posted on the licensed premises. At the hearing on claims, the director may accept

as evidence of claims the report of agency representatives who in informal conferences with depositors have concluded that a claim is directly and precisely supported by the licensee's books and records. When there is disagreement between the claims of a depositor and the licensee's books and records, the director or the director's designated representative shall hear oral claims and receive written evidence of claims in order to determine the validity of the claim.

(d) Any depositor who does not present a claim at the hearing may bring the claim to the agency within fifteen (15) days after the conclusion of the hearing.

(e) Following the hearing on claims, the director shall make a determination as to the total proven storage obligation of the claimants and the loss sustained by each depositor who has proven a claim. Depositors found to have proven their claims shall be proven claimants. In arriving at that loss, in accordance with section 19 of this chapter, the director shall apply all grain on hand or its identifiable proceeds to meet the licensee's obligations to grain depositors of grain of that type. Initial determinations of loss shall be made on the amount of grain on hand, or identifiable proceeds, and shall reduce the amount to which a depositor may have a proven claim. With respect to the remaining unfulfilled obligations, the director shall, for the sole purpose of establishing each depositor's claim under this chapter, establish a date upon which the loss is discovered, shall price the grain as of that date, shall treat all outstanding grain storage obligations not covered by grain on hand or identifiable proceeds as being sold as of that date, and shall determine the extent of each depositor's loss as being the actual loss sustained as of that date. Grain of a specific type on the premises of a licensee must first be applied to meet the licensee's storage obligations with respect to that type of grain. If there is insufficient grain of a specific type on hand to meet all storage obligations with respect to that type of grain, the grain that is present shall be prorated in accordance with the procedures described in this section and section 16.8 of this chapter.

(f) Upon the failure of the agency to begin an audit, which would serve as the basis for a preliminary administrative determination, within forty-five (45) days of the agency's receipt of a written claim by a depositor, a depositor shall have a right of action upon the bond, letter of credit, or cash deposit. A depositor bringing a civil action need not join other depositors. If the agency has undertaken an audit within the forty-five (45) day period, the exclusive remedy for recovery against the bond, letter of credit, or cash deposit shall be through the recovery procedure prescribed by this section.

(g) When the proven claims exceed the amount of the bond, letter of credit, or cash deposit, recoveries of proven claimants shall be prorated in the same manner as priorities are prorated under section 16.8 of this chapter.

(h) The proceedings and hearings under this section may be

undertaken without regard to, in combination with, or in addition to those undertaken in accordance with section 17.1 of this chapter.

(i) The findings of the director shall be final, conclusive, and binding on all parties.

(j) The director may adopt rules under IC 4-22-2 to determine how the agency may distribute the interest that may accrue from funds held by the agency for the payment of claims.

(k) A claim of a licensee for stored grain may not be honored until the proven claims of all other claimants arising from the purchase, storage, and handling of the grain have been paid in full.

As added by Acts 1979, P.L.249, SEC.11. Amended by P.L.191-1991, SEC.8; P.L.125-1997, SEC.35; P.L.173-1999, SEC.8; P.L.75-2010, SEC.13.

IC 26-3-7-16.6
Procedures

Sec. 16.6. The procedures established by this chapter also apply when the director learns or has reason to believe that a person is doing business as a grain buyer, operating a warehouse, or acting as a buyer-warehouse without the license required by this chapter.

As added by Acts 1982, P.L.155, SEC.11. Amended by P.L.191-1991, SEC.9; P.L.139-1996, SEC.10; P.L.125-1997, SEC.36; P.L.173-1999, SEC.9.

IC 26-3-7-16.8
Liens on grain assets

Sec. 16.8. (a) A lien against all grain assets of a licensee or a person who is required to be licensed under this chapter attaches in favor of the following:

(1) A lender or other claimant that has a receipt for grain owned or stored by the licensee.

(2) A claimant that has a ticket or written evidence, other than a receipt, of a storage obligation of the licensee.

(3) A claimant that surrendered a receipt as part of a grain sales transaction if:

(A) the claimant was not fully paid for the grain sold; and

(B) the licensee failed less than twenty-one (21) days after the surrender of the receipt.

(4) A claimant that has other written evidence of a sale to the licensee of grain for which the claimant has not been fully paid.

(b) A lien under this section attaches and is effective at the earliest of the following:

(1) the delivery of the grain for sale, storage, or under a bailment;

(2) the commencement of the storage obligation; or

(3) the advancement of funds by a lender.

(c) A lien under this section terminates when the licensee discharges the claim.

(d) If a licensee has failed, the lien that attaches under this section is assigned to the agency by operation of this section. If a failed licensee is liquidated, a lien under this section continues to attach as a claim against the assets or proceeds of the assets of the licensee that are received or liquidated by the agency.

(e) Except as provided in subsection (g), if a licensee has failed, the power to enforce the lien on the licensee's grain assets transfers by operation of this section to the director and rests exclusively with the director who shall allocate and prorate the proceeds of the grain assets as provided in subsections (f) and (h).

(f) The priority of a lien that attaches under this section is not determined by the date on which the claim arose. If a licensee has failed, the director shall enforce lien claims and allocate grain assets and the proceeds of grain assets of the licensee in the following order of priority:

(1) First priority is assigned to the following:

(A) A lender or other claimant that has a receipt for grain owned or stored by the licensee.

(B) A claimant that has a ticket or written evidence, other than a receipt, of a storage obligation of the licensee.

(C) A claimant that surrendered a receipt as part of a grain sales transaction if:

(i) the claimant was not fully paid for the grain sold; and

(ii) the licensee failed less than twenty-one (21) days after the surrender of the receipt.

If there are insufficient grain assets to satisfy all first priority claims, first priority claimants shall share pro rata in the assets.

(2) Second priority is assigned to all claimants who have written evidence of the sale of grain, such as a ticket, a deferred pricing agreement, or similar grain delivery contract, and who completed delivery less than thirty (30) days before the licensee's failure. Claimants under this subdivision share pro rata in the remaining assets if all claimants under subdivision (1) have been paid but insufficient assets remain to fully satisfy all claimants under this subdivision.

(3) Third priority is assigned to all other claimants that have written evidence of the sale of grain to the failed licensee. Claimants under this subdivision share pro rata in the distribution of the remaining grain assets.

(g) If a claimant under this section brings an action to recover grain assets that are subject to a lien under this section and the agency does not join the action, the director shall, upon request of the claimant, assign the lien to the claimant in order to allow the claimant to pursue the claim to the extent that the action does not delay the resolution of the matter by the agency, the prompt liquidation of the assets, or the ultimate distribution of assets to all claimants.

(h) If:

(1) a claimant engaged in farming operations granted to one (1) or more secured parties one (1) or more security interests in the grain related to the claimant's claim under this section; and

(2) one (1) or more secured parties described in subdivision (1) have given to:

(A) the licensee prior written notice of the security interest under IC 26-1-9.1-320(a)(1) or IC 26-1-9-307(1)(a) before its repeal; and

(B) the director prior written notice of the security interest with respect to the grain described in subdivision (1) sufficient to give the director a reasonable opportunity to cause the issuance of a joint check under this subsection;

the director shall pay the claimant described in subdivision (1) the portion of the proceeds of grain assets under subsection (e) to which the claimant is entitled under this section by issuance of a check payable jointly to the order of the claimant and any secured party described in subdivision (1) who has given the notices described in subdivision (2). If only one (1) secured party described in subdivision (1) is a payee, the rights of the secured party in the check shall be to the extent of the indebtedness of the claimant to the secured party. If two (2) or more secured parties described in subdivision (1) are payees, the nature, extent, and priority of their respective rights in the check are determined in the same manner as the nature, extent, and priority of their respective security interest under IC 26-1-9.1.

As added by P.L.125-1997, SEC.37. Amended by P.L.115-1999, SEC.1; P.L.173-1999, SEC.10; P.L.1-2002, SEC.101; P.L.75-2010, SEC.14.

IC 26-3-7-17
Repealed

(Repealed by Acts 1979, P.L.249, SEC.18.)

IC 26-3-7-17.1
Possible violations; powers of director; procedures

Sec. 17.1. (a) Whenever the director, as a result of an inspection or otherwise, has reasonable cause to believe that a person to which this chapter is or may be applicable:

(1) is conducting business contrary to this chapter or in an unauthorized manner; or

(2) has failed, neglected, or refused to observe or comply with any order, rule, or published policy statement of the agency;

then the director may undertake any one (1) of the actions prescribed by this section.

(b) Upon learning of the possibility that a licensee is acting as described in subsection (a), the director or the director’s designated representative may seek an informal meeting with the licensee. At that meeting, which shall be held at a time and place agreed to by the

licensee and the director, the director or the director's designated representative shall discuss the possible violations and may enter into a consent agreement with the licensee under which the licensee agrees to undertake, or to cease, the activities that were the subject of the meeting. The consent agreement may provide for a time frame within which the licensee must be in compliance.

(c) Upon learning of the possibility that a person is acting as described in subsection (a), the director, except as otherwise provided in this subsection, shall hold a hearing to determine whether a cease and desist order should issue against a licensee or an unlicensed person undertaking activities covered by this chapter. If the director determines that the violation or the prohibited practice is likely to cause immediate insolvency or irreparable harm to depositors, the director, without notice, may issue a temporary cease and desist order requiring the person to cease and desist from that violation or practice. The order shall become effective upon service on the person and shall remain effective and enforceable pending the completion of all administrative proceedings.

(d) Upon a determination, after a hearing held by the director or the director's designated representative, that a person is acting as described in subsection (a), the director may suspend, revoke, or deny a license. If the director suspends, revokes, or denies a license, the director shall publish notice of the suspension, revocation, or denial as provided in section 17.5 of this chapter.

(e) If the director has reasonable cause to believe that a licensee is acting as described in subsection (a) and determines that immediate action without an opportunity for a hearing is necessary in order to safeguard depositors, the director may suspend a license temporarily without a hearing for a period not to exceed twenty (20) days. When a license is suspended without a hearing, the director or the director's designated representative shall grant an opportunity for a hearing as soon as possible.

As added by Acts 1979, P.L.249, SEC.12. Amended by P.L.191-1991, SEC.10; P.L.125-1997, SEC.38.

IC 26-3-7-17.5

Notice of suspension or revocation of license; notice of denial of application

Sec. 17.5. (a) Whenever the license of a licensee is suspended or revoked, the director shall:

(1) for each facility operated by the licensee, publish a public notice in a newspaper of general circulation that serves the county in which the facility is located; and

(2) cause notice of the suspension or revocation to be posted at the facilities covered by the license.

(b) Whenever an application for licensure under this chapter is denied, the director may:

(1) for each facility operated by the applicant, publish a public

notice in a newspaper of general circulation that serves the county in which the facility is located; and

(2) cause notice of the denial to be posted at the applicant's facilities.

(c) A notice posted under this section may not be removed without the written permission of the director.

(d) The director shall adopt rules under IC 4-22-2 to determine the content of the notices required by this section.

As added by P.L.125-1997, SEC.39. Amended by P.L.60-2015, SEC.12.

IC 26-3-7-18

Revocation, expiration, or suspension of license; effect upon operation

Sec. 18. (a) When a license is revoked, the licensee shall terminate in the manner prescribed by the director all arrangements covering the grain in the facility covered by the license, but shall be permitted, under the direction and supervision of the director or the director's designated representative, to deliver grain previously received.

(b) During any suspension of a license, the licensee may, under the direction and supervision of the director or the director's designated representative, operate the facility, but shall not incur any additional obligations to producers.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.11.) As amended by Acts 1979, P.L.249, SEC.13; Acts 1982, P.L.155, SEC.12; P.L.191-1991, SEC.11; P.L.125-1997, SEC.40.

IC 26-3-7-19

Receipt of grain; ownership of deposited grain

Sec. 19. (a) A licensee shall issue a receipt or ticket for grain received. Grain received by a licensee shall be credited to the depositor on the books of the licensee within seven (7) days from the date of its delivery. If a ticket is issued on delivery of the grain for storage, a receipt shall be issued on demand, but no receipt shall be issued on grain bank grain.

(b) The licensee is a bailee with respect to all stored grain. The person whose name appears on a receipt or a ticket has title to the stored grain evidenced by the receipt or ticket.

(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by Acts 1979, P.L.249, SEC.14; Acts 1982, P.L.155, SEC.13; P.L.125-1997, SEC.41.

IC 26-3-7-20

Grain owned by licensee; receipts; transfer

Sec. 20. A licensee may issue a receipt for grain owned by the licensee in whole or in part, located in the licensee's facility. The negotiation, transfer, sale, or pledge of the receipt shall not be

defeated by reason of the licensee's ownership.
(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by P.L.3-1989, SEC.150; P.L.125-1997, SEC.42.

IC 26-3-7-21
Uniform Warehouse Receipts Act; application to transactions

Sec. 21. Except as provided by this chapter, and regardless of whether the grain was received for storage, shipping, or handling, IC 26-3-2 applies to all transactions involving or incidental to the issuance, negotiation, transfer, sale, endorsement, or other dealings with receipts, to transactions involving delivery or other disposition of grain, and to the rights, duties, liabilities, and privileges of licensees or others dealing with licensees.
(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by Acts 1982, P.L.155, SEC.14; P.L.125-1997, SEC.43.

IC 26-3-7-22
Commingling of grain

Sec. 22. Different lots of the same type of grain delivered to a licensee may be commingled by type of grain unless the receipt or ticket states that the identity of the lot of grain is to be preserved.
(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by P.L.125-1997, SEC.44.

IC 26-3-7-23
Return of grain to depositor

Sec. 23. Upon demand, after payment of all applicable charges, grain shall be returned to the depositor at the licensed facility where the grain was received unless agreed otherwise in writing.
(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.12.) As amended by P.L.125-1997, SEC.45.

IC 26-3-7-24
Duplicate receipts; restriction; requisites; bond

Sec. 24. While a receipt or ticket issued under this chapter is outstanding and uncancelled by the issuing licensee, no other receipt or ticket shall be issued for the grain or any part of the grain that is covered by the receipt or ticket. However, if a receipt or ticket is lost, stolen, or destroyed the owner of the receipt or ticket is entitled to a new receipt that is a duplicate of the missing receipt or a new ticket that is a substitute for the missing ticket. The duplicate receipt or substitute ticket entitles the owner to all rights appertaining to the document for which it was issued, and shall state that it is in lieu of the former receipt or ticket and give the number and date of the former receipt or ticket. If the missing document was a negotiable receipt, the issuing licensee shall require an indemnity bond of double the market value of the grain covered by the missing receipt in a form and with the surety that the director may prescribe to fully

protect all rights under the missing receipt.
(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by P.L.125-1997, SEC.46.

IC 26-3-7-25
Terms of receipts

Sec. 25. Every warehouse receipt issued, whether paper or electronic, shall embody within its terms the following:

(1) The type, grade, and quantity of the grain stored as established by the official grain standards of the United States, unless:

(A) the identity of the grain is preserved in a special pile or special bin or otherwise; and

(B) a mark identifying the preserved grain appears on the face of the receipt.

(2) A statement that the receipt is issued subject to the Indiana Grain Buyers and Warehouse Licensing and Bonding Law, IC 26-3-7, and rules adopted under the Indiana Grain Buyers and Warehouse Licensing and Bonding Law.

(3) A clause that reserves to the licensee the right to terminate storage and collect outstanding charges against any lot of grain that remains in storage after June 30 following the date of the receipt.

(4) A clause that reserves to the licensee the right to terminate storage, shipping, and handling arrangements and collect outstanding charges upon the revocation of the licensee's license.

(5) Other terms and conditions as provided in the Uniform Warehouse Receipts Acts. However, nothing contained in the Uniform Warehouse Receipts Act shall require a receipt issued for grain to specifically state the variety of the grain by name.

(6) A clause that terminates storage on the date the license held by the licensee when the receipt was issued expires and reserves to the licensee the right to collect outstanding charges against any lot of grain.

(7) Other provisions prescribed by the director.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.13.) As amended by P.L.125-1997, SEC.47; P.L.173-1999, SEC.11.

IC 26-3-7-26
Terms of tickets

Sec. 26. Every ticket issued shall embody within its terms:

(1) the name of the licensee to whom the grain was delivered;

(2) the date the grain was delivered;

(3) exact information concerning the type, net weight, and grade factors of the grain received;

(4) a statement that the grain described in the ticket is to be taken into storage, is being delivered on contract, or is to be

sold under other arrangements;

(5) the name of the owner of the grain; and

(6) other provisions prescribed by the director.

The director may adopt rules under IC 4-22-2 to exempt certain types of grain from these requirements.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1975, P.L.277, SEC.10.) As amended by Acts 1982, P.L.155, SEC.15; P.L.125-1997, SEC.48; P.L.173-1999, SEC.12.

IC 26-3-7-27

Repealed

(Repealed by P.L.125-1997, SEC.57.)

IC 26-3-7-28

Records and accounts; retention

Sec. 28. A licensee shall keep in a place of safety complete and correct records and accounts pertaining to the licensee's grain business. The licensee shall retain records and accounts for not less than six (6) years from the date of the final settlement of the transaction.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.14.) As amended by P.L.125-1997, SEC.49.

IC 26-3-7-29

Display of license or permit; schedule of charges; sign

Sec. 29. A licensee shall:

(1) conspicuously display the licensee's license in the licensee's main office and at each facility included under the license;

(2) conspicuously display in each operational office the approved schedule of charges for services; and

(3) conspicuously display at each facility all charts and diagrams provided to the facility by the agency.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.15.) As amended by Acts 1982, P.L.155, SEC.17; P.L.125-1997, SEC.50.

IC 26-3-7-30

Receipt forms; requests; cost; requisites for accountability

Sec. 30. All receipt forms shall be supplied by the director except where the director, in writing, approves the form and gives permission to a warehouse operator to have receipts printed. Requests for receipts shall be on forms furnished by the director and shall be accompanied by payment to cover the estimated cost of printing, packaging, and shipping, as determined by the director. Where privately printed, the printer shall furnish the director an affidavit showing the amount of the receipts printed, and the serial numbers thereof. All receipts remaining unused shall be recovered by the director or the director's designated representative if the license required by this chapter is terminated or suspended.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.16.) As amended by P.L.173-1999, SEC.13; P.L.64-2009, SEC.9.

IC 26-3-7-31
Grain shortages; appointment of receiver

Sec. 31. (a) Whenever it appears to the satisfaction of the director that a licensee cannot meet the licensee's outstanding grain obligations owed to depositors, or when a licensee refuses to submit the licensee's records or property to lawful inspection, the director may give notice to the licensee to do any of the following:

(1) Cover the shortage with grain that is fully paid for.

(2) Give additional bond, letter of credit, or cash deposit as required by the director.

(3) Submit to inspection as the director may deem necessary.

(b) If the licensee fails to comply with the terms of the notice within five (5) business days from the date of its issuance, or within an extension of time that the director may allow, the director may petition the circuit court, superior court, or probate court of the Indiana county where the licensee's principal place of business is located seeking the appointment of a receiver. If the court determines in accordance with IC 32-30-5 that a receiver should be appointed, upon the request of the licensee the court may appoint the agency or its representative to act as receiver. The agency or its representative shall not be appointed as receiver except upon the request of the licensee. If the agency or its representative is appointed, any person interested in an action as described in IC 32-30-5-2 may after twenty (20) days request that the agency or its representative be removed as receiver. If the agency or its representative is not serving as receiver, the receiver appointed shall meet and confer with representatives of the agency regarding the licensee's grain related obligations and, before taking any actions regarding those obligations, the receiver and the court shall consider the agency's views and comments.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.17.) As amended by Acts 1979, P.L.249, SEC.15; P.L.125-1997, SEC.51; P.L.1-1998, SEC.139; P.L.173-1999, SEC.14; P.L.2-2002, SEC.80; P.L.84-2016, SEC.115.

IC 26-3-7-32
Injunctions; unlawful removal of grain; temporary restraining orders

Sec. 32. (a) The director may apply for, and the courts of this state are vested with jurisdiction to issue, a temporary or permanent injunction against the business operation of a licensee, or the issuance of receipts or tickets without a license and against interference by any person with the director, the director's designated representative, or a receiver appointed under section 31 of this chapter, in the performance of their duties and powers under this chapter.

(b) Upon a determination by the director that there is reasonable cause to believe that a licensee is unable to meet the licensee's storage or other grain obligations, and that the licensee is removing, or the director has reasonable cause to believe that the licensee may remove, grain from the licensed premises, the director may, under the conditions provided in, and in accordance with, the Indiana Rules of Trial Procedure, seek from the circuit court, superior court, or probate court of the Indiana county in which the licensee has the licensee's principal place of business a temporary restraining order preventing the further sale or movement of any grain and requiring that proceeds from grain sales received after the issuance of the temporary restraining order should be held in the form in which they are received by the licensee and kept separate from all other funds held by the licensee.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.18.) As amended by Acts 1979, P.L.249, SEC.16; Acts 1982, P.L.155, SEC.18; P.L.191-1991, SEC.12; P.L.125-1997, SEC.52; P.L.84-2016, SEC.116.

IC 26-3-7-33

Examination of warehouse; fee; expenses

Sec. 33. In addition to all other inspections and investigations authorized by this chapter, the director or the director's designated representative may, upon request of any person having an interest in grain in a licensed warehouse, cause the warehouse to be examined. The director or the director's representative may check the outstanding receipts and tickets against the grain on hand and advise each depositor of any shortage with respect to any grain in which the person has an interest. If the cost of the examination is more than twenty-five dollars ($25.00), the person requesting the examination shall pay the additional cost to the director unless a shortage is found to exist.

(Formerly: Acts 1973, P.L.268, SEC.1; Acts 1974, P.L.120, SEC.19.) As amended by P.L.125-1997, SEC.53.

IC 26-3-7-34

Violations

Sec. 34. (a) A person who knowingly or intentionally violates or fails to comply with this chapter commits a Class A misdemeanor. Each day a person violates this chapter constitutes a separate violation.

(b) A person who knowingly or intentionally issues a receipt or ticket, knowing that the grain for which the receipt or ticket is issued has not been actually received at the licensed warehouse, commits a Class A misdemeanor. A person who issues a duplicate, or additional negotiable receipt for grain, knowing that a former negotiable receipt for the same grain or any part of the grain is outstanding and uncancelled, except in the case of a lost, stolen, or destroyed receipt,

as provided in section 24 of this chapter, commits a Class A misdemeanor. A person who fraudulently represents, alters, or counterfeits any license provided for in this chapter commits a Level 6 felony.

(c) Except in case of sale or other disposition of the grain in lawful enforcement of the lien on grain that attaches under this chapter or on a licensee's lawful termination of storage, shipping, or handling agreements, or except as permitted by the rules adopted by the director under IC 4-22-2 to effectuate the purposes of this chapter:

(1) a person who knowingly or intentionally delivers grain out of a licensed facility, knowing that a negotiable receipt, the negotiation of which would transfer the right of possession of the grain is outstanding and uncancelled, without obtaining the possession of the receipt at or before the time of delivery, commits a Level 6 felony; and

(2) a person who knowingly or intentionally delivers grain out of a licensed facility, knowing that a non-negotiable receipt or ticket is outstanding and uncancelled, without the prior written approval of the person lawfully entitled to delivery under the non-negotiable receipt or ticket and without delivery being shown on the appropriate records of the licensee, commits a Level 6 felony.

(d) A person who fraudulently issues a receipt, a ticket, or a weight or grade certificate, knowing that it contains a false statement, or who issues a receipt for grain owned solely or jointly by the person and does not state the fact of the person's ownership in the receipt, commits a Class A misdemeanor.

(e) A person who recklessly changes a receipt or ticket subsequent to issuance, except for notation by the licensee of partial delivery, commits a Class B misdemeanor.

(f) A person who knowingly or intentionally deposits grain to which the person does not have title or upon which there is a lien or mortgage and who accepts for the grain a receipt or ticket, without disclosing the lack of title or the existence of the lien or mortgage, commits a Level 6 felony.

(g) A person commits a Class A misdemeanor who knowingly or intentionally:

(1) engages in the business of being a grain buyer or operates a warehouse without a valid license issued by the director;

(2) engages in the business of being a grain buyer or operates a warehouse without a sufficient cash deposit, letter of credit, or surety bond on file with and in a form approved by the director; or

(3) engages in the business of being a grain buyer or operates a warehouse while in violation of the rules adopted by the director.

(h) A person commits a Class A misdemeanor who willfully

makes or causes to be made a false entry or statement of fact in an application or report filed with the director.

(i) A person who is not in compliance with section 3(a)(11) of this chapter may be subject to a fine imposed by the agency of not more than twenty thousand dollars ($20,000), or the suspension of the grain buyer's license for not more than five (5) years, or both.

(j) The director may suspend or revoke the license of a licensee that uses an unlicensed facility to store or handle grain or commits another violation of this chapter.

(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by Acts 1978, P.L.2, SEC.2608; Acts 1979, P.L.249, SEC.17; Acts 1981, P.L.232, SEC.2; Acts 1982, P.L.155, SEC.19; P.L.139-1996, SEC.11; P.L.125-1997, SEC.54; P.L.158-2013, SEC.295.

IC 26-3-7-35

Grain buyer license required

Sec. 35. A person licensed under the warehouse act must also have a valid grain buyer license to do business in Indiana as a grain buyer.

(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by P.L.191-1991, SEC.13; P.L.125-1997, SEC.55.

IC 26-3-7-36

Deposit of fees

Sec. 36. All fees received by the director under this chapter shall be deposited within thirty (30) days of receipt.

(Formerly: Acts 1973, P.L.268, SEC.1.) As amended by Acts 1979, P.L.17, SEC.53; P.L.139-1996, SEC.12.

IC 26-3-8

Chapter 8. Self-Service Storage Facilities

IC 26-3-8-0.5

"Electronic mail"

Sec. 0.5. As used in this chapter, "electronic mail" means the transmission, by use of a computer or through other electronic means, of information or a communication that is sent to a person identified by a unique address.

As added by P.L.144-2014, SEC.1.

IC 26-3-8-1

"Default"

Sec. 1. As used in this chapter, "default" means the failure of a renter to perform, in a timely fashion, any duty imposed by section 10 of this chapter or by a rental agreement.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-2

"Emergency"

Sec. 2. As used in this chapter, "emergency" means any sudden, unexpected occurrence or circumstance at or near a self-service storage facility that requires immediate action to avoid injury to persons or property at or near the self-service storage facility.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-3

"Last known address"

Sec. 3. As used in this chapter, "last known address" means the postal address or electronic mail address provided to the owner by the renter:

(1) for the purposes of the latest rental agreement; or

(2) in a written notice of a change of postal address or electronic mail address after the latest rental agreement.

As added by P.L.265-1987, SEC.1. Amended by P.L.144-2014, SEC.2.

IC 26-3-8-4

"Rented space"

Sec. 4. As used in this chapter, "rented space" means the individual storage space at a self-service storage facility that is rented to a renter under a rental agreement.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-5

"Renter"

Sec. 5. As used in this chapter, "renter" means:

(1) a person who is entitled to the use of a rented space in a

self-service storage facility under a rental agreement; or

(2) the sublessee, successor, or assignee of a person described in subdivision (1).

As added by P.L.265-1987, SEC.1.

IC 26-3-8-6
"Owner"

Sec. 6. As used in this chapter, "owner" means:

(1) the owner, operator, lessor, or sublessor of a self-service storage facility;

(2) the agent of a person described in subdivision (1); or

(3) any person authorized by a person described in subdivision (1) to manage a self-service storage facility or to receive rent from a renter under a rental agreement.

As added by P.L.265-1987, SEC.1. Amended by P.L.5-1988, SEC.140.

IC 26-3-8-7
"Personal property"

Sec. 7. As used in this chapter, "personal property" means movable property not affixed to land. The term includes goods, wares, merchandise, household items, motor vehicles, and watercraft.

As added by P.L.265-1987, SEC.1. Amended by P.L.144-2014, SEC.3.

IC 26-3-8-8
"Rental agreement"

Sec. 8. As used in this chapter, "rental agreement" means any written agreement or lease that establishes or modifies the terms under which a renter may store personal property in a rented space in a self-service storage facility.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-9
"Self-service storage facility"

Sec. 9. As used in this chapter, "self-service storage facility" means any real property designed and used for the renting of space under a rental agreement that provides a renter access to rented space for the storage and retrieval of personal property.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-9.5
"Verified mail"

Sec. 9.5. As used in this chapter, "verified mail" means any method of mailing that:

(1) is offered by the United States Postal Service or a private delivery service; and

(2) provides evidence of mailing.

As added by P.L.144-2014, SEC.4.

IC 26-3-8-10
Entry of owner into rented space

Sec. 10. A renter, upon a reasonable request from the owner, shall allow the owner to enter a rented space for the purpose of:

(1) inspection;
(2) repair;
(3) alteration;
(4) improvement; or
(5) providing other services that are necessary or were agreed to by the renter.

If an emergency occurs, an owner may enter a rented space for any purpose set forth in this section without notice to or consent from the renter.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-11
Lien of owner of facility upon personal property; priority; attachment; statement

Sec. 11. (a) The owner of a self-service storage facility has a lien upon all personal property present in the self-service storage facility for:

(1) rent, labor, or other charges that accrue in connection with the personal property under the rental agreement;
(2) expenses necessary for the preservation of the personal property; and
(3) expenses reasonably incurred in the sale or other disposition of the personal property under this chapter.

(b) The lien described in subsection (a) is superior to any other lien or security interest, except for:

(1) a lien or security interest perfected before any sale or other disposition of the personal property; and
(2) any tax lien, as provided by law.

(c) The lien described in subsection (a) attaches on the date on which personal property is placed in a rented space. Every rental agreement must contain a statement in bold type notifying the renter of the existence of the lien and of the method by which the owner may enforce the lien under this chapter.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-12
Enforcement of owner's lien; notice; towing of motor vehicle or watercraft

Sec. 12. (a) After a renter has been in default continuously for at least thirty (30) days, an owner may begin enforcement of the owner's lien under this chapter.

(b) An owner enforcing the owner's lien under this chapter may:

(1) deny the renter access to the rented space; and

(2) move the renter's personal property from the rented space to another storage space pending the redemption, sale, or other disposition of the personal property under this chapter.

(c) An owner enforcing the owner's lien shall send the renter, by electronic mail or verified mail and addressed to the last known address of the renter, a written notice that includes:

(1) an itemized statement of the owner's claim showing the amount due at the time of the notice and the date when the amount became due;

(2) a demand for payment of the amount due before a specified time at least thirty (30) days after the date of the mailing of the notice;

(3) a statement that the contents of the renter's rented space are subject to the owner's lien;

(4) a statement advising the renter that the owner has denied the renter access to the rented space, if the owner has done this under subsection (b);

(5) a statement advising the renter that the owner has removed the renter's personal property from the rented space to another suitable storage space, if the owner has done this under subsection (b);

(6) the name, street address, and telephone number of the owner or of any other person the renter may contact to respond to the notice; and

(7) a conspicuous statement that unless the owner's claim is paid within the time stated under subdivision (2), the personal property:

(A) will:

(i) be advertised to be sold in a manner permitted under section 15 of this chapter; or

(ii) be otherwise disposed of;

at a specified place (if applicable) and time, which must be at least ninety (90) days after the renter's default; or

(B) will be disposed of in the manner described in subsection (d), if:

(i) the renter's personal property stored in the rented space is a motor vehicle or watercraft; and

(ii) the owner chooses to dispose of the renter's motor vehicle or watercraft in the manner permitted under subsection (d).

(d) If:

(1) the renter's personal property stored in the rented space is a motor vehicle or watercraft; and

(2) the renter does not pay the owner's claim within the time specified in subsection (c)(2);

as an alternative to conducting a sale under section 15 of this chapter, the owner may cause the renter's motor vehicle or watercraft to be

towed or removed from the self-service storage facility.

(e) Any sale or other disposition of the personal property undertaken by the owner to enforce the owner's lien must be conducted in the same manner, and at the same place (if applicable) and time, specified by the owner in the notice given under subsection (c)(7).

As added by P.L.265-1987, SEC.1. Amended by P.L.144-2014, SEC.5.

IC 26-3-8-13

Redemption of personal property

Sec. 13. Before any sale or other disposition of the personal property under this chapter, the renter may redeem the personal property by paying the owner an amount sufficient to satisfy the owner's lien. Upon the payment of this amount, the owner shall immediately return the personal property to the renter. After returning the personal property under this section, the owner has no liability to any person with respect to the personal property.

As added by P.L.265-1987, SEC.1.

IC 26-3-8-14

Sale of personal property; advertisement; notice of other disposition

Sec. 14. (a) After the expiration of the time stated in the owner's notice under section 12(c)(2) of this chapter, if the personal property has not been otherwise disposed of in a manner described in section 12(c)(7)(A)(ii) or 12(c)(7)(B) of this chapter, an owner enforcing the owner's lien shall prepare for a sale of the personal property under this section.

(b) Except as otherwise permitted under subsection (c), the owner shall cause an advertisement of sale to be published one (1) time before the date of the sale in a newspaper of general circulation in the county in which the self-service storage facility is located. The advertisement must include:

(1) a statement that the personal property stored in the renter's rented space will be sold to satisfy the owner's lien;

(2) the address of the self-service storage facility, the number or other designation (if any) of the space where the personal property is located, and the name of the renter;

(3) the manner of the sale; and

(4) the time and place of the sale, as applicable.

(c) As an alternative to the publication described in subsection (b), the owner may advertise the sale in any other commercially reasonable manner that is likely to attract at least three (3) independent bidders to the sale. An advertisement by an alternative method permitted under this section must include the information required under subsection (b)(1) through (b)(4).

(d) The sale must be held at least ten (10) days after:

(1) the publication under subsection (b); or

(2) the first publication, transmission, or communication of an advertisement under subsection (c);

as applicable. If, after the publication, transmission, or other communication of notice under this section, the sale of the personal property is not consummated, the owner shall notify the renter in writing at the renter's last known address of the other disposition the owner intends for the property.

As added by P.L.265-1987, SEC.1. Amended by P.L.144-2014, SEC.6.

IC 26-3-8-15

Sale of personal property at physical location or through Internet; owner as buyer; proceeds of sale

Sec. 15. (a) Any sale of the personal property under this chapter shall be held:

(1) at the self-service storage facility or, if that facility is not a suitable place for a sale, at the suitable place nearest to where the property is held or stored; or

(2) through a publicly accessible Internet web site.

(b) The owner may buy the personal property at any sale under this chapter.

(c) An owner may satisfy the owner's lien from the proceeds of a sale under this chapter. If the proceeds of a sale under this chapter exceed the amount of the owner's lien, the owner shall hold the balance for delivery, upon demand, to the renter. If the renter does not claim the balance of the proceeds within one (1) year after the sale, the balance shall be treated as unclaimed property under IC 32-34-1.

As added by P.L.265-1987, SEC.1. Amended by P.L.31-1995, SEC.6; P.L.2-2002, SEC.81; P.L.144-2014, SEC.7.

IC 26-3-8-16

Rights and obligations of parties; limit on value of property stored

Sec. 16. (a) This chapter does not impair the power of the parties to a rental agreement to create rights, duties, or obligations that do not arise from this chapter. The rights provided to an owner by this chapter are in addition to all other rights provided by law to a creditor against a debtor.

(b) A rental agreement may specify a limit on the value of personal property that may be stored in a renter's rented space. If a rental agreement specifies a limit on the value of stored personal property under this subsection, the limit specified in the rental agreement is considered the maximum value of the renter's personal property stored in the renter's rented space.

As added by P.L.265-1987, SEC.1. Amended by P.L.144-2014, SEC.8.

IC 26-4

ARTICLE 4. GRAIN INDEMNITY PROGRAM

IC 26-4-1

Chapter 1. Applicability and Definitions

IC 26-4-1-1

Applicability of law

Sec. 1. This article applies to a grain buyer (as defined in section 14 of this chapter).

As added by P.L.250-1995, SEC.1.

IC 26-4-1-2

Applicability of definitions

Sec. 2. The definitions in this chapter apply throughout this article.

As added by P.L.250-1995, SEC.1.

IC 26-4-1-3

"Agency"

Sec. 3. "Agency" refers to the Indiana grain buyers and warehouse licensing agency established under IC 26-3-7.

As added by P.L.250-1995, SEC.1. Amended by P.L.125-1997, SEC.56.

IC 26-4-1-4

"Board"

Sec. 4. "Board" means the governing body of the Indiana grain indemnity corporation created by IC 26-4-3-2.

As added by P.L.250-1995, SEC.1.

IC 26-4-1-5

"Claimant"

Sec. 5. "Claimant" means a producer that:

(1) is a participant in the grain indemnity program;

(2) possesses a claim resulting from a failure of a licensed grain buyer or warehouse; and

(3) has a claim that has been adjudicated by the agency under IC 26-3-7-16.5.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.15.

IC 26-4-1-6

"Cooperative agreement"

Sec. 6. "Cooperative agreement" means an agreement made by the board as may be reasonable and proper to carry out the provisions of this article.

As added by P.L.250-1995, SEC.1.

IC 26-4-1-7
"Corporation"

Sec. 7. "Corporation" means the Indiana grain indemnity corporation established by IC 26-4-3-1.

As added by P.L.250-1995, SEC.1.

IC 26-4-1-8
"Deferred pricing"

Sec. 8. "Deferred pricing" means a purchase by a buyer where title to the grain passes to the buyer, in which the actual dollar price to be paid to the seller is not to be determined at the time the grain is received by the buyer or less than twenty-one (21) days of that receipt.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.16.

IC 26-4-1-9
"Director"

Sec. 9. "Director" means the director of the agency (as defined in section 3 of this chapter).

As added by P.L.250-1995, SEC.1.

IC 26-4-1-10
"Failed" or "failure"

Sec. 10. "Failed" or "failure" means any of the following:

(1) An inability of a licensee to financially satisfy fully all obligations due a claimant.

(2) A public declaration of a licensee's insolvency.

(3) The nonpayment of a licensee's debts in the ordinary course of business if there is not a good faith dispute.

(4) Revocation or suspension of a licensee's license, if the licensee has outstanding indebtedness owed to claimants.

(5) Voluntary surrender of a licensee's license, if the licensee has outstanding indebtedness to claimants.

(6) Involuntary or voluntary bankruptcy of a licensee.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.17; P.L.42-2011, SEC.61.

IC 26-4-1-11
"Financial loss"

Sec. 11. "Financial loss" means a loss resulting from a producer not being fully paid for grain that has been delivered and sold to a grain buyer, net of any outstanding charges against the grain.

As added by P.L.250-1995, SEC.1.

IC 26-4-1-12
"Fund"

Sec. 12. "Fund" means the Indiana grain indemnity fund

established under IC 26-4-4-1.
As added by P.L.250-1995, SEC.1.

IC 26-4-1-13
"Grain"
Sec. 13. "Grain" means corn for all uses, popcorn, wheat, oats, rye, soybeans, barley, sorghum, oil seeds, other agricultural commodities as approved by the agency, and seed (as defined in IC 26-3-7-2(24)). The term does not include canning crops for processing, sweet corn, or flint corn.
As added by P.L.250-1995, SEC.1. Amended by P.L.173-1999, SEC.15; P.L.1-2006, SEC.484; P.L.75-2010, SEC.18; P.L.60-2015, SEC.13.

IC 26-4-1-14
"Grain buyer"
Sec. 14. "Grain buyer" means a person licensed under IC 26-3-7 who is engaged in Indiana in the business of buying grain from producers.
As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.19.

IC 26-4-1-15
"Grain indemnity program"
Sec. 15. "Grain indemnity program" means the system created by this article to have the board pay money out of the fund to producers having losses due to a failure.
As added by P.L.250-1995, SEC.1.

IC 26-4-1-16
"Participant in the grain indemnity program"
Sec. 16. "Participant in the grain indemnity program" means a producer who has never requested a refund under IC 26-4-5-1, or has reentered the program under IC 26-4-5-2.
As added by P.L.250-1995, SEC.1. Amended by P.L.268-2001, SEC.1.

IC 26-4-1-17
"Person"
Sec. 17. "Person" means a natural person, partnership, firm, association, corporation, limited liability company, or other business organization.
As added by P.L.250-1995, SEC.1.

IC 26-4-1-18
"Producer"
Sec. 18. "Producer" means an owner of land, a tenant on land, or an operator of a farm that has an interest in and receives all or any

part of the proceeds from the sale in Indiana of the grain produced.
As added by P.L.250-1995, SEC.1.

IC 26-4-1-19
"Producer premium"
Sec. 19. "Producer premium" means the amount of money charged to and collected from a producer under IC 26-4-4-4 that qualifies the producer to be a part of the grain indemnity program.
As added by P.L.250-1995, SEC.1.

IC 26-4-1-19.5
"Seed"
Sec. 19.5. "Seed", notwithstanding IC 15-15-1, means grain set apart to be used primarily for the purpose of producing new plants.
As added by P.L.173-1999, SEC.16. Amended by P.L.2-2008, SEC.68.

IC 26-4-1-20
"Storage loss"
Sec. 20. "Storage loss" means a loss to a storage depositor resulting from a failed warehouse operator not fully satisfying the warehouse operator's storage obligation to the depositor, net of any outstanding charges against the grain.
As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.20.

IC 26-4-1-21
"United States Warehouse Act"
Sec. 21. "United States Warehouse Act" means the United States Warehouse Act, enacted August 11, 1916, as amended.
As added by P.L.250-1995, SEC.1.

IC 26-4-1-22
Repealed
(As added by P.L.250-1995, SEC.1. Amended by P.L.173-1999, SEC.17. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-1-23
"Warehouse"
Sec. 23. "Warehouse" means any building or other protected enclosure in one (1) general location that is licensed or required to be licensed under IC 26-3-7 in which grain is or may be:
(1) stored for hire;
(2) used for grain bank storage; or
(3) used to store company owned grain;
and the building or other protected enclosure is operated under one (1) ownership and run from a single office.
As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010,

SEC.21.

IC 26-4-1-24
"Warehouse operator"

Sec. 24. "Warehouse operator" means a person who operates a facility or group of facilities:

(1) in which grain is or may be stored for hire; or

(2) that is used for grain bank storage;

and that is operated under one (1) ownership and run from a single office that holds a valid license under IC 26-3-7 or the United States Warehouse Act.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.22.

IC 26-4-1-25
"Warehouse receipt"

Sec. 25. "Warehouse receipt" means any of the following:

(1) A warehouse receipt issued under the Public Grain Warehouse and Warehouse Receipts Act in accordance with the Uniform Commercial Code.

(2) A warehouse receipt issued under IC 26-3-7.

(3) A warehouse receipt issued under the United States Warehouse Act.

As added by P.L.250-1995, SEC.1.

IC 26-4-2

Chapter 2. Grain Buyers Registration

IC 26-4-2-1

Repealed

(As added by P.L.250-1995, SEC.1. Amended by P.L.115-1999, SEC.2. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-2-2

Repealed

(As added by P.L.250-1995, SEC.1. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-2-3

Repealed

(As added by P.L.250-1995, SEC.1. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-2-4

Repealed

(As added by P.L.250-1995, SEC.1. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-2-5

Repealed

(As added by P.L.250-1995, SEC.1. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-3

Chapter 3. Indiana Grain Indemnity Corporation

IC 26-4-3-1

Establishment as a public body corporate

Sec. 1. The Indiana grain indemnity corporation is established. The corporation is a public body corporate and politic, and though it is separate from the state, the exercise by the corporation of its powers constitutes an essential governmental function. The corporation may sue and be sued and plead and be impleaded.

As added by P.L.250-1995, SEC.1.

IC 26-4-3-2

Board of directors; establishment; powers and duties; members

Sec. 2. (a) The corporation's board is created. The governing powers of the corporation are vested in the board, which is composed of thirteen (13) members as described in subsections (b) and (c).

(b) The board consists of the following ten (10) voting members:

(1) Two (2) members appointed by the largest Indiana organization representing the interests of grain and feed dealers in Indiana.

(2) Two (2) members appointed by the largest Indiana organization representing general farm interests in Indiana.

(3) One (1) member appointed by the second largest Indiana organization representing general farm interests in Indiana.

(4) One (1) member appointed by the largest Indiana organization exclusively representing the interests of corn producers.

(5) One (1) member appointed by the largest Indiana organization exclusively representing the interests of soybean producers in Indiana.

(6) Two (2) members appointed by the largest Indiana organization representing the interests of bankers in Indiana.

(7) One (1) member appointed by the largest Indiana organization representing the interests of the seed trade in Indiana.

The members appointed under subdivisions (2) through (5) must be producers.

(c) The board consists of the following three (3) nonvoting members:

(1) The attorney general.

(2) The treasurer of state.

(3) The director of the agency, who shall serve as the chairperson.

(d) The attorney general and treasurer of state may each designate a representative to serve on the board.

As added by P.L.250-1995, SEC.1. Amended by P.L.115-1999, SEC.3; P.L.5-2009, SEC.1.

IC 26-4-3-3
Board of directors; term; vacancies

Sec. 3. (a) A member of the board appointed under section 2(b) of this chapter:

(1) serves for a four (4) year term;

(2) is entitled to the same per diem and mileage allowances provided by law for state employees; and

(3) may be reappointed.

(b) A vacancy created by a member described in subsection (a) shall be filled by the appointing body of the person who created the vacancy. The replacement board member shall fill the vacancy for the unexpired term of the previous member.

(c) A vacancy in the membership of the board does not impair the right of a quorum to exercise all the rights and perform all the duties of the board and corporation.

As added by P.L.250-1995, SEC.1.

IC 26-4-3-4
Board of directors; quorum

Sec. 4. (a) Except as provided in subsection (b), six (6) voting members constitute a quorum. The affirmative votes of at least six (6) voting members are necessary for any action to be taken by the board.

(b) A meeting may be adjourned by less than six (6) members.

As added by P.L.250-1995, SEC.1. Amended by P.L.115-1999, SEC.4.

IC 26-4-3-5
Board of directors; meetings

Sec. 5. The board shall meet at least two (2) times each year. One (1) meeting of the board must be held in July.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.23.

IC 26-4-3-6
Board of directors; notice of meetings

Sec. 6. (a) Except as provided in subsection (b), a member of the board must be given at least five (5) days written notice of the meetings.

(b) A member of the board may waive any notice required by this section or bylaws of the corporation before or after the date and time stated in the notice. The waiver by the board member entitled to the notice must be in writing and be hand delivered or mailed to the corporation for inclusion in the minutes or filing with the corporate records.

(c) A board member's attendance at a meeting waives any objection:

(1) to the lack of a notice or a defective notice of the meeting,

unless the member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and

(2) to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the notice, unless the member objects to considering the matter when it is presented.

As added by P.L.250-1995, SEC.1.

IC 26-4-3-7

Board of directors; duties

Sec. 7. The board shall do the following:

(1) Adopt rules, create forms, and establish guidelines to implement this article.

(2) Collect and deposit all producer premiums authorized under IC 26-4-4-4 into the fund for investment by the board.

(3) Initiate any action it may consider necessary to compel the grain buyer against whom an awarded claim arose to repay to the fund the sums that are disbursed from the fund in relation to each claim.

(4) Initiate any action it may consider necessary to compel the claimant whose claim arose due to a failure to participate in any legal proceeding in relation to the claim.

(5) Within five (5) business days of receiving notice of failure of a grain buyer, publish notice of the failure in a manner described in IC 5-3.

As added by P.L.250-1995, SEC.1.

IC 26-4-3-8

Board of directors; liability

Sec. 8. A member of the board or other person acting on behalf of the corporation is not personally liable for damage or injury resulting from the performance of the member's or person's duties under this article.

As added by P.L.250-1995, SEC.1.

IC 26-4-3-9

Powers and duties of corporation

Sec. 9. (a) The corporation may do or shall have any of the following:

(1) Perpetual succession by its corporate name as a corporate body.

(2) Adopt and make use of an official seal and alter the same at pleasure.

(3) Adopt, amend, and repeal bylaws consistent with the provisions of this article for the regulation and conduct of the corporation's affairs and prescribe rules and policies in connection with the performance of the corporation's functions and duties.

(4) Use the services of the agency and the attorney general when considered necessary in the execution of the duties of the board.
(5) Accept gifts, devises, bequests, grants, loans, appropriations, revenue sharing, other financing and assistance, and any other aid from any source and agree to and comply with any attached conditions.
(6) Procure insurance against any loss in connection with its operations in the amounts and from the insurers as it considers necessary or desirable.
(7) Borrow money from a bank, an insurance company, an investment company, or any other person. The corporation may negotiate the terms of a loan contract. The contract must provide for repayment of the money in not more than forty (40) years and that the loan may be prepaid. The loan contract must plainly state that it is not an indebtedness of the state but constitutes a corporate obligation solely of the corporation and is payable solely from revenues of the corporation or any appropriations from the state that might be made to the corporation for that purpose.
(8) Include in any borrowing amounts considered necessary by the corporation to pay financing charges, interest on the obligations, consultant, advisory, and legal fees, and other expenses necessary or incident to such borrowing.
(9) Employ personnel as may be required in the judgment of the corporation, and fix and pay compensation from money available to the corporation from the administrative expenses account.
(10) Make, execute, and carry out any and all contracts, agreements, or other documents with any governmental agency or any person, corporation, limited liability company, association, partnership, or other organization or entity necessary or convenient to accomplish the purposes of this article.
(11) Upon the request of the director of the agency and the approval of the board, make payment from the fund when the payment is necessary for the purpose of compensating claimants in accordance with the provisions of IC 26-4-6.
(12) Have powers necessary or appropriate for the exercise of the powers specifically conferred upon the corporation and all incidental powers customary in corporations.

(b) The corporation or the board may use the services of a person other than the attorney general to collect money owed to the fund or to litigate claims concerning money owed to the fund.
As added by P.L.250-1995, SEC.1.

IC 26-4-3-10
Repealed

(As added by P.L.5-1996, SEC.18. Repealed by P.L.177-2011, SEC.5.)

IC 26-4-4
Chapter 4. Indiana Grain Indemnity Fund

IC 26-4-4-1
Establishment of fund; fiscal year

Sec. 1. (a) The Indiana grain indemnity fund is established for the purpose of providing money to pay producers for losses incurred due to the failure of a grain buyer or warehouse operator licensed under IC 26-3-7. The fund shall be administered by the board of the corporation.

(b) The fund consists of money collected under this chapter.

(c) The fund shall operate on a fiscal year of July 1 to June 30.

As added by P.L.250-1995, SEC.1. Amended by P.L.173-1999, SEC.18; P.L.75-2010, SEC.24; P.L.60-2015, SEC.14.

IC 26-4-4-2
Fund administration expenses

Sec. 2. (a) The administrative expense account is created within the fund.

(b) The expenses of administering the fund and paying administrative expenses must be paid from money in the administrative expense account.

(c) The board may transfer annually not more than two hundred fifty thousand dollars ($250,000) from the fund to the administrative expense account.

(d) Administrative expenses under this section may include:

(1) processing refunds;

(2) enforcement of the fund;

(3) record keeping in relation to the fund;

(4) the ordinary management and investment fees connected with the operation of the fund; and

(5) legal fees and legal expenses in actions brought against the corporation or board and that have been approved by the board.

As added by P.L.250-1995, SEC.1. Amended by P.L.5-2009, SEC.2; P.L.60-2015, SEC.15.

IC 26-4-4-3
Premiums held in trust; investment of fund; interest; reversion

Sec. 3. (a) All producer premiums submitted to the board by a grain buyer under section 6(b) of this chapter shall be held by the corporation in trust in the fund for carrying out the purposes of this article. The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested. Interest earned from these investments shall be credited to the fund.

(b) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

As added by P.L.250-1995, SEC.1.

IC 26-4-4-4
Producer premiums

Sec. 4. (a) Except as provided in section 8 of this chapter, beginning on July 1, 2015, the producers of grain shall be charged a producer premium equal to two-tenths percent (0.2%) of the price on all marketed grain that is sold in Indiana.

(b) The producer premiums required under this section are in addition to any other fees or assessments required by law.

As added by P.L.250-1995, SEC.1. Amended by P.L.60-2015, SEC.16.

IC 26-4-4-5
Notice of producer premium deductions

Sec. 5. The agency shall notify each grain buyer licensed under IC 26-3-7 that producer premiums described in section 4 of this chapter shall be deducted from the purchase price of the grain on and after the date specified in the notice. The notice must be sent by first class mail.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.25.

IC 26-4-4-6
Submission of producer premiums to finance fund

Sec. 6. (a) When purchasing grain, a grain buyer, a grain buyer's agent, or a grain buyer's representative shall:

(1) deduct the producer premium described in section 4 of this chapter from the producer's payment; and

(2) document the producer premium paid by the producer.

(b) A grain buyer shall submit producer premiums collected under subsection (a) to the board for the purpose of financing or contributing to the financing of the fund by:

(1) October 31 for producer premiums collected during the months of July, August, and September;

(2) January 31 for producer premiums collected during the months of October, November, and December;

(3) April 30 for producer premiums collected during the months of January, February, and March; and

(4) July 31 for producer premiums collected during the months of April, May, and June.

As added by P.L.250-1995, SEC.1.

IC 26-4-4-7
Inspection of books and records; verification; confidentiality

Sec. 7. (a) The:

(1) books and records of each grain buyer must clearly indicate the producer premiums collected by the grain buyer; and

(2) portion of the books and records reflecting the premiums collected must be open for inspection by the corporation, board,

board's authorized agents, director, or the director's designee during regular business hours.

(b) The corporation, board, board's authorized agent, director, or the director's designee may take steps reasonably necessary to verify the accuracy of the portion of a grain buyer's books and records that reflect the premiums collected. The information obtained under this section is confidential for purposes of IC 5-14-3-4(a)(1). Unless otherwise required by judicial order, the information obtained under this section may be disclosed only to parties empowered to see or review the information. The corporation, board, or director may respond to inquiries or disclose information obtained under this section only in accordance with guidelines set forth in IC 26-3-7-6.5.

(c) Notwithstanding subsections (a) and (b), the verification permitted under subsection (b) must be completed by the agency unless two-thirds (2/3) of the board vote to have the verification completed by an independent auditor.

As added by P.L.250-1995, SEC.1.

IC 26-4-4-8

Amount of fund; basis for suspension and reinstatement of producer premium collection

Sec. 8. (a) The producer premiums required under section 4 of this chapter must be collected until the fund contains more than twenty-five million dollars ($25,000,000), as of June 30 of any given year.

(b) Except as provided in subsection (c), after the fund reaches twenty-five million dollars ($25,000,000), the board may not require the collection of additional producer premiums until the amount in the fund drops below twenty million dollars ($20,000,000), as determined under section 9 of this chapter. In a year when the board determines that the fund is at or below twenty million dollars ($20,000,000), the board shall reinstate the collection described in this chapter.

(c) The board shall reinstate the collection described in this chapter if as of May 1:

(1) the fund contains at least twenty million dollars ($20,000,000);

(2) the board is aware of a failure of a grain buyer; and

(3) the amount of compensation from the fund to cover producers' claims, as determined by the board, is equal to or greater than the amount of money in the fund.

As added by P.L.250-1995, SEC.1. Amended by P.L.5-2009, SEC.3; P.L.60-2015, SEC.17.

IC 26-4-4-9

Certification of fund balance; discretion of board to suspend collection

Sec. 9. (a) At the July meeting required under IC 26-4-3-5, the

board shall certify the amount of money in the fund on June 30.

(b) Except as provided in section 8(c) of this chapter, the board may not require the collection of a producer premium during a fiscal year when the board certifies under subsection (a) that the fund has money in excess of twenty million dollars ($20,000,000). If the fund is at or below twenty million dollars ($20,000,000), the board shall reinstate the collection.

As added by P.L.250-1995, SEC.1. Amended by P.L.5-2009, SEC.4; P.L.75-2010, SEC.26; P.L.60-2015, SEC.18.

IC 26-4-4-10
Repealed

(As added by P.L.250-1995, SEC.1. Repealed by P.L.268-2001, SEC.2.)

IC 26-4-5

Chapter 5. Withdrawal From and Reentry Into the Grain Indemnity Program

IC 26-4-5-1

Refunds; form, restrictions, extension, notice

Sec. 1. (a) A producer upon and against whom a producer premium is charged and collected under the provisions of this chapter may demand of and by complying with this chapter receive from the fund through the board a refund of the producer premiums collected from the producer.

(b) The board shall develop the form on which a demand for a refund must be filed. The board shall make the form available to grain buyers, producers, and the public upon request.

(c) Except as provided in subsection (d), a demand for a refund under this section is only valid if:

(1) made in writing and:

(A) hand delivered; or

(B) sent by first class mail;

to the board; and

(2) delivered or sent to the board not more than twelve (12) months after the premium was collected.

(d) The board may for good cause grant an extension for filing a demand for a refund under this chapter.

(e) A producer that requests and receives a refund under this section is not protected and will not be compensated by the grain indemnity program.

(f) Before January 1 of each year in which producer premiums were collected during the immediately preceding calendar year, the board shall send a notice to each producer who requested a refund of producer premiums in any previous year. The notice must inform the producer of the time frame in which a request for a refund must be made and the method of filing for a refund.

As added by P.L.250-1995, SEC.1.

IC 26-4-5-2

Reentry into program; conditions; date coverage commences

Sec. 2. (a) A producer who has received a refund of a producer premium under section 1 of this chapter and has made a request for reentry may reenter the grain indemnity program if the following conditions are satisfied:

(1) The producer petitions the board for approval of reentry into the grain indemnity program by hand delivering or sending by certified mail, return receipt requested, a written request in a form required by the board.

(2) The board reviews the producer's petition for reentry and approves the petition.

(3) The producer pays into the fund:

(A) all previous producer premium refunds; and
(B) interest on the refunds;
as determined by the board.

(b) A producer that reenters the grain indemnity program under subsection (a)(3) is protected by the program from the time all previous producer premium refunds and interest on the refunds are paid to the fund.

As added by P.L.250-1995, SEC.1.

IC 26-4-5-3
Repealed

(As added by P.L.250-1995, SEC.1. Amended by P.L.173-1999, SEC.19. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-6

Chapter 6. Payments to Producers Under the Grain Indemnity Program

IC 26-4-6-1

Restrictions on use of fund; nonseverability of provision

Sec. 1. (a) The money in the fund:

(1) is not available for any purpose other than the payment of claims approved by the board or refunds to producers who do not want to participate in the fund; and

(2) may not be transferred to any other fund.

(b) The limiting and nontransferability provision of subsection (a) is declared to be nonseverable from the whole of this article. If subsection (a) is held to be invalid, repealed, or substantially amended, this article shall immediately become invalid and the money remaining in the fund shall be distributed to participants in the fund in a manner that is proportional to the amount of producer premiums each producer paid to the fund.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.27; P.L.60-2015, SEC.19.

IC 26-4-6-2

Repealed

(As added by P.L.250-1995, SEC.1. Repealed by P.L.60-2015, SEC.20.)

IC 26-4-6-3

Compensation from fund; extension

Sec. 3. (a) Except as provided in subsection (b), within ninety (90) days of the board's approval of a claim, the board shall compensate from the fund, in an amount described in section 4 of this chapter and in the manner described in subsection (c), a claimant who has incurred a financial loss or storage loss due to a failure of a grain buyer or warehouse operator licensed under IC 26-3-7.

(b) The time for payment may be extended if the board and claimant mutually agree and put the terms of the payment in writing.

(c) If:

(1) a claimant engaged in farming operations granted to one (1) or more secured parties one (1) or more security interests in the grain related to the claimant's claim under this section; and

(2) one (1) or more secured parties described in subdivision (1) have given to:

(A) the licensee prior written notice of the security interest under IC 26-1-9.1-320(a)(1) or IC 26-1-9-307(1)(a) before its repeal; and

(B) the board prior written notice of the security interest with respect to the grain described in subdivision (1) sufficient to give the board a reasonable opportunity to cause

the issuance of a joint check under this subsection;

the board may compensate the claimant described in subdivision (1) in the amount to which the claimant is entitled under section 4 of this chapter by causing the issuance of a check payable jointly to the order of the claimant and any secured party described in subdivision (1) who has given the notices described in subdivision (2). If only one (1) secured party described in subdivision (1) is a payee, the rights of the secured party in the check shall be to the extent of the indebtedness of the claimant to the secured party. If two (2) or more secured parties described in subdivision (1) are payees, the nature, extent, and priority of their respective rights in the check are determined in the same manner as the nature, extent, and priority of their respective security interest under IC 26-1-9.1.

As added by P.L.250-1995, SEC.1. Amended by P.L.115-1999, SEC.5; P.L.1-2002, SEC.102; P.L.75-2010, SEC.28.

IC 26-4-6-4

Percentage of compensation

Sec. 4. (a) A claimant who has incurred a storage loss due to the failure of a warehouse operator licensed under IC 26-3-7 is entitled to be compensated by the board from the fund for one hundred percent (100%) of the storage loss incurred less all credits and offsets and any producer premium that would have been due on the sale of the grain. The gross amount of the storage loss shall be as determined by the agency for warehouses licensed under IC 26-3-7 or by the United States Department of Agriculture for warehouses licensed under the United States Warehouse Act. The warehouse operator and claimants may submit to the agency evidence related to outstanding charges against stored grain. If the evidence is submitted, the agency shall determine the storage loss payable by the board.

(b) A claimant who has incurred a financial loss due to the failure of a grain buyer is entitled to be compensated by the board from the fund for eighty percent (80%) of the loss incurred less all credits and offsets and any producer premium that should have been due on the sale of the grain. The agency shall determine the loss incurred in the following manner:

(1) For grain that has been priced, the loss shall be the value of the priced grain less any outstanding charges against the grain.

(2) For grain sold to a grain buyer who is also a warehouse operator and that has not been priced, the loss shall be established using the price determined for the storage obligations.

(3) For grain sold to a grain buyer who is not a warehouse operator and that has not been priced, the loss shall be established using a price determined by the agency using the same procedures used by the agency to determine the price at the warehouse.

As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010,

SEC.29.

IC 26-4-6-5
Repealed

(As added by P.L.250-1995, SEC.1. Repealed by P.L.75-2010, SEC.35.)

IC 26-4-6-6
Subrogation of claim

Sec. 6. A claimant compensated under this chapter may be required to subrogate to the board or corporation all the claimant's rights to collect on a bond issued under IC 26-3-7 or the United States Warehouse Act and all the claimant's rights to any other compensation arising from the failure of the grain buyer or warehouse operator. If so required, the claimant shall assign all the claimant's rights, title, and interest in any judgment concerning the failure to the board or corporation.

As added by P.L.250-1995, SEC.1. Amended by P.L.173-1999, SEC.20; P.L.75-2010, SEC.30.

IC 26-4-6-7
Denial of claim

Sec. 7. The board shall deny the payment of compensation under this chapter to a claimant who has incurred a financial loss or storage loss due to the failure of a warehouse or grain buyer when the board determines the existence of any of the following:

(1) The claimant as payee has failed to present for payment a negotiable instrument issued as payment for grain within ninety (90) days from the date the negotiable instrument is tendered to the claimant in satisfaction of obligations for grain purchased by the licensed grain establishment.

(2) The claimant has engaged in conduct or practices that differ from generally accepted marketing practices within the grain industry to an extent that the claimant's actions have substantially contributed to the claimant's loss. The Indiana grain indemnity board may consider whether contracts not excluded under IC 26-3-7-4 are to be generally accepted marketing practices within the grain industry.

As added by P.L.250-1995, SEC.1. Amended by P.L.139-1996, SEC.13.

IC 26-4-6-8
Duties of board following failure to pay by warehouse or grain buyer

Sec. 8. After the agency has determined that a grain buyer or warehouse has defaulted payment or failed, the board shall have the following duties:

(1) Determine the valid claims and the amount of such claims

to be paid to claimants for financial losses that were incurred due to the failure of a grain buyer or warehouse operator.

(2) Authorize payment of money from the fund when necessary for the purpose of compensating claimants in accordance with the provisions of this chapter.

(3) Collect money through subrogated claims against bonds filed under IC 26-3-7 in the place of claimants who collected for a loss incurred due to a warehouse or grain buyer failure.

(4) Borrow money as authorized under IC 26-4-3-9 if the fund has insufficient money to cover approved claims.

(5) Deposit into the fund any remaining grain assets of a failed grain buyer or warehouse operator for the purpose of repayment to the fund the money used to pay claimants, subject to any priority lien right a holder of a mortgage, security interest, or other encumbrance may possess under any other applicable law. Any repayment into the fund may not exceed the principal amount paid to claimants plus interest at the rate paid on ninety (90) day United States Treasury bills.

(6) If the amount in the fund is insufficient to pay all approved claims in accordance with this chapter and the board is unable to borrow funds for whatever reason, authorize payment of all the approved claims on a pro rata basis.

As added by P.L.250-1995, SEC.1. Amended by P.L.173-1999, SEC.21; P.L.75-2010, SEC.31.

IC 26-4-7
Chapter 7. Rules

IC 26-4-7-1
Authority
Sec. 1. The agency, corporation, and board have authority to publish and adopt rules consistent with this article.
As added by P.L.250-1995, SEC.1.

IC 26-4-7-2
Disciplinary action
Sec. 2. This article does not limit the authority of the director of the agency to take disciplinary action against a grain buyer or warehouse operator licensed under IC 26-3-7 for a violation of IC 26-3-7, this article, or the rules of the agency.
As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.32.

IC 26-4-7-3
Effect of repayment to fund
Sec. 3. The repayment in full of all obligations to the fund by a grain buyer or warehouse operator does not nullify or modify the effect of any other disciplinary proceeding brought under IC 26-3-7 or this article.
As added by P.L.250-1995, SEC.1. Amended by P.L.75-2010, SEC.33.

IC 26-4-8
Chapter 8. Penalties

IC 26-4-8-1
Failure to collect or pay premiums

Sec. 1. A person who knowingly or intentionally refuses or fails to:

(1) collect from producers under the program; or

(2) pay producer premiums collected from producers under the program;

commits a Class A misdemeanor. In addition to the criminal penalty under this section, the grain buyer must also pay to the fund money collected from producers and owed to the fund.

As added by P.L.250-1995, SEC.1.

IC 26-4-8-2
Other violations

Sec. 2. A person who knowingly makes any false statement, representation, or certification, or who knowingly fails to make any statement, representation, or certification, in any record, report, or other document filed or required to be filed or maintained by the director, agency, board, or corporation commits a Class A misdemeanor.

As added by P.L.250-1995, SEC.1.

IC 26-4-8-3
Interference with board's or corporation's performance of duties

Sec. 3. Except as permitted by law, a person who willfully or knowingly resists, prevents, impedes, or interferes with the board or other agents or employees of the corporation or the board in the performance of the duties assigned under this article commits a Class A misdemeanor.

As added by P.L.250-1995, SEC.1.