

for a period of six months after the date of the alleged violation, subject to review as hereinafter provided.

Approved May 23, 1969.

CHAPTER 621—H. F. No. 146

[Coded in Part]

An act relating to certain commercial transactions and amending the uniform commercial code; amending Minnesota Statutes 1967, Sections 336.2-702; 336.4-303; 336.3-501; 336.7-209; 336.2-318; 336.9-105; 336.9-106; and amending Minnesota Statutes 1967, Chapter 336, by adding a section.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1967, Section 336.2-702, is amended to read:

336.2-702 Uniform commercial code; revision; seller's remedies on discovery of buyer's insolvency. (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 this article (section 336.2-705).

(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 days after the receipt, but if misrepresentation of solvency has been made to the particular seller in writing within three months before delivery the ten 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 ~~or lien creditor~~ under this article (section 336.2-403). Successful reclamation of goods excludes all other remedies with respect to them.

Sec. 2. Minnesota Statutes 1967, Section 336.4-303, is amended to read:

336.4-303 When items subject to notice, stop order, legal process or setoff; order in which items may be charged or

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certified. (1) Any knowledge, notice or stop order received by, legal process served upon or setoff exercised by a payor bank, whether or not effective under other rules of law 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, comes too late to so terminate, suspend or modify such right or duty if the knowledge, notice, stop 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 bank has done any of the following:

- (a) Accepted or certified the item;
- (b) Paid the item in cash;
- (c) Settled for the item without reserving a right to revoke the settlement and without having such right under statute, clearing-house rule or agreement;
- (d) Completed the process of posting the item to the indicated account of the drawer, maker or other person to be charged therewith or otherwise has evidenced by examination of such indicated account and by action its decision to pay the item; or
- (e) Become accountable for the amount of the item under subsection (1) ~~(e)~~ (d) of section 336.4-213 and section 336.4-302 dealing with the payor bank's responsibility for late return of items.

(2) Subject to the provisions of subsection (1) items may be accepted, paid, certified or charged to the indicated account of its customer in any order convenient to the bank.

Sec. 3. Minnesota Statutes 1967, Section 336.3-501, is amended to read:

336.3-501 When presentment, notice of dishonor, and protest necessary or permissible. (1) Unless excused (section 336.3-511) presentment is necessary to charge secondary parties as follows:

- (a) Presentment for acceptance is necessary to charge the drawer and endorsers of a draft where the draft so provides, or is payable elsewhere than at the residence or place of business of the drawee, or its date of payment depends upon such presentment. The holder may at his option present for acceptance any other draft payable at a stated date;
- (b) Presentment for payment is necessary to charge any endorser;

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(c) In the case of any drawer, the acceptor of a draft payable at a bank or the maker of a note payable at a bank, presentment for payment is necessary, but failure to make presentment discharges such drawer, acceptor or maker only as stated in section 336.3-502 (1) (b).

(2) Unless excused (section 336.3-511)

(a) notice of any dishonor is necessary to charge any endorser;

(b) in the case of any drawer, the acceptor of a draft payable at a bank or the maker of a note payable at a bank, notice of any dishonor is necessary, but failure to give such notice discharges such drawer, acceptor or maker only as stated in section 336.3-502(1) (b).

(3) Unless excused (section 336.3-511) protest of any dishonor is necessary to charge the drawer and endorsers of any draft which on its face appears to be drawn or payable outside of the states ~~and territories of the United States and the District of Columbia, territories, dependencies and possessions of the United States, the District of Columbia and the Commonwealth of Puerto Rico.~~ The holder may at his option make protest of any dishonor of any other instrument and in the case of a foreign draft may on insolvency of the acceptor before maturity make protest for better security.

(4) Notwithstanding any provision of this section, neither presentment nor notice of dishonor nor protest is necessary to charge an endorser who has endorsed an instrument after maturity.

Sec. 4. Minnesota Statutes 1967, Section 336.7-209, is amended to read:

336.7-209 **Lien of warehouseman.** (1) A warehouseman has a lien against the bailor on the goods covered by a warehouse receipt or on the proceeds thereof in his possession for charges for storage or transportation (including demurrage and terminal charges), insurance, labor, or 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 like charges or expenses in relation to other goods whenever deposited and it is stated in the receipt that a lien is claimed for charges and expenses in relation to other goods, the warehouseman also has a lien against him for such charges and expenses whether or not the other goods have been delivered by the warehouseman. But against a person to whom a ne-

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gotiable warehouse receipt is duly negotiated a warehouseman's lien is limited to charges in an amount or at a rate specified on the receipt or if no charges are so specified then to a reasonable charge for storage of the goods covered by the receipt subsequent to the date of the receipt.

(2) The warehouseman may also reserve a security interest against the bailor for a maximum amount specified on the receipt for charges other than those specified in subsection (1), such as for money advanced and interest. Such a security interest is governed by the article on secured transactions (article 9).

(3) (a) A warehouseman's lien for charges and expenses under subsection (1) or a security interest under subsection (2) is also effective against any person who so entrusted the bailor with possession of the goods that a pledge of them by him to a good faith purchaser for value would have been valid but is not effective against a person as to whom the document confers no right in the goods covered by it under section 336.7-503.

(b) *A warehouseman's lien on household goods for charges and expenses in relation to the goods under subsection (1) is also effective against all persons if the depositor was the legal possessor of the goods at the time of deposit. "Household goods" means furniture, furnishings and personal effects used by the depositor in a dwelling.*

(4) A warehouseman loses his lien on any goods which he voluntarily delivers or which he unjustifiably refuses to deliver.

Sec. 5. Minnesota Statutes 1967, Chapter 336, is amended by adding a section to read:

[336.1-209] Subordinated obligations. *An obligation may be issued as subordinated to payment of another obligation of the person obligated, or a creditor may subordinate his right to payment of an obligation by agreement with either the person obligated or another creditor of the person obligated. Such a subordination does not create a security interest as against either the common debtor or a subordinated creditor. This section shall be construed as declaring the law as it existed prior to the enactment of this section and not as modifying it.*

Sec. 6. Minnesota Statutes 1967, Section 336.2-318, is amended to read:

336.2-318 Third party beneficiaries of warranties express or implied. ~~A seller's warranty whether express or implied extends to any natural person who is in the family or household of his buyer or~~

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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. A seller's warranty whether express or implied extends to any person who may reasonably be expected to use, consume or be affected by the goods and who is injured by breach of the warranty. A seller may not exclude or limit the operation of this section.

Sec. 7. Minnesota Statutes 1967, Section 336.9-105, is amended to read:

336.9-105 **Definitions and index of definitions.** (1) In this article unless the context otherwise requires:

(a) "Account debtor" means the person who is obligated on an account, chattel paper, contract right or general intangible;

(b) "Chattel paper" means a writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific goods; *a charter or other contract involving the use or hire of a vessel is not chattel paper.* When a transaction is evidenced both by such a security agreement or a lease and by an instrument or a series of instruments, the group of writings taken together constitutes chattel paper;

(c) "Collateral" means the property subject to a security interest, and includes accounts, contract rights and chattel paper which have been sold;

(d) "Debtor" means the person who owes payment or other performance of the obligation secured, whether or not he owns or has rights in the collateral, and includes the seller of accounts, contract rights or chattel paper. Where the debtor and the owner of the collateral are not the same person, the term "debtor" means the owner of the collateral in any provision of the article dealing with the collateral, the obligor in any provision dealing with the obligation, and may include both where the context so requires;

(e) "Document" means document of title as defined in the general definitions of article 1 (section 336.1-201);

(f) "Goods" includes all things which are movable at the time the security interest attaches or which are fixtures (section 336.9-313), but does not include money, documents, instruments, accounts, chattel paper, general intangibles, contract rights and other things in action. "Goods" also include the unborn young of animals and growing crops;

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(g) "Instrument" means a negotiable instrument (defined in section 336.3-104), or a security (defined in section 336.8-102) or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is in ordinary course of business transferred by delivery with any necessary endorsement or assignment;

(h) "Security agreement" means an agreement which creates or provides for a security interest;

(i) "Secured party" means a lender, seller or other person in whose favor there is a security interest, including a person to whom accounts, contract rights or chattel paper have been sold. When the holders of obligations issued under an indenture of trust, equipment trust agreement or the like are represented by a trustee or other person, the representative is the secured party.

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

"Account," section 336.9-106.

"Consumer goods," section 336.9-109(1).

"Contract right," section 336.9-106.

"Equipment," section 336.9-109(2).

"Farm products," section 336.9-109(3).

"General intangibles," section 336.9-106.

"Inventory," section 336.9-109(4).

"Lien creditor," section 336.9-301(3).

"Motor vehicle," section 336.9-401(5).

"Proceeds," section 336.9-306(1).

"Purchase money security interest," section 336.9-107.

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

"Check," section 336.3-104.

"Contract for sale," section 336.2-106.

"Holder in due course," section 336.3-302.

"Note," section 336.3-104.

"Sale," section 336.2-106.

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

Sec. 8. Minnesota Statutes 1967, Section 336.9-106, is amended to read:

336.9-106 **Definitions: "Account"; "contract right"; "general intangibles"**. "Account" means any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper. "Contract right" means any right to payment under a contract not yet earned by performance and not evidenced by an instrument or chattel paper. "General intangibles" means any personal property (including things in action) other than goods, accounts, contract rights, chattel paper, documents and instruments. *All rights earned or unearned under a charter or other contract involving the use or hire of a vessel and all rights incident to the charter or contract are contract rights and neither accounts nor general intangibles.*

Sec. 9. **Effective date.** *This act takes effect July 1, 1969.*

Approved May 23, 1969.

CHAPTER 622—H. F. No. 366

An act relating to the department of education and its vocational rehabilitation services; requiring disclosure of information to workmen's compensation commission under certain circumstances; amending Minnesota Statutes 1967, Section 121.33.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1967, Section 121.33, is amended to read:

121.33 **Vocational rehabilitation; reports; disclosure to workmen's compensation commission.** *Subdivision 1.* The employees of the department, specifically authorized by the commissioner, shall have the right to receive from any public records the names, addresses and information pertinent to their vocational rehabilitation of persons injured or otherwise disabled. *Except as provided in subdivision 2,* no information obtained from such reports, nor any copy of the same, nor any of the contents thereof, nor other confidential information as defined by the state board shall be open to the public, nor

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