Journal of the House

State of Indiana

111th General Assembly — Second Regular Session

Fifteenth Meeting Day — **Wednesday Afternoon** — **January 26, 2000**

The House convened at 1:00 p.m. with the Speaker Pro Tempore, Representative Dobis, in the Chair.

The invocation was offered by Father Frank Kilcline, St. Patrick Catholic Church, Kokomo, the guest of Representative Ron Herrell.

The Pledge of Allegiance to the Flag was led by Representative Herrell.

The Speaker ordered the roll of the House to be called:

T. Adams
Alderman
Atterholt
Avery
Ayres
Bailey
Bardon
Bauer
Becker
Behning
Bischoff
Bodiker
Bosma
Bottorff
C. Brown
T. Brown
Buck
Budak
Buell
Burton
Cheney
Cherry
Cochran
Cook
Crawford
Crooks
Crosby
Day
Denbo
Dickinson
Dillon
Dobis
Dumezich
Duncan
Dvorak
Espich
Foley
Frenz
Friend
Frizzell
Fry
GiaQuinta
Goeglein
Grubb
Harris
Hasler
Herrell
Hoffman
Kersey
Klinker
Kromkowski
Kruse
Kruzan
Kuzman
Lawson
Leuck
Liggett
Linder
J. Lutz
Lytle
Mahern
Mangus
Mannweiler
McClain
Mellinger
Mock
Moses
Munson
Murphy
Oxley
Pelath
Pond
Porter
Richardson
Ripley
Robertson
Ruppel
Saunders
Scholer
M. Smith
V. Smith
Steele
Stevenson
Stilwell
Sturtz
Summers
Thompson
Tincher
Torr
Turner
Ulmer
Villalpando
Weinzapfel
Welch
Whetstone
Wolkins
D. Young
M. Young
Yount
Mr. Speaker

Roll Call 69: 100 present. The Chair announced a quorum in attendance. [*NOTE*: • *indicates those who were excused*.]

HOUSE MOTION

Mr. Speaker: I move that we dispense with the reading of the Journal.

GRUBB

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that when we do adjourn, we adjourn until Thursday, January 27, 2000, at 1:00 p.m.

HERRELL

Motion prevailed.

MESSAGE FROM THE SENATE

Mr. Speaker: I am directed by the Senate to inform the House that the Senate has passed House Concurrent Resolutions 21 and 25 and the same are herewith returned to the House.

CAROLYN J. TINKLE
Secretary of the Senate

MESSAGE FROM THE SENATE

Mr. Speaker: I am directed by the Senate to inform the House that the Senate has passed Engrossed Senate Bills 2, 12, 24, 41, 46, and 73 and the same are herewith transmitted to the House for further action.

CAROLYN J. TINKLE
Secretary of the Senate

MESSAGE FROM THE SENATE

Mr. Speaker: I am directed by the Senate to inform the House that the Senate has passed Engrossed Senate Bills 76, 77, 90, 96, 114, 118, 134, 143, and 162 and the same are herewith transmitted to the House for further action.

CAROLYN J. TINKLE
Secretary of the Senate

RESOLUTIONS ON FIRST READING

House Concurrent Resolution 28

Representative C. Brown introduced House Concurrent Resolution 28:

A CONCURRENT RESOLUTION honoring the Indiana State Champion Spell Bowl Team of Tolleston Middle School from Gary, Indiana.

Whereas, The Spell Bowl Team of Tolleston Middle School from Gary, Indiana won the championship of the Indiana State Spell Bowl competition on November 13, 1999 at the Warren central Performing Arts Center in Indianapolis;

Whereas, The Tolleston Middle School Spell Bowl team won first place in its Regional Area Spell Bowl competition held on October 26, 1999 at Wilbur Wright Middle School in Munster, Indiana by with a score of 69 out of 72 words, which score was the top schore in the state in Class I competition;

Whereas, At the State Competition on November 13, 1999 the Tolleston Middle School Spell Bowl team achieved a perfect score of 72, which was the highest score of the 30 participating teams;

Whereas, The members of the 1999 Spell Bowl Team for Tolleston Middle School are: Kenneth Alford; Amanda Boulware; Antoinette Correa; Tiffany Finch; William Gonzalez; Kyle Hargrove; Brian Henderson; Floyd Hobson; Carl Johnson; Breon Jones; LaTasha LeFlore; Ekene Onwuka; Brannon Smith; Mason Smith; Whitney Sullivan; and Montreca Walker; and Team Manager was Andrew Binder.

Whereas, The 1999 state championship recorded the fifth straight year in which Tolleston Middle School won the Indiana State Spell Bowl Competition and their 8th state championship in the last ten years;

Whereas, The adult supporters for this championship team and program include the coach, Margaret Hymes; the school principal, Lucille F. Upshaw; the district superintendent, Dr. Mary E. Guinn; the Business Manager Gwendolyn Hatcher; the proctor, Marnita L. Taylor, with Sandra Alfred, Rita Carter, Janis Culver, doris Johnson, E.V. Thomas, Aurelia Weaver, and Janice Williams, and all the parents, friends and relatives of the Spell Bowl Team.: Therefore,

Be it resolved by the House of Representatives
of the General Assembly of the State of Indiana,
the Senate concurring:

SECTION 1. That the General Assembly of Indiana congratulates the Tolleston Middle School Spell Bowl team on their championship efforts.

SECTION 2. That the General Assembly of Indiana honors the effort and support of the Tolleston Spell Bowl team members, their coach, and all their supporting staff and organization.

SECTION 3. That the Principal Clerk of the Indiana House of Representataives transmit a copy of this resolution to the listed members, Kenneth Alford; Amanda Boulware; Antoinette Correa; Tiffany Finch; William Gonzalez; Kyle Hargrove; Brian Henderson; Floyd Hobson; Carl Johnson; Breon Jones; LaTasha LeFlore; Ekene Onwuka; Brannon Smith; Mason Smith; Whitney Sullivan; and Montreca Walker; and Team Manager Andrew Binder.

The resolution was read a first time and adopted by voice vote. The Clerk was directed to inform the Senate of the passage of the resolution. Senate sponsor: Senator Rogers.

House Resolution 11

Representatives Stilwell, Crooks, Denbo, and Weinzapfel introduced House Resolution 11:

A HOUSE RESOLUTION to recommend to the United States Congress and Executive Branch to enact reforms to the Coal Act to ensure stability in health care benefits of retired coal miners.

Whereas, Indiana is a coal-producing and coal-consuming state that has benefitted tremendously from the hard, dangerous work of now-retired coal miners;

Whereas, The United States government entered into a contract with the coal miners in 1946 that created the United Mine Workers of America Health and Retirement Funds;

Whereas, This contract was signed in the White House in a ceremony with President Harry Truman;

Whereas, A federal commission established by U.S. Secretary of Labor Elizabeth Dole concluded in 1990: "Retired coal miners have legitimate expectations of health care benefits for life; that was the promise they received during their working lives and that is how they planned their retirement years. That commitment should be honored.";

Whereas, The Coal Act reiterated the promise of lifetime health benefits for retired coal miners and their dependents;

Whereas, Congress intended the Coal Act to remedy problems with the provisions and funding of health care benefits for retired miners, allow for sufficient operating assets for those health care plans, and provide for the continuation of privately financed self -sufficient programs for the delivery of health care benefits to beneficiaries of such plans;

Whereas, Certain court decisions have eroded the financial structure that Congress put in place under the Coal Act; and

Whereas, These court decisions have placed the continued provision of health benefits to retired coal miners in jeopardy: Therefore,

Be it resolved by the House of Representatives
of the General Assembly of the State of Indiana:

SECTION 1. The House of Representatives of the Indiana General Assembly urges the Congress and the Executive Branch of the United States to work together to reform the financial structure of the Coal Act to ensure that retired coal miners continue to receive the health care benefits they were promised.

SECTION 2. The Principal Clerk of the House of Representative shall send a copy of this resolution to the President of the United States and to each member of the Indiana Congressional delegation.

The resolution was read a first time and adopted by voice vote.

REPORTS FROM COMMITTEES

COMMITTEE REPORT

Mr. Speaker: Your Committee on Roads and Transportation, to which was referred House Bill 1069, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 12, nays 1.

COOK, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Health, to which was referred House Bill 1102, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 3, line 20, after "a" insert "**substantial**".

Page 3, line 20, after "facility" insert "**or facilities, as determined by the authority,**".

Page 4, line 7, after "a" insert "**substantial component, as determined by the authority, for the benefit of a**".

Page 4, line 7, after "facility" insert "**or facilities**".

Page 8, line 32, delete "participating providers" and insert "**borrowers**".

(Reference is to HB 1102 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 13, nays 0.

C. BROWN, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1112, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 11, nays 0.

STEVENSON, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1113, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 10, nays 1.

STEVENSON, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1232, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective date in SECTION 1 with "[EFFECTIVE JANUARY 1, 2001]".

(Reference is to HB 1232 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 10, nays 0.

STEVENSON, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Health, to which was referred House Bill 1311, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete everything after the enacting clause and insert the following:

SECTION 1. IC 16-28-2-8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 8. (a) A health facility shall post a notice that a resident or other individual designated by the resident may request from the licensed nurse in charge of each shift information that designates the names of all nursing personnel on duty by job classification for the:**

(1) wing;

(2) unit; or

(3) other area as routinely designated by the health facility;

where the resident resides.

(b) The notice required under subsection (a) must meet the following conditions:

(1) Be posted in a conspicuous place that is readily accessible to residents and the public.

(2) Be in bold face type at least one-half (1/2) inch in height.

(3) Contain the:

(A) business telephone number of the administrator of the health facility; and

(B) toll free telephone number for filing complaints with the state department.

(4) State that if a resident or other individual designated by the resident is unable to obtain the information described in subsection (a) from the licensed nurse in charge of each shift, the resident or other individual designated by the resident may do any of the following:

(i) Contact the administrator of the health facility.

(ii) File a complaint with the state department by using the state department's toll free telephone number.

(c) The state department may adopt rules under IC 4-22-2 to carry out this section.

SECTION 2. IC 16-28-2-9 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 9. (a) The office of Medicaid policy and planning shall produce a statistical report semi-annually for each health facility that lists the following information:**

(1) The health facility's case mix index for each quarter covered by the statistical report for which the office of Medicaid policy and planning maintains data.

(2) The number of total hours worked in the health facility by each classification of personnel for which the office of Medicaid policy and planning maintains data.

(3) The resident census of the health facility for which the office of Medicaid policy and planning maintains data.

(4) A calculation of the average case-mix-adjusted hours-per-resident-day ratio for each health facility by each classification of nursing personnel and the average hours-per-resident-day ratio for each health facility for all other personnel by category for which the office of Medicaid policy and planning maintains data.

(b) The office of Medicaid policy and planning shall provide a copy of the statistical report prepared under subsection (a) to the following:

(1) The health facility.

(2) The state department.

(3) The state ombudsman.

(4) Each area ombudsman.

(5) Each area agency on aging.

(c) A health facility shall:

(1) make available in a place that is readily accessible to residents and the public a copy of the statistical report prepared under subsection (a); and

(2) post a notice that a copy of the statistical report may be requested from the licensed nurse in charge of each shift.

(d) The notice required under subsection (c)(2) must meet the following conditions:

(1) Be posted in a conspicuous place that is readily accessible to residents and the public.

(2) Be in bold face type at least one-half (1/2) inch in height.

(3) Contain the:

(A) business telephone number of the administrator of the health facility; and

(B) toll free telephone number for filing complaints with the state department.

(4) State that if a resident or other individual designated by the resident is unable to obtain the statistical report described in subsection (a) from the licensed nurse in charge of each shift, the resident or other individual designated by the resident may do any of the following:

(i) Contact the administrator of the health facility.

(ii) File a complaint with the state department by using the state department's toll free telephone number.

(e) The state department may adopt rules under IC 4-22-2 to carry out this section.

(Reference is to HB 1311 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 14, nays 0.

C. BROWN, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1391, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 10, nays 0.

STEVENSON, Chair

Report adopted.

OTHER BUSINESS ON THE SPEAKER'S TABLE

Referrals to Ways and Means

The Speaker announced, pursuant to House Rule 127, that House Bill 1069 had been referred to the Committee on Ways and Means.

HOUSE BILLS ON SECOND READING

House Bill 1066

Representative Welch called down House Bill 1066 for second reading. The bill was read a second time by title.

HOUSE MOTION

(Amendment 1066–1)

Mr. Speaker: I move that House Bill 1066 be amended to read as follows:

Page 3, line 37, after "." insert "**A patient may elect to be seen, examined and treated by the supervising physician**".

(Reference is to HB 1066 as printed January 21, 2000.)

WELCH

Motion prevailed. The bill was ordered engrossed.

House Bill 1143

Representative M. Smith called down House Bill 1143 for second reading. The bill was read a second time by title.

HOUSE MOTION
(Amendment 1143–3)

Mr. Speaker: I move that House Bill 1143 be amended to read as follows:

Replace the effective date in SECTIONS 1 through 4 with "[EFFECTIVE UPON PASSAGE]".

Page 8, line 3, delete "in the event of fraud in connection with a".

Page 8, line 4, delete "viaticated policy".

Page 8, line 9, delete "a viaticated" and insert "**an application for life insurance benefits under a policy that is part of a viatical settlement contract**".

Page 8, line 10, delete "policy".

Page 8, line 12, delete "five (5)" and insert "**six (6)**".

Page 8, line 14, delete "five (5)" and insert "**six (6)**".

Page 11, line 27, delete "viaticated".

Page 11, line 27, after "policy" insert "**that is part of a viatical settlement contract**".

Page 11, line 28, after "fraud" insert "**in connection with an application for life insurance benefits under the policy**".

Page 11, line 29, delete "five (5)" and insert "**six (6)**".

Page 15, after line 35, begin a new paragraph and insert:

"SECTION 5. **An emergency is declared for this act.**".

(Reference is to HB 1143 as printed January 14, 2000.)

M. SMITH

Motion prevailed. The bill was ordered engrossed.

House Bill 1297

Representative Weinzapfel called down House Bill 1297 for second reading. The bill was read a second time by title.

HOUSE MOTION
(Amendment 1297–1)

Mr. Speaker: I move that House Bill 1297 be amended to read as follows:

Page 1, line 8, delete "issuance,".

Page 1, line 8, after "reinstatement" delete ",".

Page 1, line 8, delete "another" and insert "**the same**".

Page 1, line 8, after "license" insert "**.**".

Page 1, delete lines 9 through 11, begin a new line blocked left and insert:

"**An applicant shall submit the fingerprints on forms provided for the license application. The local law enforcement agency shall charge each applicant the fees set by the state police department and federal authorities to defray the costs associated with a search for and classification of the applicant's fingerprints. The local law enforcement agency may forward for processing to the Federal Bureau of Investigation or any other agency fingerprints submitted by a license applicant. The local law enforcement agency may receive the results of all fingerprint investigations.**".

(Reference is to HB 1297 as printed January 20, 2000.)

WEINZAPFEL

Motion prevailed. The bill was ordered engrossed.

House Bill 1231

Representative Avery called down House Bill 1231 for second reading. The bill was read a second time by title.

HOUSE MOTION
(Amendment 1231–1)

Mr. Speaker: I move that House Bill 1231 be amended to read as follows:

Page 1, line 15, delete "convention or sports related".

Page 1, line 16, delete "activities at".

Page 2, line 5, strike "(4)".

Page 2, line 5, delete "Except in a county having a population of more than three".

Page 2, delete line 6.

Page 2, line 7, delete "thousand (400,000),".

Page 2, line 7, strike "a food and beverage tax imposed under".

Page 2, strike line 8.

(Reference is to HB 1231 as printed January 21, 2000.)

AVERY

Motion prevailed. The bill was ordered engrossed.

House Bill 1351

Representative Crawford called down House Bill 1351 for second reading. The bill was read a second time by title.

HOUSE MOTION
(Amendment 1351–1)

Mr. Speaker: I move that House Bill 1351 be amended to read as follows:

Page 10, between lines 1 and 2, begin a new paragraph and insert:

"SECTION 8. IC 6-3.5-1.1-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 12. (a) The part of a county's certified distribution for a calendar year that is to be used as property tax replacement credits shall be allocated by the county auditor among the civil taxing units and school corporations of the county.

(b) Except as provided in section 13 of this chapter, the amount of property tax replacement credits that each civil taxing unit and school corporation in a county is entitled to receive during a calendar year equals the product of:

(1) that part of the county's certified distribution that is dedicated to providing property tax replacement credits for that same calendar year; multiplied by

(2) a fraction:

(A) The numerator of the fraction equals the ~~sum of the total property taxes being collected by the civil taxing unit or school corporation~~ **civil taxing unit's or school corporation's maximum permissible property tax levy** during that calendar year, plus with respect to a civil taxing unit, the amount of federal revenue sharing funds and certified shares received by it during that calendar year to the extent that they are used to reduce its property tax levy below the limit imposed by IC 6-1.1-18.5 for that same calendar year.

(B) The denominator of the fraction equals the ~~sum of the total property taxes being collected by all civil taxing units and school corporations;~~ **maximum permissible property tax levies of all civil taxing units and school corporations in the county,** plus the amount of federal revenue sharing funds and certified shares received by all civil taxing units in the county to the extent that they are used to reduce the civil taxing units' property tax levies below the limits imposed by IC 6-1.1-18.5 for that same calendar year.

(c) The state board of tax commissioners shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit and school corporation in the auditor's county is entitled to receive. The county auditor shall then certify to each civil taxing unit and school corporation the amount of property tax replacement credits it is entitled to receive (after adjustment made under section 13 of this chapter) during that calendar year. The county auditor shall also certify these distributions to the county treasurer.

SECTION 9. IC 6-3.5-1.1-15, AS AMENDED BY P.L.273-1999, SECTION 69, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 15. (a) As used in this section, "attributed levy" of a civil taxing unit means the sum of:

(1) the ~~ad valorem~~ **maximum permissible** property tax levy of the civil taxing unit ~~that is currently being collected~~ at the time the allocation is made; plus

(2) the ~~current~~ **maximum permissible** ad valorem property tax levy of any special taxing district, authority, board, or other entity formed to discharge governmental services or functions

on behalf of or ordinarily attributable to the civil taxing unit; plus

(3) the amount of federal revenue sharing funds and certified shares that were used by the civil taxing unit (or any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the civil taxing unit) to reduce its ad valorem property tax levies below the limits imposed by IC 6-1.1-18.5; plus

(4) in the case of a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

(b) The part of a county's certified distribution that is to be used as certified shares shall be allocated only among the county's civil taxing units. Each civil taxing unit of a county is entitled to receive a percentage of the certified shares to be distributed in the county equal to the ratio of its attributed levy to the total attributed levies of all civil taxing units of the county.

(c) The local government tax control board established by IC 6-1.1-18.5-11 shall determine the attributed levies of civil taxing units that are entitled to receive certified shares during a calendar year. If the ~~ad valorem~~ **maximum permissible** property tax levy of any special taxing district, authority, board, or other entity is attributed to another civil taxing unit under subsection (b)(2), then the special taxing district, authority, board, or other entity shall not be treated as having an attributed levy of its own. The local government tax control board shall certify the attributed levy amounts to the appropriate county auditor. The county auditor shall then allocate the certified shares among the civil taxing units of his county.

(d) Certified shares received by a civil taxing unit shall be treated as additional revenue for the purpose of fixing its budget for the calendar year during which the certified shares will be received. The certified shares may be allocated to or appropriated for any purpose, including property tax relief or a transfer of funds to another civil taxing unit whose levy was attributed to the civil taxing unit in the determination of its attributed levy.

SECTION 10. IC 6-3.5-6-18, AS AMENDED BY P.L.273-1999, SECTION 71, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 18. (a) The revenue a county auditor receives under this chapter shall be used to:

(1) replace the amount, if any, of property tax revenue lost due to the allowance of an increased homestead credit within the county;

(2) fund the operation of a public communications system and computer facilities district as provided in an election, if any, made by the county fiscal body under IC 36-8-15-19(b);

(3) fund the operation of a public transportation corporation as provided in an election, if any, made by the county fiscal body under IC 36-9-4-42;

(4) make payments permitted under IC 36-7-15.1-17.5;

(5) make payments permitted under subsection ~~(I);~~ **(i);** and

(6) make distributions of distributive shares to the civil taxing units of a county.

(b) The county auditor shall retain from the payments of the county's certified distribution, an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. This money shall be distributed to the civil taxing units and school corporations of the county as though they were property tax collections and in such a manner that no civil taxing unit or school corporation shall suffer a net revenue loss due to the allowance of an increased homestead credit.

(c) The county auditor shall retain the amount, if any, specified by the county fiscal body for a particular calendar year under subsection (I), IC 36-7-15.1-17.5, IC 36-8-15-19(b), and IC 36-9-4-42 from the county's certified distribution for that same calendar year. The county auditor shall distribute amounts retained under this subsection to the county.

(d) All certified distribution revenues that are not retained and distributed under subsections (b) and (c) shall be distributed to the civil taxing units of the county as distributive shares.

(e) The amount of distributive shares that each civil taxing unit in a county is entitled to receive during a month equals the product of the following:

(1) The amount of revenue that is to be distributed as distributive shares during that month; multiplied by

(2) A fraction. The numerator of the fraction equals the ~~total property taxes that are first due and payable to the civil taxing unit~~ **civil taxing unit's maximum permissible property tax levy** during the calendar year in which the month falls, plus, for a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund. The denominator of the fraction equals the sum of the ~~total property taxes that are first due and payable to~~ **maximum permissible property tax levies of** all civil taxing units of the county during the calendar year in which the month falls, plus an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

(f) The state board of tax commissioners shall provide each county auditor with the fractional amount of distributive shares that each civil taxing unit in the auditor's county is entitled to receive monthly under this section.

(g) Notwithstanding subsection (e), if a civil taxing unit of an adopting county does not impose a property tax levy that is first due and payable in a calendar year in which distributive shares are being distributed under this section, that civil taxing unit is entitled to receive a part of the revenue to be distributed as distributive shares under this section within the county. The fractional amount such a civil taxing unit is entitled to receive each month during that calendar year equals the product of the following:

(1) The amount to be distributed as distributive shares during that month; multiplied by

(2) A fraction. The numerator of the fraction equals the budget of that civil taxing unit for that calendar year. The denominator of the fraction equals the aggregate budgets of all civil taxing units of that county for that calendar year.

(h) If for a calendar year a civil taxing unit is allocated a part of a county's distributive shares by subsection (g), then the formula used in subsection (e) to determine all other civil taxing units' distributive shares shall be changed each month for that same year by reducing the amount to be distributed as distributive shares under subsection (e) by the amount of distributive shares allocated under subsection (g) for that same month. The state board of tax commissioners shall make any adjustments required by this subsection and provide them to the appropriate county auditors.

~~(I)~~ **(i)** Notwithstanding any other law, a county fiscal body may pledge revenues received under this chapter to the payment of bonds or lease rentals to finance a qualified economic development tax project under IC 36-7-27 in that county or in any other county if the county fiscal body determines that the project will promote significant opportunities for the gainful employment or retention of employment of the county's residents.

SECTION 11. IC 6-3.5-7-12, AS AMENDED BY P.L.124-1999, SECTION 1, AND AS AMENDED BY P.L.273-1999, SECTION 74, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 12. (a) *Except as provided in section 23 of this chapter,* the county auditor shall distribute in the manner specified in this section the certified distribution to the county.

(b) Except as provided in subsections (c) and (h) and section 15 of this chapter, the amount of the certified distribution that the county and each city or town in a county is entitled to receive during May and November of each year equals the product of *the following:*

(1) The amount of the certified distribution for that month; multiplied by

(2) A fraction. The numerator of the fraction equals the *sum of the following:*

(A) ~~Total property taxes that are first due and payable to~~ **The maximum permissible property tax levy of** the county, city, or town during the calendar year in which the month falls; *plus*

(B) For a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

The denominator of the fraction equals the sum of the ~~total property taxes that are first due and payable to~~ **maximum property tax levies of** the county and all cities and towns of the county during the calendar year in which the month falls, plus an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

(c) This subsection applies to a county council or county income tax council that imposes a tax under this chapter after June 1, 1992. The body imposing the tax may adopt an ordinance before July 1 of a year to provide for the distribution of certified distributions under this subsection instead of a distribution under subsection (b). The following apply if an ordinance is adopted under this subsection:

(1) The ordinance is effective January 1 of the following year.

(2) The amount of the certified distribution that the county and each city and town in the county is entitled to receive during May and November of each year equals the product of:

(A) the amount of the certified distribution for the month; multiplied by

(B) a fraction. For a city or town, the numerator of the fraction equals the population of the city or the town. For a county, the numerator of the fraction equals the population of the part of the county that is not located in a city or town. The denominator of the fraction equals the sum of the population of all cities and towns located in the county and the population of the part of the county that is not located in a city or town.

(3) The ordinance may be made irrevocable for the duration of specified lease rental or debt service payments.

(d) The body imposing the tax may not adopt an ordinance under subsection (c) if, before the adoption of the proposed ordinance, any of the following have pledged the county economic development income tax for any purpose permitted by IC 5-1-14 or any other statute:

(1) The county.

(2) A city or town in the county.

(3) A commission, a board, a department, or an authority that is authorized by statute to pledge the county economic development income tax.

(e) The state board of tax commissioners shall provide each county auditor with the fractional amount of the certified distribution that the county and each city or town in the county is entitled to receive under this section.

(f) Money received by a county, city, or town under this section shall be deposited in the unit's economic development income tax fund.

(g) *Except as provided in subsection (b)(2)(B),* in determining the fractional amount of the certified distribution the county and its cities and towns are entitled to receive under subsection (b) during a calendar year, the state board of tax commissioners shall consider only property taxes imposed on tangible property subject to assessment in that county.

(h) In a county having a consolidated city, only the consolidated city is entitled to the certified distribution, subject to the requirements of section 15 of this chapter.".

Renumber all SECTIONS consecutively.

(Reference is to HB 1351 as printed January 21, 2000.)

THOMPSON

Representative Moses rose to a point of order, citing Rule 80, stating that the motion was not germane to the bill. The Chair ruled the point was well taken and the motion was out of order.

HOUSE MOTION
(Amendment 1351–2)

Mr. Speaker: I move that House Bill 1351 be amended to read as follows:

Page 10, after line 11, begin a new paragraph and insert:

"SECTION 9. [EFFECTIVE JULY 1, 1999 (RETROACTIVE)] **(a) The definitions in IC 6-1.1-1 apply throughout this SECTION.**

(b) The state shall pay all costs of the general reassessment that was scheduled to begin July 1, 1999, under IC 6-1.1-4-4.

SECTION 10. **An emergency is declared for this act.**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1351 as printed January 21, 2000.)

GOEGLEIN

Representative Moses rose to a point of order, citing Rule 80, stating that the motion was not germane to the bill. The Chair ruled the point was well taken and the motion was out of order.

HOUSE MOTION
(Amendment 1351–4)

Mr. Speaker: I move that House Bill 1351 be amended to read as follows:

Page 9, line 10, after "commissioners" insert "**or county property tax assessment board of appeal**".

Page 9, line 15, delete "Before November 1 of".

Page 9, delete lines 16 through 22.

Page 9, line 23, delete "(c)".

Page 9, run in lines 15 through 23.

Page 9, line 24, delete "property granted an exemption no longer meets" and insert "**a not-for-profit entity is no longer eligible for an exemption,**".

Page 9, line 25, delete "the criteria for the exemption,".

Page 9, line 25, delete ":" and insert "**inform the county auditor.**".

Page 9, delete lines 26 through 27.

Page 9, line 33, delete "revocation decision" and insert "**determination**".

Page 10, between lines 1 and 2, begin a new paragraph and insert:

"SECTION 8. IC 6-1.1-12-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2001]: Sec. 18. (a) If the assessed value of residential real property described in subsection (d) of this section is increased because it has been rehabilitated, the owner may have deducted from the assessed value of the property an amount not to exceed the lesser of:

(1) the total increase in assessed value resulting from the rehabilitation; or

(2) nine thousand dollars ($9,000) per rehabilitated dwelling unit.

The owner is entitled to this deduction annually for a five (5) year period.

(b) For purposes of this section, the term "rehabilitation" means **significant** repairs, replacements, or improvements **to an existing structure** which are intended to increase the livability, utility, safety, or value of the property ~~and which do not increase the total amount of floor space devoted to residential purposes unless the increase in floor space is required in order to make the building comply with a local housing code or zoning ordinance.~~ **under rules adopted by the state board of tax commissioners.**

(c) For the purposes of this section, the term "owner" or "property owner" includes any person who has the legal obligation, or has otherwise assumed the obligation, to pay the real property taxes on the rehabilitated property.

(d) The deduction provided by this section applies only for the rehabilitation of residential real property which is located within this state and which is described in one (1) of the following classifications:

(1) a single family dwelling if before rehabilitation the assessed value (excluding any exemptions or deductions) of the improvements does not exceed eighteen thousand dollars ($18,000);

(2) a two (2) family dwelling if before rehabilitation the assessed value (excluding exemptions or deductions) of the improvements does not exceed twenty-four thousand dollars ($24,000); and

(3) a dwelling with more than two (2) family units if before rehabilitation the assessed value (excluding any exemptions or deductions) of the improvements does not exceed nine thousand dollars ($9,000) per dwelling unit.

SECTION 9. IC 6-1.1-12-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2001]: Sec. 22. (a) If the assessed

value of property is increased because it has been rehabilitated and the owner has paid at least ten thousand dollars ($10,000) for the rehabilitation, the owner is entitled to have deducted from the assessed value of the property an amount equal to fifty percent (50%) of the increase in assessed value resulting from the rehabilitation. The owner is entitled to this deduction annually for a five (5) year period. However, the maximum deduction which a property owner may receive under this section for a particular year is:

(1) sixty thousand dollars ($60,000) for a single family dwelling unit; or

(2) three hundred thousand dollars ($300,000) for any other type of property.

(b) For purposes of this section, the term "property" means a building or structure which was erected at least ~~ten (10)~~ **fifty (50)** years before the date of application for the deduction provided by this section. The term "property" does not include land.

(c) For purposes of this section, the term "rehabilitation" means ~~the remodeling, repair, or betterment of property in any manner or any enlargement or extension of property. However, the enlargement or extension of the enclosed floor area of property shall, for computation of the deduction, be limited within a five (5) year period to a total additional enclosed floor area equal to the size of the enclosed floor area of the property on the date of completion of the first extension or enlargement completed after March 1, 1973.~~ **significant repairs, replacements, or improvements to an existing structure that are intended to increase the livability, utility, safety, or value of the property under rules adopted by the state board of tax commissioners.**

SECTION 10. IC 6-1.1-28-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000 (RETROACTIVE)]: Sec. 1. Each county shall have a county property tax assessment board of appeals composed of individuals who are at least eighteen (18) years of age and knowledgeable in the valuation of property. **Except for the county assessor, an individual who is an officer or employee of a county or township may not serve on the board of appeals in the county in which the individual is an officer or employee.** The fiscal body of the county shall appoint two (2) individuals to the board. At least one (1) of the members appointed by the county fiscal body must be a certified level two assessor-appraiser, **unless the county assessor is a certified level two assessor-appraiser.** The board of commissioners of the county shall appoint two (2) freehold members so that not more than three (3) of the five (5) members may be of the same political party and so that at least three (3) of the five (5) members are residents of the county. At least one (1) of the members appointed by the board of county commissioners must be a certified level two assessor-appraiser, **unless the county assessor is a certified level two assessor-appraiser.** A person appointed to a property tax assessment board of appeals may ~~not~~ serve on the property tax assessment board of appeals of another county at the same time. The members of the board shall elect a president. The employees of the county assessor shall provide administrative support to the property tax assessment board of appeals. The county assessor is a voting member of the property tax assessment board of appeals. ~~and~~ **The county assessor** shall serve as secretary of the board. The secretary shall keep full and accurate minutes of the proceedings of the board. A majority of the board constitutes a quorum for the transaction of business. Any question properly before the board may be decided by the agreement of a majority of the whole board.

SECTION 11. IC 6-1.1-31-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) The rules promulgated by the state board of tax commissioners are the basis for determining the true tax value of tangible property.

(b) Local assessing officials, members of the county property tax assessment board of appeals, and county assessors shall:

(1) comply with the rules, appraisal manuals, bulletins, and directives adopted by the state board of tax commissioners;

(2) use the property tax forms, property tax returns, and notice forms prescribed by the board; and

(3) collect and record the data required by the board.

(c) In assessing tangible property, the township assessors, members of the county property tax assessment board of appeals, and county assessors may consider factors in addition to those prescribed by the state board of tax commissioners if the use of the additional factors is first approved by the board. Each township assessor, **each member** of the county property tax assessment board of appeals, and the county assessor shall indicate on ~~his~~ **the** records for each individual assessment whether:

(1) only the factors contained in the board's rules, forms, and returns have been considered; or

(2) factors in addition to those contained in the board's rules, forms, and returns have been considered.

SECTION 12. IC 6-1.1-31-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 7. (a) With respect to the assessment of personal property, the rules of the state board of tax commissioners shall provide for the classification of personal property on the basis of:

(1) date of purchase;

(2) location;

(3) use;

(4) depreciation, obsolescence, and condition; and

(5) any other factor that the board determines by rule is just and proper.

(b) With respect to the assessment of personal property, the rules of the state board of tax commissioners shall include instructions for determining:

(1) the proper classification of personal property;

(2) the effect that location has on the value of personal property;

(3) the cost of reproducing personal property;

(4) the depreciation, including physical deterioration and obsolescence, of personal property; and

(5) the true tax value of personal property based on the factors listed in this subsection and any other factor that the board determines by rule is just and proper.

(c) In providing for the classification of personal property and the instructions for determining the items listed in subsection (b), the state board of tax commissioners shall not include the value of land as a cost of producing tangible personal property subject to assessment.

(d) **The rules of the state board of tax commissioners must include instructions for determining the starting point for the valuation of used depreciable personal property after a sale or transfer of the property.**

(e) With respect to the assessment of personal property, true tax value does not mean fair market value. True tax value is the value determined under rules of the state board of tax commissioners.

SECTION 13. IC 36-2-15-7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: **Sec. 7. In each county, the county assessor or an employee of the county assessor must be a certified level 2 Indiana assessor-appraiser.**

SECTION 14. IC 36-2-15-8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 8. (a) A county assessor who becomes a certified level 2 Indiana assessor-appraiser is entitled to a salary increase of one thousand dollars ($1,000) after the assessor's certification under IC 6-1.1-35.5.**

(b) A person who is a certified level 2 Indiana assessor-appraiser who replaces a county assessor who is not so certified is entitled to a salary of one thousand dollars ($1,000) more than the salary of the person's predecessor.

(c) An employee of a county assessor who becomes a certified level 2 Indiana assessor-appraiser is entitled to a salary increase of five hundred dollars ($500) after the employee's certification under IC 6-1.1-35.5.

(d) A salary increase under this section comprises a part of the county assessor's or employee's base salary for as long as the person serves in that position and maintains the level 2 certification.

SECTION 15. IC 36-6-8-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 6. (a) A township assessor who becomes a certified level 2 Indiana assessor-appraiser is entitled to a

salary increase of one thousand dollars ($1,000) after ~~his~~ **the assessor's** certification under IC 6-1.1-35.5.

(b) A certified level 2 Indiana assessor-appraiser who replaces a township assessor who is not so certified is entitled to a salary of one thousand dollars ($1,000) more than ~~his predecessor's~~ **the** salary **of the person's predecessor.**

(c) **An employee of a township assessor who becomes a certified level 2 Indiana assessor-appraiser is entitled to a salary increase of five hundred dollars ($500) after the employee's certification under IC 6-1.1-35.5.**

(d) A salary increase under this section comprises a part of the township assessor's **or employee's** base salary for as long as ~~he~~ **the person** serves in that position **and maintains the level 2 certification.**

SECTION 16. P.L.6-1997, SECTION 241, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE DECEMBER 30, 1999 (RETROACTIVE)]: SECTION 241. (a) Notwithstanding IC 5-14-3, a sales disclosure form under IC 6-1.1-5.5, as added by this act, is not a public record and may only be used by ~~the county land valuation commission~~ **a township assessor** or persons acting on behalf of ~~the county land valuation commission~~ **a township assessor** for the purpose of determining land values under IC 6-1.1-4-13.6 and by the state board of tax commissioners or persons acting on behalf of the state board of tax commissioners. Information contained on a sales disclosure form may not be used in a:

(1) review of an assessment under IC 6-1.1-8, IC 6-1.1-13, IC 6-1.1-14, or IC 6-1.1-15;

(2) petition for a correction of error under IC 6-1.1-15-12; or

(3) petition for a refund under IC 6-1.1-26.

(b) This SECTION expires December 31, ~~1999.~~ **2002.**

SECTION 17. P.L.63-1993, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999 (RETROACTIVE)]: SECTION 3. (a) The state board of tax commissioners shall conduct a study to determine the impact of converting the current property tax assessment system to a system based on fair market value. The board shall determine the fiscal, legal, and administrative impact on state and local government, and the fiscal impact on the owners of the various classifications of property in Indiana. A fair market value system is a system that analyzes sales of comparable properties, income information, and reproduction cost to arrive at the proper valuation of property for property tax assessment purposes.

(b) The board shall report the design of the study to the general assembly on or before December 1, 1993.

(c) The board shall collect data from a sufficient sampling of various classifications of property throughout Indiana. County officials shall cooperate in the study by furnishing data as required by the board.

(d) The board shall study the assessing systems, including methodology, structure, and procedure, in other states that use a property tax assessment system based on fair market value.

(e) The board shall perform the study and report the results and the board's recommendations for implementation of a property tax system based on fair market value to the general assembly on or before December 1, 1996.

(f) The report and data collected in the study may not be used in a:

(1) review of an assessment under IC 6-1.1-8, IC 6-1.1-13, IC 6-1.1-14, or IC 6-1.1-15;

(2) petition for a correction of error under IC 6-1.1-15-12; or

(3) petition for refund under IC 6-1.1-26.

(g) This SECTION expires December 31, ~~1999.~~ **2002.**

SECTION 18. **An emergency is declared for this act.**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1351 as printed January 21, 2000.)

KLINKER

Motion prevailed. The bill was ordered engrossed.

House Bill 1352

Representative Crawford called down House Bill 1352 for second reading. The bill was read a second time by title.

HOUSE MOTION
(Amendment 1352–1)

Mr. Speaker: I move that House Bill 1352 be amended to read as follows:

Page 5, line 8, strike "and".

Page 5, line 9, strike "hospital care for the indigent program (IC 12-16-2)".

Page 5, line 18, after "to" insert "**:**".

Page 5, line 19, before "medicaid" block indent and insert "**(1)**".

Page 5, line 19, delete "." and insert "; **and**

(2) Medicaid eligible patients.".

Page 5, line 23, delete ":" and insert "**the following, based on the most recent year for which an audited cost report is on file with the office:**".

Page 5, line 25, strike "for a fixed cost reporting period specified in state rules,".

Page 5, line 28, after "provider" insert ";".

Page 5, line 28, strike "based on final cost settlement;".

Page 5, line 34, before "revenues" insert "**patient**".

Page 5, line 34, strike "for".

Page 5, line 34, after "for inpatient" delete "patient".

Page 5, line 34, strike "services," and insert "**paid to the provider,**".

Page 5, line 35, delete "," and insert ";".

Page 5, line 35, strike "in the same fixed cost reporting period;".

Page 5, line 39, after "payment" insert ";".

Page 5, line 39, strike "or third party or".

Page 5, strike line 40.

Page 5, line 41, strike "state rules;".

Page 6, line 1, after "services" insert ".".

Page 6, line 1, strike "in the same fixed cost reporting period.".

Page 6, line 21, after "utilization" insert "**rate**".

Page 6, line 21, strike "discharge rate," and insert "**discharges,**".

Page 7, line 21, delete "ending" and insert "**ended**".

Page 8, strike lines 16 through 20.

Page 9, line 21, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".

Page 9, line 31, strike "treasurer".

Page 9, line 37, strike "treasurer".

Page 11, line 9, after "by" insert "**or affiliated with**".

Page 11, line 11, reset in roman "practicable,".

Page 11, line 11, delete "possible,".

Page 12, line 30, delete "section 1(a) of this chapter" and insert "**IC 12-15-16-1(a)**".

Page 12, line 32, after "The" insert "**payment methodology as developed by the office must:**

(1) maximize disproportionate share hospital payments to qualifying hospitals to the extent practicable;

(2) take into account the situation of those qualifying hospitals that have historically qualified for Medicaid disproportionate share payments; and

(3) ensure that payments net of intergovernmental transfers made by or on behalf of qualifying hospitals are equitable.".

Page 12, delete lines 33 through 42.

Page 13, delete lines 1 through 6.

Page 13, line 11, delete "for the hospital's most recent fiscal".

Page 13, line 12, delete "year".

Page 13, line 13, after "audits" insert ",".

Page 13, line 13, delete "and".

Page 13, line 13, after "factors" insert "**, and an appropriate base year determined by the office**".

Page 13, line 14, delete "an".

Page 13, line 14, delete "audit of any" and insert "**certification of data provided by a**".

Page 14, line 14, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".

Page 14, line 17, reset in roman "each".

Page 14, line 17, reset in roman "year".

Page 14, line 17, delete "years".

Page 14, line 18, delete "and June 30, 1999,".

Page 14, line 20, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".
Page 14, line 23, delete "state fiscal year ending after June 30, 1999, for".
Page 14, line 24, delete "each".
Page 14, line 25, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".
Page 14, line 31, delete "section" and insert "**IC 12-15-16-6 or sections 1 or**".
Page 15, line 15, after "audits" insert "**,**".
Page 15, line 15, delete "and".
Page 15, line 15, after "factors" insert "**, and an appropriate base year determined by the office**".
Page 15, line 16, delete "an".
Page 15, line 16, delete "audit of any" and insert "**certification of data provided by a**".
Page 15, line 23, delete "IC 12-15-16-1(c)" and insert "**IC 12-15-16-1**".
Page 15, line 35, delete "IC 12-15-16-1(c)" and insert "**IC 12-15-16-1**".
Page 15, line 40, after "audits" insert ",".
Page 15, line 40, delete "and".
Page 15, line 41, after "factors" insert "**, and an appropriate base year determined by the office**".
Page 15, line 41, delete "an".
Page 15, line 41, delete "audit of any" and insert "**certification of data provided by a**".
Page 16, line 27, delete ",".
Page 16, line 28, delete "IC 12-15-16-1(b), and IC 12-15-16-1(c)".
Page 17, line 11, delete "(3)".
Page 17, line 11, strike "Disproportionate share payments and significant".
Page 17, strike lines 12 through 13.
Page 17, line 14, reset in roman "(3)".
Page 17, line 14, delete "(4)".
Page 17, line 17, reset in roman "(4)".
Page 17, line 17, delete "(5)".
Page 17, line 37, strike "treasurer".
Page 17, line 40, delete "IC 12-15-16-1(c)" and insert "**IC 12-15-16-1**".
Page 18, line 1, strike "treasurer".
(Reference is to HB 1352 as printed January 21, 2000.)

CRAWFORD

Motion prevailed.

HOUSE MOTION
(Amendment 1352–2)

Mr. Speaker: I move that House Bill 1352 be amended to read as follows:
Page 5, line 8, strike "and".
Page 5, line 9, strike "hospital care for the indigent program (IC 12-16-2)".
Page 5, line 18, after "to" insert "**:**
(1)".
Page 5, line 19, delete "." and insert "; **and**
(2) Medicaid eligible patients.".
Page 5, line 23, delete ":" and insert "**the following, based on the most recent year for which an audited cost report is on file with the office:**".
Page 5, line 25, strike "for a fixed cost reporting period specified in state rules,".
Page 5, line 28, after "provider" insert ";".
Page 5, line 28, strike "based on final cost settlement;".
Page 5, line 34, before "revenues" insert "**patient**".
Page 5, line 34, strike "for".
Page 5, line 34, after "for inpatient" delete "patient".
Page 5, line 34, strike "services," and insert "**paid to the provider,**".
Page 5, line 35, delete "," and insert ";".
Page 5, line 35, strike "in the same fixed cost reporting period;".
Page 5, line 39, after "payment" insert ";".
Page 5, line 39, strike "or third party or".
Page 5, strike line 40.
Page 5, line 41, strike "state rules;".
Page 6, line 1, after "services" insert ".".
Page 6, line 1, strike "in the same fixed cost reporting period.".
Page 6, line 21, after "utilization" insert "**rate**".
Page 6, line 21, strike "discharge rate," and insert "**discharges,**".
Page 7, line 21, delete "ending" and insert "**ended**".
Page 8, strike lines 16 through 20.
Page 9, line 21, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".
Page 9, line 31, strike "treasurer".
Page 9, line 37, strike "treasurer".
Page 11, line 9, after "by" insert "**or affiliated with**".
Page 11, line 11, reset in roman "practicable,".
Page 11, line 11, delete "possible,".
Page 12, line 30, delete "section 1(a) of this chapter" and insert "**IC 12-15-16-1(a)**".
Page 12, line 32, after "The" insert "**payment methodology as developed by the office must:**
(1) maximize disproportionate share hospital payments to qualifying hospitals to the extent practicable;
(2) take into account the situation of those qualifying hospitals that have historically qualified for Medicaid disproportionate share payments; and
(3) ensure that payments net of intergovernmental transfers made by or on behalf of qualifying hospitals are equitable.".
Page 12, delete lines 33 through 42.
Page 13, delete lines 1 through 6.
Page 13, line 11, delete "for the hospital's most recent fiscal".
Page 13, line 12, delete "year".
Page 13, line 13, after "audits" insert ",".
Page 13, line 13, delete "and".
Page 13, line 13, after "factors" insert "**, and an appropriate base year determined by the office**".
Page 13, line 14, delete "an".
Page 13, line 14, delete "audit of any" and insert "**certification of data provided by a**".
Page 14, line 14, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".
Page 14, line 17, reset in roman "each".
Page 14, line 17, reset in roman "year".
Page 14, line 17, delete "years".
Page 14, line 18, delete "and June 30, 1999,".
Page 14, line 20, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".
Page 14, line 23, delete "state fiscal year ending after June 30, 1999, for".
Page 14, line 24, delete "each".
Page 14, line 25, delete "IC 12-15-16-1(b)" and insert "**IC 12-15-16-1**".
Page 14, line 31, delete "section" and insert "**IC 12-15-16-6 or sections 1 or**".
Page 15, line 15, after "audits" insert "**,**".
Page 15, line 15, delete "and".
Page 15, line 15, after "factors" insert "**, and an appropriate base year determined by the office**".
Page 15, line 16, delete "an".
Page 15, line 16, delete "audit of any" and insert "**certification of data provided by a**".
Page 15, between lines 17 and 18, begin a new paragraph and insert:
"**(c) For each of the state fiscal years:**
(1) beginning July 1, 1998, and ending June 30, 1999; and
(2) beginning July 1, 1999, and ending June 30, 2000;
the total municipal disproportionate share payments available under this section to qualifying municipal disproportionate share providers is twenty-two million dollars ($22,000,000).".
Page 15, line 23, delete "IC 12-15-16-1(c)" and insert "**IC 12-15-16-1**".
Page 15, line 35, delete "IC 12-15-16-1(c)" and insert "**IC 12-15-16-1**".

Page 15, line 40, after "audits" insert ",".
Page 15, line 40, delete "and".
Page 15, line 41, after "factors" insert "**, and an appropriate base year determined by the office**".
Page 15, line 41, delete "an".
Page 15, line 41, delete "audit of any" and insert "**certification of data provided by a**".
Page 16, line 6, after "to" insert "**:**
(1) section 10.1 of this chapter for the state fiscal year beginning July 1, 1998, and ending June 30, 1999; and
(2)".
Page 16, line 6, after "chapter" delete "," and insert "**for state fiscal years beginning after June 30, 1999;**".
Page 16, line 20, after "10." insert "**(a) This subsection applies for the state fiscal year beginning July 1, 1999, and ending June 30, 2000. If the state exceeds the state disproportionate share allocation (as defined in 42 U.S.C. 1396r-4(f)(2)) or the state limit on disproportionate share expenditures for institutions for mental diseases (as defined in 42 U.S.C. 1396r-4(h)), the state shall pay providers as follows:**
(1) The state shall make disproportionate share provider payments to municipal disproportionate share providers qualifying under IC 12-15-16-1(b) until the state exceeds the state disproportionate share allocation. The total amount paid to municipal disproportionate share providers under IC 12-15-16-1(b) may not exceed twenty-two million dollars ($22,000,000).
(2) After the state makes all payments under subdivision (1), if the state fails to exceed the state disproportionate share allocation, the state shall make disproportionate share provider payments to providers qualifying under IC 12-15-16-1(a).
(3) After the state makes all payments under subdivision (2), if the state fails to exceed the state disproportionate share allocation, the state shall make community mental health center disproportionate share provider payments to providers qualifying under IC 12-15-16-1(c).
(b) This subsection applies for state fiscal years beginning after June 30, 2000.".
Page 16, line 27, delete ",".
Page 16, line 28, delete "IC 12-15-16-1(b), and IC 12-15-16-1(c)".
Page 16, line 36, reset in roman "municipal".
Page 16, line 41, reset in roman "community mental health center".
Page 17, between lines 1 and 2, begin a new paragraph and insert:
"SECTION 17. IC 12-15-19-10.1 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1998 (RETROACTIVE)]: **Sec. 10.1. (a) Notwithstanding section 10 of this chapter, this section governs disproportionate share payments for the period beginning July 1, 1998, and ending June 30, 1999.**
(b) If the state exceeds the state disproportionate share allocation (as defined in 42 U.S.C. 1396r-4(f)(2)) or the state limit on disproportionate share expenditures for institutions for mental diseases (as defined in 42 U.S.C. 1396r-4(h)), the state shall pay providers as follows:
(1) The state shall make basic disproportionate share provider payments under IC 12-15-16-1(a) until the state exceeds the state disproportionate share allocation.
(2) After the state makes all payments under subdivision (1), if the state fails to exceed the state disproportionate share allocation, the state shall make municipal disproportionate share provider payments under IC 12-15-16-1(c). The total amount paid to municipal disproportionate share providers under IC 12-15-16-1(c) may not exceed twenty-two million dollars ($22,000,000).
(3) After the state makes all payments under subdivision (2), if the state fails to exceed the state disproportionate share allocation, the state shall make enhanced disproportionate share provider payments under IC 12-15-16-1(b).
(4) After the state makes all payments under subdivision (3), if the state fails to exceed the state disproportionate share allocation, the state shall make community mental health center disproportionate share provider payments under IC 12-15-16-1(d).".
Page 17, line 11, delete "(3)".
Page 17, line 11, strike "Disproportionate share payments and significant".
Page 17, strike lines 12 through 13.
Page 17, line 14, reset in roman "(3)".
Page 17, line 14, delete "(4)".
Page 17, line 17, reset in roman "(4)".
Page 17, line 17, delete "(5)".
Page 17, line 37, strike "treasurer".
Page 17, line 40, delete "IC 12-15-16-1(c)" and insert "**IC 12-15-16-1**".
Page 18, line 1, strike "treasurer".
Renumber all SECTIONS consecutively.
(Reference is to HB 1352 as printed January 21, 2000.)

CRAWFORD

Motion prevailed. The bill was ordered engrossed.

House Bill 1024

Representative Kromkowski called down House Bill 1024 for second reading. The bill was read a second time by title.

HOUSE MOTION
(Amendment 1024–3)

Mr. Speaker: I move that House Bill 1024 be amended to read as follows:
Page 3, between lines 18 and 19, begin a new paragraph and insert:
"SECTION 4. IC 3-8-1-1.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 1.6. (a) This section does not apply to a candidate ~~for a school board office.~~ **unless the candidate is required to file a campaign finance statement of organization under IC 3-9-1-5 or IC 3-9-1-5.5.**
(b) Not later than noon fourteen (14) days after the final day for filing a declaration of candidacy, declaration of intent to be a write-in candidate, petition of nomination, certificate of nomination, or certificate of candidate selection under IC 3-13-1-15 or IC 3-13-2-8, the election division or county election board shall determine if a candidate has complied with IC 3-9-1-5 **or IC 3-9-1-5.5 (if applicable)** by filing any campaign finance statement of organization required for the candidate's committee.
SECTION 5. IC 3-8-2-2.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 2.2. (a) A candidate for a school board office must file a petition of nomination in accordance with IC 3-8-6 and as required under IC 20-3 or IC 20-4. The petition of nomination, once filed, serves as the candidate's declaration of candidacy for a school board office.
(b) A candidate for a school board office is not required to file a statement of organization for the candidate's principal committee by noon seven (7) days after the final date for filing a petition of nomination or declaration of intent to be a write-in candidate unless the candidate has received contributions or made expenditures requiring the filing of a statement under ~~IC 3-9-1-5.~~ **IC 3-9-1-5.5.**
SECTION 6. IC 3-8-2-2.5, AS AMENDED BY P.L.202-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 2.5. (a) A person who desires to be a write-in candidate for a federal, state, legislative, or local office or school board office in a general, municipal, or school board election must file a declaration of intent to be a write-in candidate with the officer with whom declaration of candidacy must be filed under sections 5 and 6 of this chapter.
(b) The declaration of intent to be a write-in candidate required under subsection (a) must be signed before a person authorized to administer oaths and must certify the following information:
(1) The candidate's name must be printed or typewritten as:
(A) the candidate wants the candidate's name to appear on the ballot; and
(B) the candidate's name is permitted to appear on the ballot under IC 3-5-7.
(2) A statement that the candidate is a registered voter and the location of the candidate's precinct and township (or ward and

city or town), county, and state.

(3) The candidate's complete residence address, and if the candidate's mailing address is different from the residence address, the mailing address.

(4) The candidate's party affiliation or a statement that the candidate is an independent candidate (not affiliated with any party).

(5) A statement of the candidate's intention to be a write-in candidate, the name of the office, including the district, and the date and type of election.

(6) If the candidate is a candidate for the office of President or Vice President of the United States, a statement declaring the names of the individuals who have consented and are eligible to be the candidate's candidates for presidential electors.

(7) A statement that the candidate:

(A) is aware of the provisions of IC 3-9 regarding campaign finance and the reporting of campaign contributions and expenditures; and

(B) agrees to comply with the provisions of IC 3-9.

The candidate must separately sign the statement required by this subdivision.

(8) A statement as to whether the candidate has:

(A) been a candidate for state or local office in a previous primary or general election; and

(B) filed all reports required by IC 3-9-5-10 for all previous candidacies.

(9) If the candidate is subject to IC 3-9-1-5, a statement that the candidate has filed a campaign finance statement of organization for the candidate's principal committee or is aware that the candidate may be required to file a campaign finance statement of organization not later than noon seven (7) days after the final date to file the declaration of intent to be a write-in candidate under section 4 of this chapter.

(10) ~~A statement that~~ If the ~~individual is a~~ candidate ~~for a school board office,~~ **is subject to IC 3-9-1-5.5, a statement that** the candidate is required to file a campaign finance statement of organization under IC 3-9 after the first of either of the following occurs:

(A) The candidate receives more than five hundred dollars ($500) in contributions. ~~as a school board candidate.~~

(B) The candidate makes more than five hundred dollars ($500) in expenditures. ~~as a school board candidate.~~

(11) A statement that the candidate complies with all requirements under the laws of Indiana to be a candidate for the above named office, including any applicable residency requirements, and that the candidate is not ineligible to be a candidate due to a criminal conviction that would prohibit the candidate from serving in the office.

(12) The candidate's signature and telephone number.

(c) At the time of filing the declaration of intent to be a write-in candidate, the write-in candidate is considered a candidate for all purposes.

(d) A write-in candidate must comply with the requirements under IC 3-8-1 that apply to the office to which the write-in candidate seeks election.

(e) A person may not be a write-in candidate in a contest for nomination or for election to a political party office.

(f) A write-in candidate for the office of President or Vice President of the United States must list at least one (1) candidate for presidential elector and may not list more than the total number of presidential electors to be chosen in Indiana.

(g) The commission shall provide that the form of a declaration of intent to be a write-in candidate includes the following information near the separate signature required by subsection (b)(7):

(1) The dates for filing campaign finance reports under IC 3-9.

(2) The penalties for late filing of campaign finance reports under IC 3-9.

(h) A declaration of intent to be a write-in candidate must include a statement that the candidate requests the name on the candidate's voter registration record be the same as the name the candidate uses on the declaration of intent to be a write-in candidate. If there is a difference between the name on the candidate's declaration of intent to be a write-in candidate and the name on the candidate's voter registration record, the officer with whom the declaration of intent to be a write-in candidate is filed shall forward the information to the voter registration officer of the appropriate county as required by IC 3-5-7-6(e). The voter registration officer of the appropriate county shall change the name on the candidate's voter registration record to be the same as the name on the candidate's declaration of intent to be a write-in candidate.

SECTION 7. IC 3-8-6-12, AS AMENDED BY P.L.176-1999, SECTION 33, AND AS AMENDED BY P.L.202-1999, SECTION 8, IS AMENDED AND CORRECTED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 12. (a) A petition of nomination for an office filed under section 10 of this chapter must be filed with and certified by the person with whom a declaration of candidacy must be filed under IC 3-8-2.

(b) The petition of nomination must be accompanied by the following:

(1) ~~*Each*~~ *The* candidate's written consent to become a candidate.

(2) A statement that the candidate:

(A) is aware of the provisions of IC 3-9 regarding campaign finance and the reporting of campaign contributions and expenditures; and

(B) agrees to comply with the provisions of IC 3-9.

The candidate must separately sign the statement required by this subdivision.

(3) If the candidate is subject to IC 3-9-1-5, a statement by the candidate that the candidate has filed a campaign finance statement of organization under IC 3-9-1-5 or is aware that the candidate may be required to file a campaign finance statement of organization not later than noon seven (7) days after the final date for filing a petition for nomination under section 10 of this chapter.

(4) ~~A statement that~~ If the ~~individual is a~~ candidate ~~for a school board office,~~ **is subject to IC 3-9-1-5.5, a statement by the candidate that** the candidate is aware of the requirement to file a campaign finance statement of organization under IC 3-9 after the first of either of the following occurs:

(A) The candidate receives more than five hundred dollars ($500) in contributions. ~~as a school board candidate.~~

(B) The candidate makes more than five hundred dollars ($500) in expenditures. ~~as a school board candidate.~~

(5) A statement indicating whether or not each candidate:

(A) has been a candidate for state or local office in a previous primary or general election; and

(B) has filed all reports required by IC 3-9-5-10 for all previous candidacies.

(6) A statement that each candidate is legally qualified to hold the office that the candidate seeks, including any applicable residency requirements and restrictions on service due to a criminal conviction.

(7) If the petition is filed with the secretary of state for an office not elected by the electorate of the whole state, a statement signed by the circuit court clerk of each county in the election district of the office sought by the individual.

(8) Any statement of economic interests required under IC 3-8-1-33.

(c) The statement required under subsection (b)(7) must:

(1) be certified by each circuit court clerk; and

(2) indicate the number of votes cast for secretary of state:

(A) at the last election for secretary of state; and

(B) in the part of the county included in the election district of the office sought by the individual filing the petition.

(d) The secretary of state shall, by noon August 20, certify each petition of nomination filed in the secretary of state's office to the appropriate county.

(e) The commission shall provide that the form of a petition of nomination includes the following information near the separate signature required by subsection (b)(2):

(1) The dates for filing campaign finance reports under IC 3-9.

(2) The penalties for late filing of campaign finance reports under IC 3-9.

(f) A candidate's consent to become a candidate must include a statement that the candidate requests the name on the candidate's voter registration record be the same as the name the candidate uses on the consent to become a candidate. If there is a difference between the name on the candidate's consent to become a candidate and the name on the candidate's voter registration record, the officer with whom the consent to become a candidate is filed shall forward the information to the voter registration officer of the appropriate county as required by IC 3-5-7-6(e). The voter registration officer of the appropriate county shall change the name on the candidate's voter registration record to be the same as the name on the candidate's consent to become a candidate.

SECTION 8. IC 3-9-1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 1. (a) Except as provided in subsection (b), this chapter applies to candidates in all elections and caucuses and to the following types of committees:

(1) Candidate's committees.

(2) Regular party committees.

(3) Political action committees.

(4) Legislative caucus committees.

(b) This chapter does not apply to the following:

(1) ~~Elections to~~ **A candidate for a** local ~~offices~~ **office** for which the compensation is less than five thousand dollars ($5,000) per year **unless the candidate is required to file a written instrument designating a principal committee under section 5.5 of this chapter.**

(2) ~~Candidates~~ **A candidate** for school board office ~~except a~~ **unless the** candidate ~~who~~ is required to file a written instrument designating a principal committee under ~~section 5~~ **section 5.5** of this chapter.

(3) Elections for precinct committeeman or delegate to a state convention.

(4) An auxiliary party organization.

SECTION 9. IC 3-9-1-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 5. (a) **This section does not apply to the following candidates:**

(1) A candidate for a local office for which the compensation is less than five thousand dollars ($5,000) per year.

(2) A candidate for a school board office.

(b) Each candidate shall have a principal committee.

~~(b) This subsection does not apply to a candidate for school board office. No~~ **(c) Not** later than:

(1) noon ten (10) days after becoming a candidate; or

(2) noon seven (7) days after the final date and hour for filing a:

(A) declaration of candidacy under IC 3-8-2;

(B) petition of nomination under IC 3-8-6;

(C) certificate of nomination under IC 3-8-7-8;

(D) certificate of candidate selection under IC 3-13-1 or IC 3-13-2; or

(E) declaration of intent to be a write-in candidate under IC 3-8-2;

whichever occurs first;

the candidate shall file a written instrument designating the name of the principal committee and the names of the chairman and treasurer of the committee.

~~(c) This subsection applies to a candidate for school board office. Not later than noon ten (10) days after either:~~

~~(1) the candidate receives more than five hundred dollars ($500) in contributions as a school board candidate; or~~

~~(2) the candidate makes more than five hundred dollars ($500) in expenditures as a school board candidate;~~

~~whichever occurs first, the candidate shall file a written instrument designating the name of the principal committee and the names of the chairman and treasurer of the committee.~~

(d) This designation may be made on the same instrument as the statement of organization required from the principal committee.

SECTION 10. IC 3-9-1-5.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: **Sec. 5.5. (a) This section applies to the following candidates:**

(1) A candidate for a local office for which the compensation is less than five thousand dollars ($5,000) per year.

(2) A candidate for a school board office.

(b) A candidate shall have a principal committee.

(c) Not later than noon ten (10) days after either:

(1) the candidate receives more than five hundred dollars ($500) in contributions; or

(2) the candidate makes more than five hundred dollars ($500) in expenditures;

whichever occurs first, the candidate shall file a written instrument designating the name of the principal committee and the names of the chairman and treasurer of the committee.

(d) This designation may be made on the same instrument as the statement of organization required from the principal committee.

SECTION 11. IC 3-9-1-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 6. If a candidate fails to file the instrument required by section 5 **or 5.5** of this chapter, the candidate's principal committee is designated as "the _____(insert the name of the candidate) for _____ (insert the title of the office sought by the candidate) committee". The candidate is then both chairman and treasurer of the committee.

SECTION 12. IC 3-9-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 1. (a) Except as provided in subsections (b) and (c), this chapter applies to candidates in all elections and caucuses and to the following types of committees:

(1) Candidate's committees.

(2) Regular party committees.

(3) Political action committees.

(4) A legislative caucus committee.

(b) Sections 2 through 10 of this chapter do not apply to ~~the following:~~

~~(1) Elections to local offices for which the compensation is less than five thousand dollars ($5,000) per year.~~

~~(2)~~ elections for precinct committeeman or delegate to a state convention.

(c) Section 9 of this chapter ~~does not apply~~ **applies** to a candidate ~~for school board office unless~~ **only if** the candidate is required to file a written instrument designating a principal committee under IC 3-9-1-5 **or IC 3-9-1-5.5.**

(d) Sections 9 and 10 of this chapter apply to an auxiliary party organization.

SECTION 13. IC 3-9-4-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 1. (a) Except as provided in subsection (b), this chapter applies to candidates in all elections and caucuses and to the following types of committees:

(1) Candidate's committees.

(2) Regular party committees.

(3) Political action committees.

(4) A legislative caucus committee.

(b) This chapter does not apply to the following:

(1) ~~Elections to~~ **A candidate for a** local ~~offices~~ **office** for which the compensation is less than five thousand dollars ($5,000) per year **unless the candidate is required to file a written instrument designating a principal committee under IC 3-9-1-5.5.**

(2) Elections for precinct committeeman or delegate to a state convention.

(3) A candidate for a school board office ~~except a~~ **unless the** candidate ~~who~~ is required to file a written instrument designating a principal committee under ~~IC 3-9-1-5.~~ **IC 3-9-1-5.5.**

(4) An auxiliary party organization.

SECTION 14. IC 3-9-5-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 1. (a) Except as provided in subsection (b), this chapter applies to candidates in all elections and caucuses and to the following types of committees:

(1) Candidate's committees.

(2) Regular party committees.

(3) Political action committees.

(4) A legislative caucus committee.

(b) This chapter does not apply to the following:

(1) ~~Elections to~~ **A candidate for a** local ~~or school board offices~~ **office** for which the compensation is less than five thousand dollars ($5,000) per year **unless the candidate is required to file a written instrument designating a principal committee under IC 3-9-1-5.5.**

(2) ~~Candidates~~ **A candidate** for school board office ~~except a~~ **unless the** candidate ~~who~~ is required to file a written instrument designating a principal committee under ~~IC 3-9-1-5.~~ **IC 3-9-1-5.5.**

(3) Elections for precinct committeeman or delegate to a state convention.

(4) An auxiliary party organization.".

Renumber all SECTIONS consecutively.

(Reference is to HB 1024 as printed January 20, 2000.)

M. YOUNG

Motion prevailed.

HOUSE MOTION
(Amendment 1024–4)

Mr. Speaker: I move that House Bill 1024 be amended to read as follows:

Page 5, delete lines 36 through 42, begin a new paragraph and insert:

"SECTION 8. IC 3-11-13-22, AS AMENDED BY P.L.176-1999, SECTION 81, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE NOVEMBER 1, 1999 (RETROACTIVE)]: Sec. 22. (a) At least fourteen (14) days before election day, the county election board of each county planning to use automatic tabulating machines at the next election shall have the automatic tabulating machines tested to ascertain that the machines will correctly count the votes cast ~~in all precincts~~ for all candidates and on all public questions. Not later than seven (7) days after conducting the test under this subsection, the county election board shall certify to the election division that the ~~pretest~~ **test** has been conducted in conformity with this subsection.

(b) ~~At least seven (7) days before election day, a county election board required to conduct a pretest under subsection (a) shall conduct a public test under this subsection. The public test conducted under this subsection consists of a sample of precincts designated by the county election board. However, the sample must include at least one (1) precinct in each election district in which each candidate appears on the ballot.~~ Public notice of the time and place shall be given at least forty-eight (48) hours before the test. The notice shall be published once in accordance with IC 5-3-1-4.

SECTION 9. IC 3-11-13-23, AS AMENDED BY P.L.176-1999, SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE NOVEMBER 1, 1999 (RETROACTIVE)]: Sec. 23. (a) The two (2) appointed members of the county election board shall observe the ~~tests~~ **test** required by section 22 of this chapter and certify the ~~tests~~ **test** as meeting the requirements of section 22 of this chapter.

(b) A copy of the certification of the test conducted under section 22(b) of this chapter shall be transmitted to the election division immediately, and another copy shall be filed with the election returns.

(c) The ~~tests~~ **test** must be open to representatives of political parties, candidates, the media, and the public.

SECTION 10. IC 3-11-13-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE NOVEMBER 1, 1999 (RETROACTIVE)]: Sec. 24. The ~~tests~~ **test** required by section 22 of this chapter must:

(1) include the visual inspection of the voting devices for the correct alignment of the card stock and the templates for proper punching;

(2) be conducted by processing a preaudited group of ballot cards punched or marked so as to record a predetermined number of valid votes for each candidate and on each public question; and

(3) include for each office one (1) or more ballot cards that have votes in excess of the number allowed by law in order to test the ability of the automatic tabulating machines to reject the votes.

SECTION 11. IC 3-11-13-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE NOVEMBER 1, 1999 (RETROACTIVE)]: Sec. 25. If an error is detected during the ~~tests~~ **test** required by section 22 of this chapter, the cause of the error shall be determined and corrected, and an errorless count shall be made before the automatic tabulating machines are approved.

SECTION 12. IC 3-11-13-26, AS AMENDED BY P.L.176-1999, SECTION 83, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE NOVEMBER 1, 1999 (RETROACTIVE)]: Sec. 26. ~~(a) The public test required by section 22(b) of this chapter shall be repeated and certified again in the same manner immediately before the start of the official count of the ballot cards.~~

~~(b) The certification shall be filed with the election returns but is not required to be filed with the election division.~~

~~(c) After the completion of the count, the county election board shall conduct a posttest using the same sample included in the public test conducted under section 22(b) of this chapter. The county election board shall certify the results of the posttest and file the certification with the election returns. A copy of the posttest certification is not required to be filed with the election division.~~

(~~d~~) After completion of the ~~posttest,~~ **count,** the ~~tested~~ tabulating machines shall be sealed in the same manner as voting machines under IC 3-12-2.5-6. The ballot cards and all other election materials shall be sealed, retained, and disposed of as provided for paper ballots.".

Page 6, delete lines 1 through 13.

Renumber all SECTIONS consecutively.

(Reference is to HB 1024 as printed January 20, 2000.)

RICHARDSON

Motion prevailed.

HOUSE MOTION
(Amendment 1024–5)

Mr. Speaker: I move that House Bill 1024 be amended to read as follows:

Page 23, between lines 6 and 7, begin a new paragraph and insert:

"SECTION 28. [EFFECTIVE UPON PASSAGE] **(a) As used in this SECTION, "committee" refers to the census data advisory committee established by IC 2-5-19-2.**

(b) Before January 1, 2001, the committee shall study the following:

(1) The standardization of municipal election calendars to conform to county, state, and federal elections, including the following possibilities:

(A) The elimination of town conventions under IC 3-8-5.

(B) The implementation of primaries for the nomination of candidates in small town elections.

(2) The elimination of municipal elections in odd-numbered years so that all municipal elections are held in even-numbered years with countywide elections.

Before January 1, 2001, the committee shall make recommendations regarding these subjects to the legislative council as the committee considers necessary.

(c) This SECTION expires January 1, 2001.".

Renumber all SECTIONS consecutively.

(Reference is to HB 1024 as printed January 20, 2000.)

LINDER

Motion prevailed. The bill was ordered engrossed.

House Bill 1182

Representative Kersey called down House Bill 1182 for second reading. The bill was read a second time by title.

HOUSE MOTION
(Amendment 1182–3)

Mr. Speaker: I move that House Bill 1182 be amended to read as follows:

Page 4, line 15, delete "2002" and insert "**2004**".

Page 4, line 18, delete "5,2002" and insert "**2,2004**".

Page 4, line 19, delete "2003" and insert "**2005**".

Page 4, line 20, delete "2004" and insert "**2006**".

(Reference is to HB 1182, as updated 1/19/00, 6:11pm.)

TINCHER

Motion prevailed.

HOUSE MOTION
(Amendment 1182–1)

Mr. Speaker: I move that House Bill 1182 be amended to read as follows:

Page 3, between lines 10 and 11, begin a new paragraph and insert:

"SECTION 2. IC 33-5-37.8 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]:

Chapter 37.8. Orange Superior Court

Sec. 1. There is established a court of record to be known as the Orange superior court (referred to as "the court" in this chapter). The court may have a seal containing the words "Orange Superior Court, Orange County, Indiana". Orange County comprises the judicial district of the court.

Sec. 2. (a) The court has one (1) judge, who shall be elected at the general election every six (6) years in Orange County. The judge's term begins January 1 following the election and ends December 31 following the election of the judge's successor.

(b) To be eligible to hold office as judge of the court, a person must:

(1) be a resident of Orange County;

(2) be less than seventy (70) years of age at the time of taking office; and

(3) be admitted to the bar of Indiana.

Sec. 3. (a) Except as provided in subsection (b), the court has the same jurisdiction as the Orange circuit court.

(b) The Orange circuit court has exclusive juvenile jurisdiction.

Sec. 4. The judge of the court has the same powers relating to the conduct of the business of the court as the judge of the Orange circuit court. The judge of the court also may administer oaths, solemnize marriages, and take and certify acknowledgments of deeds.

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Sec. 5. The judge of the court shall appoint a bailiff and an official court reporter for the court. The judge may appoint a referee, commissioner, or other personnel as the judge considers necessary to facilitate and transact the business of the court. Their salaries shall be fixed in the same manner as the salaries of the personnel for the Orange circuit court. Their salaries shall be paid monthly out of the treasury of Orange County as provided by law. Personnel appointed under this section continue in office until removed by the judge of the court.

Sec. 6. The clerk of the court, under the direction of the judge of the court, shall provide order books, judgment dockets, execution dockets, fee books, and other books for the court, which shall be kept separately from the books and papers of other courts.

Sec. 7. The court shall hold its sessions in the Paoli Office Complex in Paoli, Indiana, or in such other places in the county as the Orange county executive may provide. The county executive shall provide and maintain a suitable courtroom and other rooms and facilities, including furniture and equipment, as may be necessary. The Orange County fiscal body shall appropriate sufficient funds for the provision and maintenance of these rooms and facilities.

Sec. 8. The jury commissioners appointed by the judge of the Orange circuit court shall serve as the jury commissioners for the court. Juries shall be selected in the same manner as juries for the Orange circuit court. The grand jury selected for the Orange circuit court shall also serve as the grand jury for the court as may be necessary.

Sec. 9. The judge of the Orange circuit court may, with the consent of the judge of the court, transfer any action or proceeding from the circuit court to the court. The judge of the court may, with the consent of the judge of the circuit court, transfer any action or proceeding from the court to the circuit court.

Sec. 10. The judge of the Orange circuit court may, with the consent of the judge of the court, sit as a judge of the court in any matter as if the judge of the circuit court were an elected judge of the court. The judge of the court may, with the consent of the judge of the circuit court, sit as a judge of the circuit court in any matter as if the judge of the court were an elected judge of the circuit court.

Sec. 11. The court has a standard small claims and misdemeanor division.".

Page 5, after line 23, begin a new paragraph and insert:

"SECTION 11. [EFFECTIVE JULY 1, 2000] **(a) On July 1, 2000, the Orange county court is abolished.**

(b) Any case pending in the Orange county court after the close of business on June 30, 2000, is transferred on July 1, 2000, to the Orange superior court established by this act. All cases transferred under this SECTION that are eligible to be heard by the standard small claims and misdemeanor division shall be transferred to the standard small claims and misdemeanor division of the court. A case transferred under this SECTION shall be treated as if the case were filed in the Orange superior court.

(c) On July 1, 2000, all property and obligations of the Orange county court become the property and obligations of the Orange superior court.

(d) The initial judge of the Orange superior court added by this act shall be the person who is the Orange county court judge on June 30, 2000. The term of the initial judge begins July 1, 2000, and ends December 31, 2002. The initial election of a judge for the Orange superior court added by this act shall be the general election conducted on November 5, 2002. The term of the initial elected judge begins January 1, 2003.

(e) This SECTION expires January 2, 2003.".

Renumber all SECTIONS consecutively.

(Reference is to HB 1182 as printed January 20, 2000.)

STEELE

Motion prevailed. The bill was ordered engrossed.

REPORTS FROM COMMITTEES

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1025, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective dates in SECTIONS 1 through 6 with "[EFFECTIVE JANUARY 1, 2001]".

Replace the effective date in SECTION 7 with "[EFFECTIVE JULY 1, 2001]".

Page 1, delete lines 9 through 11, begin a new paragraph and insert:

"**(b) A person who:**

(1) is serving as a magistrate on July 1, 2000, and makes an election under IC 33-13-10.1-3.5 to become a member of the judges' 1985 benefit system under IC 33-13-10.1; or

(2) begins serving as a magistrate after July 1, 2000;

shall, beginning January 1, 2001, participate in the judges' 1985 benefit system under IC 33-13-10.1.".

Page 3, delete lines 10 and 11, begin a new paragraph and insert:

"**(b) A person who:**

(1) is serving as a magistrate on July 1, 2000, and makes an election under section 3.5 of this chapter to become a member of the judges' 1985 benefit system under this chapter; or

(2) begins serving as a magistrate after July 1, 2000;

is, beginning January 1, 2001, a participant in the judges' 1985 benefit system under this chapter.

SECTION 4. IC 33-13-10.1-3.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 3.5. A person who is serving as a magistrate on July 1, 2000, may elect to become a member of the judges' 1985 benefit system under this chapter. An election under this section:**

(1) must be made in writing;

(2) must be filed with the PERF board, on a form prescribed by the board, before October 1, 2000; and

(4) is irrevocable.".

Page 6, line 21, delete "2000," and insert "**2001,**".

Page 9, after line 17, begin a new paragraph and insert:

"SECTION 13. IC 33-14-9-24 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 24. Subject to section 20 of this chapter, the monthly benefit payable under this chapter after June 30, 2001, to participants, survivors, and beneficiaries shall be increased by the**

same percentages and under the same conditions as monthly benefits are increased under IC 5-10.2-5 for members of the public employees' retirement fund and their survivors and beneficiaries.".

Renumber all SECTIONS consecutively.

(Reference is to HB 1025 as printed January 14, 2000.)

and when so amended that said bill do pass.

Committee Vote: yeas 19, nays 4.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Policy, Ethics and Veterans Affairs, to which was referred House Bill 1055, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 11, nays 0.

KUZMAN, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Roads and Transportation, to which was referred House Bill 1097, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective dates in SECTIONS 1 through 5 with [EFFECTIVE JANUARY 1, 2001].

Page 1, line 4, delete "or" and insert "**and, if different from the mailing address, the**".

Page 1, line 5, after "applicant." insert "**The applicant shall indicate to the bureau which address the license or permit shall contain.**".

Page 2, between lines 1 and 2, begin a new sentence blocked left and insert: "**The bureau shall maintain records of the information provided under subdivisions (1) through (5).**".

Page 2, line 29, delete ";" and insert "**application;**".

Page 3, between lines 2 and 3, begin a new paragraph and insert:

"SECTION 5. IC 9-24-16-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 2. An application for an identification card issued under this chapter must meet the following conditions:

(1) Made upon an approved form provided by the bureau**, which shall include the mailing address, and if different from the mailing address, the residence address of the applicant.**

(2) Verified by the applicant before a person authorized to administer oaths and affirmations.".

Page 3, line 12, delete "or" and insert "**and, if different from the mailing address, the**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1097 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 13, nays 0.

COOK, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Health, to which was referred House Bill 1124, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 3, delete lines 4 through 42, begin a new paragraph and insert:

"SECTION 7. IC 16-28-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE SEPTEMBER 1, 2000]: Sec. 4. (a) The commissioner shall impose the following remedies for breaches of this article or a rule adopted under this article:

(1) For ~~an offense,~~ **a Level 4 breach,** the remedies specified in subsection (b)(1) through (b)(2). The commissioner may also impose the remedy specified in subsection (b)(3).

(2) For a ~~deficiency,~~ **Level 3 breach,** the ~~remedies~~ **remedy** specified in subsection (b)(1). The commissioner may also impose the remedies specified in subsection (b)(4).

(3) For a breach that is a repeat of the same ~~deficiency~~ **Level 3 breach** within a fifteen (15) month period, the remedies specified in subsection (b)(1) through (b)(2). The commissioner may also impose the remedy specified in subsection (b)(3).

(4) For a ~~noncompliance,~~ **Level 2 breach,** the remedies specified in subsection (b)(5) through (b)(6).

(5) For a breach that is a repeat of the same ~~noncompliance~~ **Level 2 breach** within a fifteen (15) month period, the ~~remedies~~ **remedy** specified in subsection (b)(1). The commissioner may also impose the remedies specified in subsection (b)(4).

(6) For a ~~nonconformance,~~ **Level 1 breach,** the ~~remedies~~ **remedy** specified in subsection (b)(5).

(7) For a breach that is a repeat of the same ~~nonconformance~~ **Level 1 breach** within a fifteen (15) month period, the remedies specified in subsection (b)(5) through (b)(6).

(b) The remedies for breaches of this article or rules adopted under this article are as follows:

(1) Issuance of an order for immediate correction of the breach.

(2) Imposition of a fine not to exceed ten thousand dollars ($10,000) or suspension of new admissions to the health facility for a period not to exceed forty-five (45) days, or both.

(3) Revocation by the director of the health facility's license or issuance of a probationary license.

(4) Imposition of a fine not to exceed five thousand dollars ($5,000) or suspension of new admissions to the health facility for a period not to exceed thirty (30) days, or both.

(5) A requirement that the health facility comply with any plan of correction approved or directed under section 7 of this chapter.

(6) If the health facility is found to have a pattern of breach, the commissioner may suspend new admissions to the health facility for a period not to exceed fifteen (15) days or impose a fine not to exceed one thousand dollars ($1,000), or both.

(c) If a breach is immediately corrected and the commissioner has imposed remedies under subsection (b)(2), the commissioner may waive not more than fifty percent (50%) of the fine imposed and reduce the number of days for suspension of new admissions by one-half (1/2).

(d) The commissioner may, with the concurrence of a licensed physician, impose the following:

(1) For an omission of care or an act that does not fall within a classification of a ~~rule~~ **breach** under this section and that the facility should reasonably have known would present a substantial probability that death or a life threatening condition will result, one (1) or any combination of the remedies specified in subsection (b)(1) through (b)(3).

(2) For an omission of care or an act that:

(A) does not fall within a classification of a ~~rule~~ **breach** under this section; and

(B) the facility should reasonably have known would result in an immediate or a direct, serious adverse effect on the health, safety, security, rights, or welfare of a patient;

the remedies specified in subsection (b)(1) or (b)(4), or both.".

Delete page 4.

Page 5, delete lines 1 through 19.

Page 6, line 10, after "conducted" insert "**or approved**".

Page 6, line 10, delete ":" and insert "**the state department of health.**".

Page 6, delete lines 11 through 12.

Page 6, delete lines 17 through 42.

Delete pages 7 through 9.

Renumber all SECTIONS consecutively.

(Reference is to HB 1124 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 13, nays 0.

C. BROWN, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Agriculture, Natural Resources

and Rural Development, to which was referred House Bill 1155, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, between lines 14 and 15, begin a new paragraph and insert:

"SECTION 4. IC 15-1.5-3-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 9. ~~Before March 1 of~~ **At the first meeting** each year ~~the commission shall report to~~ **of** the ~~Indiana~~ state fair advisory ~~commission~~ **committee** established under IC 15-1-1.5-4, **the commission shall report** the following:

(1) The activities of the commission during the previous calendar year.

(2) The financial condition of the commission for the commission's most recently completed fiscal year.

(3) The commission's plans for the current calendar year.".

Renumber all SECTIONS consecutively.

(Reference is to HB 1155 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 12, nays 0.

LYTLE, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Policy, Ethics and Veterans Affairs, to which was referred House Bill 1180, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete everything after the enacting clause and insert the following:

SECTION 1. IC 4-20.5-21 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]:

Chapter 21. Displays on Public Property

Sec. 1. This chapter governs the display of objects on real property owned by the state.

Sec. 2. An object containing the words of the Ten Commandments may be displayed on real property owned by the state along with other documents of historical significance that have formed and influenced the United States legal or governmental system. The display of an object containing the words of the Ten Commandments must be in the same manner and appearance generally as other documents and objects displayed, and shall not be presented or displayed in any fashion that results in calling attention to it apart from the other displayed documents and objects.

SECTION 2. IC 36-1-16 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]:

Chapter 16. Displays on Public Property

Sec. 1. This chapter governs the display of objects on real property owned by a political subdivision.

Sec. 2. An object containing the words of the Ten Commandments may be displayed on real property owned by a political subdivision along with other documents of historical significance that have formed and influenced the United States legal or governmental system. The display of an object containing the words of the Ten Commandments must be in the same manner and appearance generally as other documents and objects displayed, and shall not be presented or displayed in any fashion that results in calling attention to it apart from the other displayed documents and objects.

(Reference is to HB 1180 as printed January 25, 2000.)

and when so amended that said bill do pass.

Committee Vote: yeas 13, nays 0.

KUZMAN, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Policy, Ethics and Veterans Affairs, to which was referred House Bill 1237, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 9, nays 3.

KUZMAN, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1269, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, line 19, after "that" delete ":" and insert " **obligations of the textbook rental fund exceed the revenue required to be deposited in the textbook rental fund during the year of the transfer.**".

Page 2, delete lines 20 through 23.

Page 2, line 42, after "that" delete ":" and insert " **obligations of the textbook rental fund exceed the revenue required to be deposited in the textbook rental fund during the year of the transfer.**".

Page 3, delete lines 1 through 4.

Page 4, line 14, delete "negative balances" and insert " **obligations of the textbook rental fund**".

Page 4, line 15, after "1999" delete "." and insert "**, that exceed the revenue required to be deposited in the textbook rental fund through December 31, 1999.**".

(Reference is to HB 1269 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 20, nays 5.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1302, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 5-10-8-2.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2.6. (a) This section applies only to local unit public employers and their employees. This section does not apply to public safety employees, surviving spouses, and dependents covered by section 2.2 of this chapter.

(b) A public employer may provide programs of group insurance for its employees and retired employees. The public employer may, however, exclude part-time employees and persons who provide services to the unit under contract from any group insurance coverage that the public employer provides to the employer's full-time employees. A public employer may provide programs of group insurance under this section through either or both of the following methods:

(1) By purchasing policies of group insurance.

(2) By establishing self-insurance programs.

However, the establishment of a self-insurance program is subject to the approval of the unit's fiscal body.

(c) A public employer may pay a part of the cost of group insurance, but shall pay a part of the cost of group life insurance for local employees. A public employer may pay, as supplemental wages, an amount equal to the deductible portion of group health insurance as long as payment of the supplemental wages will not result in the payment of the total cost of the insurance by the public employer.

(d) An insurance contract for local employees under this section may not be canceled by the public employer during the policy term of the contract.

(e) After June 30, 1986, a public employer shall provide a group health insurance program under subsection (g) to each retired employee:

(1) whose retirement date is:

(A) after May 31, 1986, for a retired employee who was a teacher (as defined in IC 20-6.1-1-8) for a school corporation; or

(B) after June 30, 1986, for a retired employee not covered by clause (A);

(2) who will have reached fifty-five (55) years of age on or before the employee's retirement date but who will not be eligible on that date for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq.;

(3) who will have completed twenty (20) years of creditable employment with a public employer on or before the employee's retirement date, ten (10) years of which must have been completed immediately preceding the retirement date; and

(4) who will have completed at least fifteen (15) years of participation in the retirement plan of which the employee is a member on or before the employee's retirement date.

(f) A group health insurance program required by subsection (e) must be equal in coverage to that offered active employees and must permit the retired employee to participate if the retired employee pays an amount equal to the total of the employer's and the employee's premiums for the group health insurance for an active employee and if the employee, within ninety (90) days after the employee's retirement date files a written request with the employer for insurance coverage. However, the employer may elect to pay any part of the retired employee's premiums.

(g) A retired employee's eligibility to continue insurance under subsection (e) ends when the employee becomes eligible for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq., or when the employer terminates the health insurance program. A retired employee who is eligible for insurance coverage under subsection (e) may elect to have the employee's spouse covered under the health insurance program at the time the employee retires. If a retired employee's spouse pays the amount the retired employee would have been required to pay for coverage selected by the spouse, the spouse's subsequent eligibility to continue insurance under this section is not affected by the death of the retired employee. The surviving spouse's eligibility ends on the earliest of the following:

(1) When the spouse becomes eligible for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq.

(2) When the employer terminates the health insurance program.

~~(3) Two (2) years after the date of the employee's death.~~

~~(4)~~ **(3)** The date of the spouse's remarriage.

(h) This subsection does not apply to an employee who is entitled to group insurance coverage under IC 20-6.1-6-1(c). An employee who is on leave without pay is entitled to participate for ninety (90) days in any group health insurance program maintained by the public employer for active employees if the employee pays an amount equal to the total of the employer's and the employee's premiums for the insurance. However, the employer may pay all or part of the employer's premium for the insurance.

(i) A public employer may provide group health insurance for retired employees or their spouses not covered by subsections (e) through (g) and may provide group health insurance that contains provisions more favorable to retired employees and their spouses than required by subsections (e) through (g). A public employer may provide group health insurance to an employee who is on leave without pay for a longer period than required by subsection (h), and may continue to pay all or a part of the employer's premium for the insurance while the employee is on leave without pay.".

Page 4, line 15, strike "five (5)" and insert "**three (3)**".

Page 4, line 17, strike "five (5)" and insert "**three (3)**".

Page 4, line 19, strike "five (5)" and insert "**three (3)**".

Page 5, between lines 14 and 15, begin a new paragraph and insert:

"SECTION 4. IC 5-10.2-4-4, AS AMENDED BY P.L.195-1999, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 4. (a) The computation of benefits under this section is subject to IC 5-10.2-2-1.5.

(b) For retirement benefits payable on and after July 1, 1975, for a member retired on and after January 1, 1956, the pension (p) is computed as follows:

STEP ONE: Multiply one and one-tenths percent (1.1%), **for a member of the public employees' retirement fund, or one and three-tenths percent (1.3%), for a member of the Indiana state teachers' retirement fund,** times the average of the annual compensation (aac) and obtain a product.

STEP TWO: To obtain the pension, multiply the STEP ONE product by the total creditable service (scr) completed by the member on his retirement date.

Expressed mathematically:

p = (.011), **for a member of the public employees' retirement fund, or (0.013), for a member of the Indiana state teachers' retirement fund,** times (aac) times (scr)

(c) Unless the member has chosen a lump sum payment under section 2 of this chapter or elects to defer receiving in any form the member's annuity savings account under section 2 (c) of this chapter, the annuity is the amount purchasable on the member's retirement date by the amount credited to the member in the annuity savings account. The amount purchasable is based on actuarial tables adopted by the board under IC 5-10.2-2-10 at an interest rate determined by the board.".

Page 7, between lines 33 and 34, begin a new paragraph and insert:

"SECTION 6. [EFFECTIVE JULY 1, 2000] **IC 5-10.2-4-4, as amended by this act, applies only to benefits paid after June 30, 2000.**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1302 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 17, nays 8.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1374, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 4-4-8-1, AS AMENDED BY P.L.227-1999, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 1. As used in this chapter:

"Department" means the department of commerce.

"Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

"Governing body" means the legislative body of a city, town, or county, an economic development commission, or any board administering the affairs of a special taxing district.

"Industrial development program" means any program designed to aid the growth of industry in Indiana and includes:

(1) the construction of airports, airport facilities, and tourist attractions;

(2) the construction, extension, or completion of sewerlines, waterlines, streets, sidewalks, bridges, roads, highways, public ways, and information and high technology infrastructure (as defined in this section);

(3) the leasing or purchase of property, both real and personal; and

(4) the preparation of surveys, plans, and specifications for the construction of publicly owned and operated facilities, utilities, and services.

"Information and high technology infrastructure" includes, but is not limited to, fiber optic cable and other infrastructure that supports high technology growth and the purchase and installation of such fiber optic cable and other infrastructure.

"Minority enterprise small business investment company" means an investment company licensed under 15 U.S.C. 681(D).

"Qualified entity" means a city, town, county, economic development commission, or special taxing district.

"Small business investment company" means an investment company licensed under 15 U.S.C. 691 et seq.

~~"State corporation" means the state corporation, as defined by IC 6-3.1-5-2.~~

SECTION 2. IC 4-4-8-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 2. (a) The general assembly finds that:

(1) areas in Indiana have insufficient employment opportunities and insufficient diversification of industry;

(2) these conditions are harmful to the health, prosperity, economic stability, and general welfare of these areas and, if not remedied, will be detrimental to the development of these areas; and

(3) the use of money under this chapter and the fostering of industrial development programs serves a public purpose.

(b) There is created a fund to be known as the industrial development fund from which fund loans may be made to qualified entities **and** small business investment companies ~~and the state corporation~~ in accordance with this chapter and the rules adopted under it. The administrative control of the fund and the responsibility for the administration of this chapter are vested jointly in the state board of finance and the department. The department, subject to the approval of the state board of finance, may adopt rules for the proper administration of the fund and this chapter. The department, subject to the approval of the state budget agency, may employ personnel as necessary for the efficient administration of this chapter.

SECTION 3. IC 4-4-8-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 3. (a) There is appropriated to the industrial development fund from the general fund of the state two million dollars ($2,000,000). This sum does not revert to the general fund but constitutes a revolving fund to be used exclusively for the purpose of this chapter. The department, subject to the approval of the state board of finance, may order the auditor of state to make any approved loan from the revolving fund to any qualified entity (including the purchase of bonds of the qualified entity), any small business investment company, **or** minority enterprise small business investment company. ~~or the state corporation.~~

(b) A qualified entity may borrow funds from the department under this chapter and shall use the loan proceeds for the purpose of instituting and administering any approved industrial development program. The combined amount of any such outstanding loans to any one (1) program may not exceed one million dollars ($1,000,000). However, the one million dollar ($1,000,000) restriction in this subsection does not apply to an approved industrial development program in an economic development district established by a qualified entity under IC 6-1.1-39. A loan made under this chapter to an economic development commission is not a loan to or an obligation of the qualified entity that formed the commission, if the repayment of the loan is limited to a specified revenue source under section 8 of this chapter.

(c) A small business investment company **or** minority enterprise small business investment company ~~or the state corporation~~ may use the loan proceeds for any lawful purpose.

(d) Notwithstanding any other law (including IC 5-1-11) the loan to a qualified entity under this section may be directly negotiated with the department without public sale of bonds or other evidences of indebtedness of the qualified entity.

SECTION 4. IC 4-4-8-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 5. (a) The state board of finance and the department shall authorize the making of a loan to any qualified entity under this chapter only when all of the following conditions exist:

(1) An application for the loan has been submitted by the qualified entity, in a verified petition, to the state board of finance and the department in such manner and form as the state board of finance and the department direct, setting forth therein:

(A) the need for the program and the need for funds for instituting and administering the program;

(B) an engineering estimate of the cost of the proposed program acceptable to the state board of finance and the department;

(C) the amount of money needed; and

(D) such other information as is requested by the state board of finance and the department.

(2) The proposed program has been approved by the state board of finance and the department, which they may do only if they have determined that the program is based upon sound engineering principles and is in the interest of industrial development.

(3) The loan does not exceed one hundred percent (100%) of the cost to the qualified entity of any approved program, the cost of the program to be based upon an estimate made by a competent engineering authority and approved by the department.

(4) The qualified entity has agreed to furnish assurance, satisfactory to the state board of finance and the department, that it will operate and maintain the program, after completion, in a satisfactory manner.

(b) The state board of finance and the department shall authorize the making of a loan to any small business investment company ~~or the state corporation~~ under this chapter only if:

(1) the small business investment company **or** minority enterprise small business investment company ~~or the state corporation~~ has loaned to or invested in a business located in an enterprise zone for a purpose directly related to the enterprise zone an amount that is at least twice the amount of the requested loan; and

(2) the small business investment company or state corporation has submitted an application, before the beginning of the phase out period of the enterprise zone, to the state board of finance and the department that shows the amount of the loan requested and any other information that is requested by the state board of finance and the department.

SECTION 5. IC 4-4-8-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 7. The state board of finance and the department shall determine and ascribe to any applicant for a loan a priority rating, which rating shall be based primarily on the need of the qualified entity for any such proposed program or on the need of the small business investment company **or** minority enterprise small business investment company ~~or state corporation~~ for the loan as such need is related to the needs of other applicants for loans. The qualified entities, small business investment companies, **or** minority enterprise small business investment company ~~or state corporation~~ having the highest priority rating shall be given first consideration in making loans under this chapter, which loans shall be made in descending order as shown by the priority ratings.

SECTION 6. IC 4-4-8-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 10. (a) If a qualified entity fails to make repayment of money lent under this chapter or is in any way indebted to the fund for any amounts incurred or accrued, the amount payable may be:

(1) withheld by the auditor of state as set forth in the loan agreement with the qualified entity from any money payable to the qualified entity and transferred to the fund; or

(2) recovered in an action by the state on relation of the department, prosecuted by the attorney general, in the circuit or superior court of the county in which the qualified entity is located.

(b) If ~~the state corporation or~~ a small business investment corporation or a minority enterprise small business investment company fails to make repayment of money lent under this chapter or is in any way indebted to the fund for any amounts incurred or accrued, the amount payable may be recovered in an action by the state on relation of the department, prosecuted by the attorney general, in the circuit or superior court of the county in which the ~~state corporation or~~ small business investment corporation or a minority enterprise small business investment company is located.

SECTION 7. IC 6-2.1-1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001]: Sec. 2. (a) Except as expressly provided in this article, "gross income" means all the gross receipts a taxpayer receives:

(1) from trades, businesses, or commerce;

(2) as admission fees or charges;

(3) from the sale, transfer, or exchange of property, real or personal, tangible or intangible;

(4) from the performance of contracts;

(5) as prizes or premiums;

(6) from insurance policies;
(7) as damages or judgments;
(8) from the investment of capital, including interest, discounts, rentals, royalties, dividends, fees, and commissions;
(9) from the surrender, sale, transfer, exchange, redemption of, or distribution upon, stock of corporations or associations; and
(10) from any other source not specifically described in this subsection.

(b) Except as provided in IC 6-2.1-4, no deductions from a taxpayer's gross income may be taken for return of capital invested, cost of property sold, cost of materials used, labor costs, interest, discounts, commissions paid or credited, losses, or any other expense paid or credited.

(c) The term "gross income" does not include:
(1) the receipt or repayment of borrowed money;
(2) receipts from the issuance or redemption of bonds;
(3) amounts received as payment of the principal amount of a note taken in lieu of cash if:
(A) the face value of the note was included in the taxpayer's gross income at the time of acceptance;
(B) the note was taken before May 1, 1933; or
(C) the note is a renewal of a note that was taken before May 1, 1933;
(4) amounts received in payment of, or from the sale of, a promissory note or retail installment contract described in subsection (f) of this section to the extent the gross income tax has previously been paid for the receipt of the promissory note or retail installment contract;
(5) amounts received as withdrawal of deposits to the extent they constitute principal;
(6) gross receipts received by corporations incorporated under the laws of Indiana from a trade or business situated and regularly carried on at a legal situs outside Indiana or from activities incident to such trade or business (including the disposal of capital assets or other properties which were acquired and used in such trade or business);
(7) that part of a commission received by a real estate broker that is paid within five (5) days of the receipt of the commission to a cooperating broker or to an associated broker or salesman;
(8) amounts received by a corporation or a division of a corporation owned, operated, or controlled by its member electric cooperatives as payment from the electric cooperatives for electrical energy to be resold to their member-owner consumers;
(9) amounts received by an association of members or a corporation as:
(A) regularly paid dues, initiation fees, or membership fees paid for social membership; and
(B) amounts paid to the organization by members if:
(i) the organization is organized not for profit;
(ii) such amounts are payable upon the death of a member and do not exceed one dollar ($1) payable by each surviving member at the death of any one (1) member;
(iii) the number of members who are permitted to make such payments does not exceed one thousand seven hundred (1,700) at any one (1) time;
(iv) the total amount paid to the beneficiary of any one (1) deceased member does not exceed one thousand dollars ($1,000); and
(v) the amounts received are only for the purpose of paying reasonable expenses of the organization and payments to beneficiaries of deceased members;
(10) amounts received as the corpus of an outright gift, devise, or bequest;
(11) cash discounts allowed and taken on sales;
(12) goods, wares, or merchandise, or the value thereof, returned by customers if the sale price is refunded either in cash or by credit;
(13) judgments for income that are not taxable under this article;
(14) the receipt of capital by a corporation, partnership, firm, or joint venture from the sale of stock or shares in such corporation, partnership, firm, or joint venture, or contributions to the capital thereof;
(15) the gross receipts represented by the value of real or tangible personal property received in reciprocal exchange for real or tangible personal property of like kind by and between the owners of the property to the extent of the value of the property or the interest therein of which title is surrendered;
(16) the gross receipts represented by the value of stock of a corporation or association received in a reciprocal exchange by and between the owners of the stock (including the issuing corporation or association) for stock in the same corporation or association to the extent of the value of the stock or the interest therein of which title is surrendered;
(17) the gross receipts represented by the value of bonds or similar securities issued by a corporation or association received in a reciprocal exchange by and between the owners of the bonds or securities (including the issuing corporation or association) for bonds or similar securities issued by the same corporation or association to the extent of the value of such bonds or similar securities or the interest therein of which title is surrendered;
(18) the gross receipts represented by the value of stocks, bonds, or other securities received in a reciprocal exchange by and between the owners of the stocks, bonds, or other securities for other stocks, bonds, or other securities to the extent title is surrendered, if the exchange is made in the course of a consolidation, merger, or other reorganization and the stock, bonds, or other securities received are issued by one (1) or more corporations or associations that are each a party to the reorganization;
(19) the gross receipts represented by the value of stocks, bonds, or other securities received in a reciprocal exchange by and between the owners thereof of substantially all of the assets of another corporation if the exchange is made in the course of a consolidation, merger, or other reorganization and the stocks, bonds, or other securities received are issued by one (1) or more corporations or associations that are each a party to the reorganization;
(20) in the case of insurance carriers, amounts that become or are used to maintain a reserve or other policy liability, to the extent the reserve or other policy liability is required to be maintained by the state of Indiana;
(21) in the case of domestic insurance carriers, premium income that is derived from business conducted outside Indiana on which the domestic carrier pays a premium tax of one percent (1%) or more; ~~and~~
(22) amounts received by a joint agency established under IC 8-1-2.2 that constitutes a payment by a municipality that is a member of the joint agency for electrical energy that will be sold by the municipality to retail customers; **and**
(23) oil inspection fees collected by licensed gasoline distributors under IC 16-44-2.

(d) The exclusion provided by clause (6) of subsection (c) does not apply to any receipts of a taxpayer received as interest or dividends, from sales, other receipts from investments not acquired or disposed of in connection with the taxpayer's regular business, or to bonuses or commissions received by any taxpayer.

(e) The exclusion provided by subsection (c) clause (14) does not apply to proceeds that are derived from subsequent transactions in stock of such corporations or organizations or in the interest or shares of the members of any organization.

(f) The face amount of a retail installment contract or promissory note that is derived from the selling, providing, repairing, working with or on, or servicing of any personal property, or any combination of the foregoing, is includable in a taxpayer's gross income upon receipt. However, any part of a retail installment contract or promissory note that represents insurance premiums or consideration which the retail buyer contracts to pay the retail seller for the privilege of paying the principal balance in installments over a period of time is includable in a taxpayer's gross income when received.

(g) For purposes of this section:

(1) "Exchange" means the transfer of title or ownership by means of a transaction involving the barter or swap of property acquired prior to the exchange, by and between the owners of that property, with or without additional consideration. However, the term "exchange" does not include:

(A) any sale of property even though other property is purchased with the proceeds of the sale;

(B) any barter or swap of property where there are more than two (2) parties to the transaction; or

(C) any transaction where the property exchanged is acquired by one (1) party to the transaction as a result of negotiation or arrangement with the other party with the intent of effectuating an exchange of the property so acquired.

(2) "Like kind" means property of the same class and kind and has no reference to the grade or quality of such property.".

Page 2, line 20, delete "five" and insert "**seven**".

Page 2, line 21, after "thousand" insert "**five hundred**".

Page 2, line 21, delete "($5,000)" and insert "**($7,500)**".

Page 5, line 32, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 7, line 20, delete "five" and insert "**seven**".

Page 7, line 20, after "thousand" insert "**five hundred**".

Page 7, line 20, delete "($5,000)" and insert "**($7,500)**".

Page 21, line 33, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 22, line 27, delete "five" and insert "**seven**".

Page 22, line 27, after "thousand" insert "**five hundred**".

Page 22, line 27, delete "($5,000)" and insert "**($7,500)**".

Page 27, line 26, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 28, line 29, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 30, line 3, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 31, line 15, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 32, line 25, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 33, line 40, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 35, line 2, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 36, line 35, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 38, line 10, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 39, line 18, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 40, line 36, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 41, line 32, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 43, line 42, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 45, line 21, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 46, line 35, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 48, line 14, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 49, line 30, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 50, line 42, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 52, line 15, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 53, line 6, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 54, line 13, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 55, line 7, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 56, line 15, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 57, line 16, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 58, line 3, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 60, line 15, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 60, line 38, delete "five thousand dollars ($5,000)" and insert "**seven thousand five hundred dollars ($7,500)**".

Page 63, delete lines 7 through 42.

Page 64, delete lines 1 through 11.

Page 64, between lines 13 and 14, begin a new paragraph and insert:

"SECTION 89. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2001]: IC 6-3.1-5; IC 6-3.1-6.".

Page 64, between lines 24 and 25, begin a new paragraph and insert:

"SECTION 92. [EFFECTIVE UPON PASSAGE] **IC 6-3-1-3.5, as amended by this act, applies to taxable years beginning after December 31, 1999.**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1374 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 25, nays 0.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Roads and Transportation, to which was referred House Bill 1379, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 13, nays 0.

COOK, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Policy, Ethics and Veterans Affairs, to which was referred House Bill 1385, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 13, nays 0.

KUZMAN, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Environmental Affairs, to which was referred House Bill 1422, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning the environment.

Delete everything after the enacting clause and insert the following:

SECTION 1. IC 13-30-6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. (a) A person who intentionally, knowingly, or recklessly violates:

(1) environmental management laws;

(2) air pollution control laws;

(3) water pollution control laws;

(4) a rule or standard adopted by one (1) of the boards; or

(5) a determination, a permit, or an order made or issued by the commissioner under environmental management laws or IC 13-7 (before its repeal);

commits a Class D felony.

(b) Notwithstanding IC 35-50-2-7(a), a person who is convicted of a Class D felony under this section (or IC 13-7-13-3(a) before its repeal) may, in addition to the term of imprisonment established under IC 35-50-2-7(a), be punished by:

(1) a fine of not less than ~~two~~ **five** thousand ~~five hundred~~ dollars ~~($2,500)~~ **($5,000)** and not more than ~~twenty-five~~ **fifty** thousand dollars ~~($25,000)~~ **($50,000)** per day of violation; or

(2) if the conviction is for a violation committed after a first conviction of the person under this section (or IC 13-7-13-3(a) before its repeal), a fine of not more than ~~fifty~~ **one hundred** thousand dollars ~~($50,000)~~ **($100,000)** per day of violation.

SECTION 2. IC 13-30-6-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) A person who knowingly:

(1) transports any hazardous waste to a facility that does not have an operation permit or approval to accept the waste;

(2) disposes, treats, or stores any hazardous waste without having obtained a permit for the waste; or

(3) makes a false statement or representation in an application, a label, a manifest, a record, a report, a permit, or other document filed, maintained, or used under environmental management laws with regard to hazardous waste;

commits a Class D felony.

(b) Notwithstanding IC 35-50-2-7(a), a person who is convicted of a Class D felony under this section may, in addition to the term of imprisonment established under IC 35-50-2-7(a), be punished by:

(1) a fine of not more than ~~twenty-five~~ **fifty** thousand dollars ~~($25,000)~~ **($50,000)** for each day of violation; or

(2) if the conviction is for a violation committed after a first conviction of the person under this section, IC 13-30-6-1, IC 13-30-6-2, or IC 13-7-13-3 (before its repeal), a fine of not more than ~~fifty~~ **one hundred** thousand dollars ~~($50,000)~~ **($100,000)** per day of violation.

SECTION 3. [EFFECTIVE UPON PASSAGE] **(a) IC 13-30-6-1, as amended by this act, applies only to a violation occurring after the effective date of the amendment to IC 13-30-6-1 made by this act.**

(b) IC 13-30-6-3, as amended by this act, applies only to a violation occurring after the effective date of the amendment to IC 13-30-6-3 made by this act.

SECTION 4. **An emergency is declared for this act.**

(Reference is to HB 1422 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 13, nays 0.

STURTZ, Chair

Report adopted.

ENGROSSED HOUSE BILLS ON THIRD READING

Engrossed House Bill 1031

Representative Stevenson called down Engrossed House Bill 1031 for third reading:

A BILL FOR AN ACT concerning railroads.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 70: yeas 96, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators R. Meeks, Craycraft, Skillman, and Antich.

Engrossed House Bill 1043

Representative Stilwell called down Engrossed House Bill 1043 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning labor and industrial safety.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 71: yeas 94, nays 3. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Harrison.

Engrossed House Bill 1050

Representative Liggett called down Engrossed House Bill 1050 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning labor and industrial safety.

The bill was read a third time by sections and placed upon its passage.

HOUSE MOTION
(Amendment 1050–2)

Mr. Speaker: I move that Engrossed House Bill 1050 be recommitted to a Committee of One, its author, with specific instructions to amend as follows:

Page 2, line 17, delete "employer's" and insert "**employee's**".

Page 6, line 13, delete "employer's" and insert "**employee's**".

Page 44, line 2, delete "NEW" and insert "**NEW**".

Page 47, line 26, delete "employer's" and insert "**employee's**".

Page 57, line 24, delete "employer's" and insert "**employee's**".

(Reference is to HB 1050 as reprinted January 20, 2000.)

LIGGETT

There being a two-thirds vote in favor of the motion, the motion prevailed.

COMMITTEE REPORT

Mr. Speaker: Your Committee of One, to which was referred Engrossed House Bill 1050, begs leave to report that said bill has been amended as directed.

LIGGETT

Report adopted.

The question then was, Shall the bill pass?

Roll Call 72: yeas 81, nays 19. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Harrison and Craycraft.

The Speaker Pro Tempore yielded the gavel to the Speaker.

REPORTS FROM COMMITTEES

COMMITTEE REPORT

Mr. Speaker: Your Committee on Human Affairs, to which was referred House Bill 1014, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 11, nays 0.

SUMMERS, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Education, to which was referred House Bill 1058, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, line 3, after "record" insert "**or include**".

(Reference is to HB 1058 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 12, nays 0.

CHENEY, Vice Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Education, to which was referred House Bill 1136, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete everything after the enacting clause and insert the following:

SECTION 1. IC 20-6.1-5-2.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 2.5. (a) For school corporations where teacher salaries, compensation, and other benefits are determined under a contract reached through collective bargaining under IC 20-7.5, this section applies to teacher salaries, compensation, and other benefits under collective bargaining contracts that are executed and take effect after July 1, 2000.**

(b) As used in this section, "approved academic credit" refers to academic credit in courses approved by the board.

(c) As used in this section, "approved graduate degree" refers to a graduate degree that is approved by the board.

(d) For purposes of determining teachers' salaries, compensation, and other benefits, the following apply:

(1) A school corporation shall count in the number of credit hours attributable to an individual teacher all hours of approved academic credit that the teacher earns beyond an undergraduate degree.

(2) A school corporation may elect to count in the number of credit hours attributable to an individual teacher any credit hours that a teacher earns beyond an undergraduate degree that are not approved academic credit.

(3) A school corporation shall recognize an approved graduate degree that a teacher earns.

(4) A school corporation may elect to recognize a graduate degree that a teacher earns that is not an approved graduate degree.

(5) A school corporation shall recognize as equivalent:

(A) a teacher who earns a master's degree; and

(B) a teacher who earns thirty-six (36) hours of approved academic credit.

(6) A school corporation may elect to recognize as equivalent:

(A) a teacher who earns a master's degree; and

(B) a teacher who earns thirty-six (36) credit hours beyond an undergraduate degree that are not approved academic credit.

(7) A school corporation shall count in the number of credit hours attributable to an individual teacher all hours of approved academic credit that the teacher earns in courses beyond:

(A) a master's degree; or

(B) thirty-six (36) hours of approved academic credit above an undergraduate degree.

(8) A school corporation may elect to count in the number of credit hours attributable to an individual teacher any credit hours that the teacher earns that are not approved academic credit in courses beyond:

(A) a master's degree; or

(B) thirty-six (36) hours of credit above an undergraduate degree.

(Reference is to HB 1136 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 11, nays 2.

CHENEY, Vice Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Courts and Criminal Code, to which was referred House Bill 1137, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 9, nays 1.

DVORAK, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Human Affairs, to which was referred House Bill 1168, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, line 4, delete "IC 31-32-2.5" and insert "**IC 31-34-21**".

Page 1, line 6, after "(1)" insert "**the most recent**".

Page 1, delete lines 9 through 17, begin a new paragraph and insert:

"SECTION 2. IC 31-34-21-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 4. (a) At least five (5) days before the periodic case review, including a case review that is a permanency hearing under section 7 of this chapter, the county office of family and children shall send notice of the review to each of the following:

(1) The child's parent, guardian, or custodian.

(2) The child's foster parent.

(3) A prospective adoptive parent named in a petition for adoption of the child filed under IC 31-19-2 if:

(A) each consent to adoption of the child that is required under IC 31-19-9-1 has been executed in the form and manner required by IC 31-19-9 and filed with the county office of family and children;

(B) the court having jurisdiction in the adoption case has determined under any applicable provision of IC 31-19-9 that consent to adoption is not required from a parent, guardian, or custodian; or

(C) a petition to terminate the parent-child relationship between the child and any parent who has not executed a written consent to adoption under IC 31-19-9-2 has been filed under IC 31-35 and is pending.

(4) Any other person who:

(A) the county office of family and children has knowledge is currently providing care for the child; and

(B) is not required to be licensed under IC 12-17.2 or IC 12-17.4 to provide care for the child.

(5) Any other suitable relative or person who the county office knows has had a significant or caretaking relationship to the child.

(b) The court shall provide to a person described in subsection (a) an opportunity to be heard and to make any recommendations to the court in a periodic case review, including a permanency hearing under section 7 of this chapter. **The right to be heard and to make recommendations under this subdivision includes the right of the person described in subsection (a) to submit a written statement to the court that, if served upon all parties to the child in need of services proceeding and the persons described in subsection (a), may be made a part of the court record.**

(c) This section does not exempt the county office of family and children from sending a notice of the review to each party to the child in need of services proceeding.

(d) Failure of the county office of family and children to provide notice to a person described in subsection (a) requires continuance of a hearing or rehearing of a matter from which the person described in subsection (a) was excluded.

SECTION 3. IC 31-34-21-4.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 4.5. (a) Except as provided in subsection (b), a long term foster parent may petition the court to request intervention as a party to a proceeding described in this chapter.**

(b) A long term foster parent who has been:

(1) the subject of a substantiated report of child abuse or neglect; or

(2) convicted of a felony listed in IC 12-17.4-4-11;

may not petition the court to intervene under this section.

(c) A court may grant a petition filed under this section if the court determines that intervention of the petitioner is in the best interests of the child.

SECTION 4. IC 31-35-2-6.5, AS AMENDED BY P.L.200-1999, SECTION 31, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 6.5. (a) This section applies to hearings under this chapter relating to a child in need of services.

(b) At least five (5) days before a hearing on a petition or motion under this chapter:

(1) the person or entity who filed the petition to terminate the parent-child relationship under section 4 of this chapter; or

(2) the person or entity who filed a motion to dismiss the petition to terminate the parent-child relationship under section 4.5(d) of this chapter;

shall send notice of the review to the persons listed in subsection (c).

(c) The following persons shall receive notice of a hearing on a petition or motion filed under this chapter:

(1) The child's parent, guardian, or custodian.

(2) The child's foster parent.

(3) A prospective adoptive parent named in a petition for adoption of the child filed under IC 31-19-2 if:

(A) each consent to adoption of the child that is required under IC 31-19-9-1 has been executed in the form and manner required by IC 31-19-9 and filed with the county office of family and children;

(B) the court having jurisdiction in the adoption case has determined under an applicable provision of IC 31-19-9 that consent to adoption is not required from a parent, guardian, or custodian; or

(C) a petition to terminate the parent-child relationship between the child and any parent who has not executed a written consent to adoption under IC 31-19-9-2, has been filed under IC 31-35 and is pending.

(4) Any other person who:

(A) the county office of family and children has knowledge is currently providing care for the child; and

(B) is not required to be licensed under IC 12-17.2 or IC 12-17.4 to provide care for the child.

(5) Any other suitable relative or person who the county office of family and children knows has had a significant or caretaking relationship to the child.

(6) Any other party to the child in need of services proceeding.

(d) The court shall provide to a person described in subsection (c) an opportunity to be heard and make recommendations to the court at the hearing. **The right to be heard and to make recommendations under this subdivision includes the right of the person described in subsection (c) to submit a written statement to the court that, if served upon all parties to the child in need of services proceeding and the persons described in subsection (c), may be made a part of the court record.**

(e) **Failure of the county office of family and children to provide notice to a person described in subsection (c) requires continuance of a hearing or rehearing of a matter from which the person described in subsection (c) was excluded.**

(f) A person described in subsection (c)(2) through (c)(5) does not become a party to a proceeding under this chapter as the result of the person's right to notice and the opportunity to be heard under this section.".

Delete page 2.

Renumber all SECTIONS consecutively.

(Reference is to HB 1168 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yes 9, nays 0.

SUMMERS, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Courts and Criminal Code, to which was referred House Bill 1192, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, line 12, after "victim" insert ":

(A)".

Page 1, between lines 13 and 14, begin a new line double block indented and insert:

"**(B) is or was living as if a spouse of the person who committed the offense of domestic battery under subdivision (1)(F); or**

(C) has a child in common with the person who committed the offense of domestic battery under subdivision (1)(F).".

Page 2, after line 34, begin a new paragraph and insert"

"SECTION 3. IC 35-42-2-1.3, AS ADDED BY P.L.188-1999, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 1.3. A person who knowingly or intentionally touches a person who:

(1) is or was a spouse of the other person;

(2) is or was living as if a spouse of the other person; or

(3) has a child in common with the other person;

in a rude, insolent, or angry manner that results in bodily injury to the person described in subdivision (1), (2), or (3) commits domestic battery, a Class A misdemeanor. However, the offense is a Class D felony if the person has a previous, unrelated conviction under this section **(or IC 35-42-2-1(a)(2)(E) before its repeal).**".

(Reference is to HB 1192 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 9, nays 1.

DVORAK, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Education, to which was referred House Bill 1289, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, line 8, delete ".".

Page 1, line 8, reset in roman "or by arranging for instruction to be given by public".

Page 1, line 9, reset in roman "educational agencies in Indiana.".

(Reference is to HB 1289 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 13, nays 1.

PORTER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Human Affairs, to which was referred House Bill 1303, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 11, nays 0.

SUMMERS, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Courts and Criminal Code, to which was referred House Bill 1326, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT concerning commercial law.

Delete everything after the enacting clause and insert the following:

SECTION 1. IC 4-22-2-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 13. (a) Subject to subsections (b), (c), and (d), this chapter applies to the addition, amendment, or repeal of a rule in every rulemaking action.

(b) This chapter does not apply to the following agencies:

(1) Any military officer or board.

(2) Any state educational institution (as defined in IC 20-12-0.5-1).

(c) This chapter does not apply to a rulemaking action that results in any of the following rules:

(1) A resolution or directive of any agency that relates solely to internal policy, internal agency organization, or internal procedure and does not have the effect of law.

(2) A restriction or traffic control determination of a purely local nature that:

(A) is ordered by the commissioner of the Indiana department of transportation;

(B) is adopted under IC 9-20-1-3(d), IC 9-21-4-7, or IC 9-20-7; and

(C) applies only to one (1) or more particularly described intersections, highway portions, bridge causeways, or viaduct areas.

(3) A rule adopted by the secretary of state under ~~IC 26-1-9-408.~~ **IC 26-1-9.1-526.**

(4) An executive order or proclamation issued by the governor.

(d) Except as specifically set forth in IC 13-14-9, sections 24, 26, 27, and 29 of this chapter do not apply to rulemaking actions under IC 13-14-9.

SECTION 2. IC 6-8.1-3-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 16. (a) The department shall prepare a list of all outstanding tax warrants for listed taxes each month. The list shall identify each taxpayer liable for a warrant by name, address, amount of tax, and either Social Security number or employer identification number. Unless the department renews the warrant, the department shall exclude from the list a warrant issued more than ten (10) years before the date of the list. The department shall certify a copy of the list to the bureau of motor vehicles.

(b) The department shall prescribe and furnish tax release forms for use by tax collecting officials. A tax collecting official who collects taxes in satisfaction of an outstanding warrant shall issue to the taxpayers named on the warrant a tax release stating that the tax has been paid. The department may also issue a tax release:

(1) to a taxpayer who has made arrangements satisfactory to the department for the payment of the tax; or

(2) by action of the commissioner under IC 6-8.1-8-2(k).

(c) The department may not issue or renew:

(1) a certificate under IC 6-2.5-8;

(2) a license under IC 6-6-1.1 or IC 6-6-2.5; or

(3) a permit under IC 6-6-4.1;

to a taxpayer whose name appears on the most recent monthly warrant list, unless that taxpayer pays the tax, makes arrangements satisfactory to the department for the payment of the tax, or a release is issued under IC 6-8.1-8-2(k).

(d) The bureau of motor vehicles shall, before issuing the title to a motor vehicle under IC 9-17, determine whether the purchaser's or assignee's name is on the most recent monthly warrant list. If the purchaser's or assignee's name is on the list, the bureau shall enter as a lien on the title the name of the state as the lienholder unless the bureau has received notice from the commissioner under IC 6-8.1-8-2(k). The tax lien on the title:

(1) is subordinate to a perfected security interest (as defined and perfected in accordance with ~~IC 26-1-9);~~ **IC 26-1-9.1);** and

(2) shall otherwise be treated in the same manner as other title liens.

(e) The commissioner is the custodian of all titles for which the state is the sole lienholder under this section. Upon receipt of the title by the department, the commissioner shall notify the owner of the department's receipt of the title.

(f) The department shall reimburse the bureau of motor vehicles for all costs incurred in carrying out this section.

(g) Notwithstanding IC 6-8.1-8, a person who is authorized to collect taxes, interest, or penalties on behalf of the department under IC 6-2.1, IC 6-3, or IC 6-3.5 may not, except as provided in subsection (h) or (i), receive a fee for collecting the taxes, interest, or penalties if:

(1) the taxpayer pays the taxes, interest, or penalties as consideration for the release of a lien placed under subsection (d) on a motor vehicle title; or

(2) the taxpayer has been denied a certificate or license under subsection (c) within sixty (60) days before the date the taxes, interest, or penalties are collected.

(h) In the case of a sheriff, subsection (g) does not apply if:

(1) the sheriff collects the taxes, interest, or penalties within sixty (60) days after the date the sheriff receives the tax warrant; or

(2) the sheriff collects the taxes, interest, or penalties through the sale or redemption, in a court proceeding, of a motor vehicle that has a lien placed on its title under subsection (d).

(i) In the case of a person other than a sheriff:

(1) subsection (g)(2) does not apply if the person collects the taxes, interests, or penalties within sixty (60) days after the date the commissioner employs the person to make the collection; and

(2) subsection (g)(1) does not apply if the person collects the taxes, interest, or penalties through the sale or redemption, in a court proceeding, of a motor vehicle that has a lien placed on its title under subsection (d).

SECTION 3. IC 8-1-5-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. (a) Notwithstanding any other statute or rule of law of the state, any mortgage executed and recorded by a public utility, as defined in IC 8-1-2-1, or by any corporation or other business entity engaged in the railroad business or the transmission of oil, gas, or petroleum products by pipeline, in the manner provided for the execution and recording of mortgages upon real estate:

(1) may include all or any part of the property of the mortgagor, real, personal, or mixed, chattels real and fixtures; and

(2) shall, upon its recordation, constitute a valid and perfected lien upon all and every part of the property of the mortgagor described in the mortgage and situated in any county in this state where the mortgage is or shall be recorded in the manner provided for recording real estate mortgages. Neither the mortgage nor any statement respecting the mortgage or any of the property described in the mortgage need be otherwise filed or refiled in order to perfect or continue perfection of the lien created by the mortgage.

(b) The term "mortgage", as used in this chapter, includes deeds of trust and any and all documents creating an interest in property to secure the payment of bonds, notes, debentures, and like securities, and any instrument executed to supplement any mortgage.

(c) If it is executed and recorded as provided in this section and by its terms covers some or all of the after-acquired property of the mortgagor, the mortgage constitutes a valid and perfected lien upon the interest of the mortgagor in the after-acquired property from the date the mortgagor acquires an interest in the property.

(d) Notwithstanding the date of the mortgage's execution or recordation, if collateral covered by ~~IC 26-1-9~~ **IC 26-1-9.1** was or is perfected in compliance with the recordation requirements contained in this section, the recordation was or is equivalent to the highest form of filing or perfection under ~~IC 26-1-9.~~ **IC 26-1-9.1.**

SECTION 4. IC 9-17-6-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. Except as otherwise provided, ~~IC 26-1-9~~ **IC 26-1-9.1** applies to a security interest in a manufactured home.

SECTION 5. IC 9-31-2-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 24. (a) A security agreement covering a security interest in a watercraft that is not inventory held for sale can be perfected only if the bureau indicates the security interest on the certificate of title or duplicate. Except as otherwise provided in this section, ~~IC 26-1-9~~ **IC 26-1-9.1** applies to security interests in watercraft.

(b) The secured party, upon presentation of a properly completed application for certificate of title to the bureau together with the fee prescribed by IC 9-29-15-1, may have a notation of the lien made on the face of the certificate of title to be issued by the bureau. The bureau shall enter the notation and the date of the notation and shall note the lien and the date of the lien in the bureau's files.

(c) Whenever a lien is discharged, the holder shall note the

discharge on the certificate of title over the holder's signature.

SECTION 6. IC 12-17-2-33 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 33. (a) The bureau shall, each month, prepare a list of each person against whom a child support obligation lien is held under IC 31-16-16-3 (or IC 31-2-11-9 before its repeal). The list must identify each person liable for a lien by name, address, amount of lien, and either Social Security number or employer identification number. The bureau shall certify a copy of the list to the bureau of motor vehicles.

(b) The bureau of motor vehicles shall, before issuing the title to a motor vehicle under IC 9-17, determine whether the purchaser's or assignee's name is on the most recent monthly lien list. If the purchaser's or assignee's name is on the list, the bureau shall enter as a lien on the title the name of the state as the lienholder. The state's lien on a title under this section is subordinate to a prior perfected security interest if the interest is defined and perfected under either of the following:

(1) ~~IC 26-1-9.~~ **IC 26-1-9.1.**

(2) IC 32-8.

(c) A lien against the title under this section must be treated in the same manner as any other subordinate title lien.

(d) The bureau shall prescribe and furnish release forms for use by the bureau. When the amount of the lien is paid, the bureau shall issue to the person against whom the lien was held a release stating that the amount represented by the lien has been paid. The bureau may also issue a release to a person against whom the lien is held if the person has made arrangements, agreed to by the bureau, for the payment of the amount represented by the lien.

(e) The director of the bureau or the director's designee is the custodian of all titles having the state as the sole lienholder under this section. Upon receiving a title from the bureau of motor vehicles under this section, the director shall notify the owner of the motor vehicle.

(f) The bureau shall reimburse the bureau of motor vehicles for all costs incurred by the bureau in implementing this section.

SECTION 7. IC 20-12-21.2-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. Notwithstanding IC 26-1-9-302(1)(a), a security interest in education loans is perfected by:

(1) possession under IC 26-1-9-305; or

(2) filing a financing statement in the office of the secretary of state under ~~IC 26-1-9-401, IC 26-1-9-402, or IC 26-1-9-403.~~ **IC 26-1-9.1-501.**

SECTION 8. IC 24-5-16-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 7. As used in this chapter, "secured party" has the meaning set forth in ~~IC 26-1-9-105(m).~~ **IC 26-1-9.1-102(a)(72).**

SECTION 9. IC 24-5-16-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. As used in this chapter, "security agreement" has the meaning set forth in ~~IC 26-1-9-105(l).~~ **IC 26-1-9.1-102(a)(73).**

SECTION 10. IC 24-7-1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. Except as provided in this article, the provisions of:

(1) the Federal Consumer Credit Protection Act and regulations adopted under it;

(2) IC 24-4.5;

(3) IC 26-1-1-201(37);

(4) IC 26-1-2 concerning the creation of a security interest in property;

(5) ~~IC 26-1-9~~ **IC 26-1-9.1;** and

(6) rules adopted under the statutes described in subdivisions (2) through (5);

do not apply to a rental purchase agreement.

SECTION 11. IC 26-1-1-105 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 105. (1) Except as provided in this section, when a transaction bears a reasonable relation to this state and also to another state or nation the parties may agree that the law either of this state or of such other state or nation shall govern their rights and duties. Failing such agreement, IC 26-1 applies to transactions bearing an appropriate relation to this state.

(2) Where one of the following provisions of IC 26-1 specifies the applicable law, that provision governs and a contrary agreement is effective only to the extent permitted by the law (including the conflict of laws rules) so specified:

IC 26-1-2-402 concerning rights of creditors against sold goods.

IC 26-1-2.1-105 and IC 26-1-2.1-106 concerning leases.

IC 26-1-4-102 concerning bank deposits and collections.

IC 26-1-4.1-507 concerning funds transfers.

IC 26-1-5.1-116 concerning letters of credit.

IC 26-1-6.1-103 concerning bulk sales.

IC 26-1-8.1-110 concerning investment securities.

~~IC 26-1-9-103 concerning perfection of secured transactions.~~ **IC 26-1-9.1-301 through IC 26-1-9.1-307 concerning the perfection, the effect of perfection or nonperfection, and the priority of security interests.**

SECTION 12. IC 26-1-1-201 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 and IC 26-1-2-208. 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 any person engaged in the business of banking.

(5) "Bearer" means the person in possession of an instrument, document of title, or certificated security payable to bearer or endorsed in blank.

(6) "Bill of lading" means a document evidencing the receipt of goods for shipment issued by a person engaged in the business of transporting or forwarding goods, and 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 ~~who~~ **that buys goods** in good faith ~~and~~ without knowledge that the sale ~~to him is in violation of~~ **violates** the ~~ownership~~ rights ~~or security interest~~ of ~~a third party~~ **another person** in the goods, **and** ~~buys~~ in **the** ordinary course from a person, **other than a pawnbroker,** in the business of selling goods of that kind. ~~but does not include a pawnbroker. All persons who sell minerals or the like (including oil and gas) at a wellhead or minehead shall be deemed to be persons~~ **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. ~~"Buying"~~ **A buyer in ordinary course of business** may ~~be~~ **buy** for cash, ~~or~~ by exchange of other property, or on secured or unsecured credit, and ~~includes receiving~~ **may require** goods or documents of title under a preexisting 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.~~ **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" with respect to instruments, documents of title, chattel paper, or certificated securities means voluntary transfer of possession.

(15) "Document of title" includes bill of lading, dock warrant, dock receipt, warehouse receipt, or order for the delivery of goods and also any other document, which in the regular course of business or financing, is treated as adequately evidencing that the person in possession of it is entitled to receive, hold, and dispose of the document and the goods it covers. To be a document of title, a document must purport to be issued by or addressed to a bailee and purport to cover goods in the bailee's possession which are either identified or are fungible portions of an identified mass.

(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" means honesty in fact in the conduct or transaction concerned.

(20) "Holder" with respect to a negotiable instrument, means the person in possession if the instrument is payable to bearer or, in the case of an instrument, payable to an identified person if the identified person is in possession. "Holder" with respect to a document of title, means the person in possession if the goods are deliverable to bearer or to the order of the person in possession.

(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 his debts in the ordinary course of business or cannot pay his 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) he has actual knowledge of it; ~~or~~

(b) he has received a notice or notification of it; or

(c) from all the facts and circumstances known to him at the time in question he has reason to know that it exists.

A person "knows" or has "knowledge" of a fact when he 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 his 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 him 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 his 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 his regular duties or unless he 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.

(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 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.~~ The term also includes any interest of a **consignor and a** buyer of accounts, ~~or~~ chattel paper, ~~which~~ **a payment intangible, or a promissary note in a transaction that** is subject to ~~IC 26-1-9.~~ **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. Unless a lease or consignment is intended as security, reservation of title thereunder is not a security interest but a consignment is in any event subject to the provisions on~~

~~consignment sales (IC 26-1-2-326).~~ **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. ~~and~~

(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 he 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 receipt 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.

SECTION 13. IC 26-1-1-206 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 26-1-9-203).~~ **(IC 26-1-9.1-201).**

SECTION 14. IC 26-1-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]:

Chapter 1.5. UCC Forms

Sec. 1. The forms in this chapter may be used for filings under this article.

Sec. 2. The following forms are set forth below:

(1) IC 26-1-9.1 financing statement.

(2) IC 26-1-9.1 financing statement amendment.

RESERVED FOR UCC FINANCIAL STATEMENT

Journal Clerk's Note: Pages 244-247 are reserved for the UCC Financing Statements, which will be photocopied for the bound volume of the Journal. Internet users may view and print these forms from the Indiana legislative site [at http://www.state.in.us/serv/lsa_billinfo], then going to HB 1326 and selecting the passed committee report no. 1. The forms are on pages 17-20.

RESERVED FOR UCC FINANCIAL STATEMENT

RESERVED FOR UCC FINANCIAL STATEMENT

RESERVED FOR UCC FINANCIAL STATEMENT

SECTION 15. IC 26-1-2-103 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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) 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 26-1-9-109.~~ **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.

SECTION 16. IC 26-1-2-210 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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.

~~(4)~~ **(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.

~~(5)~~ **(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).

SECTION 17. IC 26-1-2-326 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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) ~~Except as provided in subsection (3),~~ 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) Where goods are delivered to a person for sale and such person maintains a place of business at which he deals in goods of the kind involved, under a name other than the name of the person making delivery, then with respect to claims of creditors of the person conducting the business the goods are deemed to be on sale or return. The provisions of this subsection are applicable even though an agreement purports to reserve title to the person making delivery until payment or resale or uses such words as "on consignment" or "on memorandum." However, this subsection is not applicable if the person making delivery:~~

~~(a) complies with an applicable law providing for a consignor's interest or the like to be evidenced by a sign; or~~

~~(b) establishes that the person conducting the business is generally known by his creditors to be substantially engaged in selling the goods of others; or~~

~~(c) complies with the filing provisions of IC 26-1-9 on secured transactions.~~

~~(4)~~ **(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.

SECTION 18. IC 26-1-2-401 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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~~ **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 document of title, title passes at the time when and the place where he delivers such documents; or

(b) if the goods are at the time of contracting already identified and no documents 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".

SECTION 19. IC 26-1-2-402 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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~~ **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.

SECTION 20. IC 26-1-2-403 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 403. (1) A purchaser of goods acquires all title which his 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 him 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~~ **IC 26-1-9.1** on secured transactions, IC 26-1-6.1 on bulk sales, and IC 26-1-7 on documents of title.

SECTION 21. IC 26-1-2-502 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 502. (1) Subject to ~~subsection~~ **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 householdpurposes, 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.

SECTION 22. IC 26-1-2-716 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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.**

SECTION 23. IC 26-1-2.1-103 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 receiving 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 receiving 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 26-1-9-106.~~ **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 26-1-9-105(1)(b).~~ **IC 26-1-9.1-102(a)(11).**

"Consumer goods". ~~IC 26-1-9-109(1).~~ **IC 26-1-9.1-102(a)(23).**

"Document". ~~IC 26-1-9-105(1)(f).~~ **IC 26-1-9.1-102(a)(30).**

"Entrusting". IC 26-1-2-403(3).

"General intangibles". ~~IC 26-1-9-106.~~ **IC 26-1-9.1-102(a)(42).**

"Good faith". IC 26-1-2-103(1)(b).

"Instrument". ~~IC 26-1-9-105(1)(i).~~ **IC 26-1-9.1-102(a)(47).**

"Merchant". IC 26-1-2-104(1).

"Mortgage". ~~IC 26-1-9-105(1)(j).~~ **IC 26-1-9.1-102(a)(55).**

"Pursuant to commitment". ~~IC 26-1-9-105(1)(k).~~ **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.

SECTION 24. IC 26-1-2.1-303 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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, by reason of ~~IC 26-1-9-102(1)(b).~~ **IC 26-1-9.1-109(a)(3).**

(2) Except as provided in ~~subsections~~ **subsection** (3) and ~~(4),~~ **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 ~~(5),~~ **(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 the creation 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 (ii) makes such a transfer an event of default, is not enforceable unless, and then only to the extent that, there is an actual transfer by the lessee of the lessee's right of possession or use of the goods in violation of the provision or an actual delegation of a material performance of either party to the lease contract in violation of the provision. Neither the granting nor the enforcement of a security interest in (i) the lessor's interest under the lease contract or (ii) the lessor's residual interest in the goods is 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 lessee within the purview of subsection (5) unless, and then only to the extent that, there is an actual delegation of a material performance of the lessor.~~

~~(4)~~ **(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 ~~(5).~~ **(4).**

~~(5)~~ **(4)** Subject to subsections (3) and ~~(4)~~ **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.

~~(6)~~ **(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.

~~(7)~~ **(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.

~~(8)~~ **(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.

SECTION 25. IC 26-1-2.1-307 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 ~~subsections~~ **subsection** (3) ~~and (4)~~ 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

~~(a)~~ the creditor holds a lien that attached to the goods before the lease contract became enforceable.

~~(b) the creditor holds a security interest in the goods and the lessee did not give value and receive delivery of the goods without knowledge of the security interest; or~~

~~(c) the creditor holds a security interest in the goods which was perfected (IC 26-1-2.1-303) before the lease contract became enforceable.~~

~~(3) A lessee in the ordinary course of business takes the leasehold interest free of a security interest in the goods created by the lessor even though the security interest is perfected (IC 26-1-2.1-303) and the lessee knows of its existence.~~

~~(4) A lessee other than a lessee in the ordinary course of business takes the leasehold interest free of a security interest to the extent that it secures future advances made after the secured party acquires knowledge of the lease or more than forty-five (45) days after the lease contract becomes enforceable, whichever first occurs, unless the future advances are made pursuant to a commitment entered into without knowledge of the lease and before the expiration of the forty-five (45) day period.~~

(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.

SECTION 26. IC 26-1-2.1-309 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 26-1-9-402(4);~~ **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.~~ **IC 26-1-9.1.**

SECTION 27. IC 26-1-3.1-102 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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~~ **IC 26-1-9.1,** IC 26-1-4, and ~~IC 26-1-9~~ **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.

SECTION 28. IC 26-1-3.1-605 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 605. (a) In this section, the term "endorser" includes a drawer having the obligation described in IC 26-1-3.1-414(d).

(b) Discharge, under IC 26-1-3.1-604, of the obligation of a party to pay an instrument does not discharge the obligation of an endorser or accommodation party having a right of recourse against the discharged party.

(c) If a person entitled to enforce an instrument agrees, with or without consideration, to an extension of the due date of the obligation of a party to pay the instrument, the extension discharges an endorser or accommodation party having a right of recourse against the party whose obligation is extended to the extent the endorser or accommodation party proves that the extension caused loss to the endorser or accommodation party with respect to the right of recourse.

(d) If a person entitled to enforce an instrument agrees, with or without consideration, to a material modification of the obligation of a party other than an extension of the due date, the modification discharges the obligation of an endorser or accommodation party having a right of recourse against the person whose obligation is modified to the extent the modification causes loss to the endorser or accommodation party with respect to the right of recourse. The loss suffered by the endorser or accommodation party as a result of the modification is equal to the amount of the right of recourse unless the person enforcing the instrument proves that no loss was caused by the modification or that the loss caused by the modification was an amount less than the amount of the right of recourse.

(e) If the obligation of a party to pay an instrument is secured by an interest in collateral and a person entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of an endorser or accommodation party having a right of recourse against the obligor is discharged to the extent of the impairment. The value of an interest in collateral is impaired to the extent:

(1) the value of the interest is reduced to an amount less than the amount of the right of recourse of the party asserting discharge; or

(2) the reduction in value of the interest causes an increase in the amount by which the amount of the right of recourse exceeds the value of the interest.

The burden of proving impairment is on the party asserting discharge.

(f) If the obligation of a party is secured by an interest in collateral not provided by an accommodation party and a person entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of any party who is jointly and severally liable with respect to the secured obligation is discharged to the extent the impairment causes the party asserting discharge to pay more than that party would have been obliged to pay, taking into account rights of contribution, if impairment had not occurred. If the party asserting discharge is an accommodation party not entitled to discharge under subsection (e), the party is considered to have a right to contribution based on joint and several liability rather than a right to reimbursement. The burden of proving impairment is on the party asserting discharge.

(g) Under subsection (e) or (f), impairing value of an interest in collateral includes:

(1) failure to obtain or maintain perfection or recordation of the interest in collateral;

(2) release of collateral without substitution of collateral of equal value;

(3) failure to perform a duty to preserve the value of collateral owed, under ~~IC 26-1-9~~ **IC 26-1-9.1** or other law, to a debtor or surety or other person secondarily liable; or

(4) failure to comply with applicable law in disposing of collateral.

(h) An accommodation party is not discharged under subsection (c), (d), or (e) unless the person entitled to enforce the instrument knows of the accommodation or has notice under IC 26-1-3.1-419(c) that the instrument was signed for accommodation.

(i) A party is not discharged under this section if:

(1) the party asserting discharge consents to the event or conduct that is the basis of the discharge; or

(2) the instrument or a separate agreement of the party provides for waiver of discharge under this section either specifically or by general language indicating that parties waive defenses based on suretyship or impairment of collateral.

SECTION 29. IC 26-1-4-210 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 accompanying documents for purposes other than collection, the security interest continues to that extent and is subject to IC 26-1-9, but:

(1) no security agreement is necessary to make the security interest enforceable ~~(IC 26-1-9-203(1)(a));~~ **(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.

SECTION 30. IC 26-1-5.1-114 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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~~ **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~~ **IC 26-1-9.1** or other law.

SECTION 31. IC 26-1-5.1-116 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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~~ **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).

SECTION 32. IC 26-1-5.1-118 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **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.

SECTION 33. IC 26-1-6.1-102, AS AMENDED BY P.L.154-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 102. (1) In this chapter, unless the context otherwise requires:

(a) "Assets" means the inventory that is the subject of a bulk sale and any tangible and intangible personal property used or held for use primarily in, or arising from, the seller's business and sold in connection with that inventory, but the term does not include:

(i) fixtures~~(IC 26-1-9-313(1)(a))~~ **(IC 26-1-9.1-102(a)(41))** other than readily removable factory and office machines;

(ii) the lessee's interest in a lease of real property; or

(iii) property to the extent it is generally exempt from creditor process under nonbankruptcy law.

(b) "Auctioneer" means a person whom the seller engages to direct, conduct, control, or be responsible for a sale by auction.

(c) "Bulk sale" means:

(i) in the case of a sale by auction or a sale or series of sales conducted by a liquidator on the seller's behalf, a sale or series of sales not in the ordinary course of the seller's business of more than half of the seller's inventory, as measured by value on the date of the bulk-sale agreement, if on that date the auctioneer or liquidator has notice, or after reasonable inquiry would have had notice, that the seller will not continue to operate the same or a similar kind of business after the sale or series of sales; and

(ii) in all other cases, a sale not in the ordinary course of the seller's business of more than half the seller's inventory, as measured by value on the date of the bulk-sale agreement, if on that date the buyer has notice, or after reasonable inquiry would have had notice, that the seller will not continue to operate the same or a similar kind of business after the sale.

(d) "Claim" means a right to payment from the seller, whether or not the right is reduced to judgment, liquidated, fixed, matured, disputed, secured, legal, or equitable. The term includes costs of collection and attorney's fees only to the extent that the laws of this state permit the holder of the claim to recover them in an action against the obligor.

(e) "Claimant" means a person holding a claim incurred in the seller's business other than:

(i) an unsecured and unmatured claim for employment compensation and benefits, including commissions and vacation, severance, and sick-leave pay; and

(ii) a claim for injury to an individual or to property, or for breach of warranty, unless:

(A) a right of action for the claim has accrued;

(B) the claim has been asserted against the seller; and

(C) the seller knows the identity of the person asserting the claim and the basis upon which the person has asserted it.

(f) "Creditor" means a claimant or other person holding a claim.

(g) (i) "Date of the bulk sale" means:

(A) if the sale is by auction or is conducted by a liquidator on the seller's behalf, the date on which more than ten percent (10%) of the net proceeds is paid to or for the benefit of the seller; and

(B) in all other cases, the later of the date on which:

(I) more than ten percent (10%) of the net contract price is paid to or for the benefit of the seller; or

(II) more than ten percent (10%) of the assets, as measured by value, are transferred to the buyer.

(ii) For purposes of this subsection:

(A) delivery of a negotiable instrument (IC 26-1-3.1-104(a)(1)) to or for the benefit of the seller in exchange for assets constitutes payment of the contract price pro tanto;

(B) to the extent that the contract price is deposited in an escrow, the contract price is paid to or for the benefit of the seller when the seller acquires the unconditional right to receive the deposit or when the deposit is delivered to the seller or for the benefit of the seller, whichever is earlier; and

(C) an asset is transferred when a person holding an unsecured claim can no longer obtain through judicial proceedings rights to the asset that are superior to those of the buyer arising as a result of the bulk sale. A person holding an unsecured claim can obtain those superior rights to a tangible asset at least until the buyer has an unconditional right, under the bulk-sale agreement, to possess the asset, and a person holding an unsecured claim can obtain those superior rights to an intangible asset at least until the buyer has an unconditional right, under the bulk-sale agreement, to use the asset.

(h) "Date of the bulk-sale agreement" means:

(i) in the case of a sale by auction or conducted by a liquidator (subsection (c)(i)), the date on which the seller engages the auctioneer or liquidator; and

(ii) in all other cases, the date on which a bulk-sale agreement becomes enforceable between the buyer and the seller.

(i) "Debt" means liability on a claim.

(j) "Liquidator" means a person who is regularly engaged in the business of disposing of assets for businesses contemplating liquidation or dissolution.

(k) "Net contract price" means the new consideration the buyer is obligated to pay for the assets less:

(i) the amount of any proceeds of the sale of an asset, to the extent the proceeds are applied in partial or total satisfaction of a debt secured by the asset; and

(ii) the amount of any debt to the extent it is secured by a security interest or lien that is enforceable against the asset before and after it has been sold to a buyer. If a debt is secured by an asset and other property of the seller, the amount of the debt secured by a security interest or lien that is enforceable against the asset is determined by multiplying the debt by a fraction, the numerator of which is the value of the new consideration for the asset on the date of the bulk sale and the denominator of which is the value of all property securing the debt on the date of the bulk sale.

(l) "Net proceeds" means the new consideration received for assets sold at a sale by auction or a sale conducted by a liquidator on the seller's behalf less:

(i) commissions and reasonable expenses of the sale;

(ii) the amount of any proceeds of the sale of an asset, to the extent the proceeds are applied in partial or total satisfaction of a debt secured by the asset; and

(iii) the amount of any debt to the extent it is secured by a security interest or lien that is enforceable against the asset before and after it has been sold to a buyer. If a debt is secured by an asset and other property of the seller, the amount of the debt secured by a security interest or lien that is enforceable against the asset is determined by multiplying the debt by a fraction, the numerator of which is the value of the new consideration for the asset on the date of the bulk sale and the denominator of which is the value of all property securing the debt on the date of the bulk sale.

(m) A sale is "in the ordinary course of the seller's business" if the sale comports with 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.

(n) "United States" includes its territories and possessions and the Commonwealth of Puerto Rico.

(o) "Value" means fair market value.

(p) "Verified" means signed and sworn to or affirmed.

(2) The following definitions apply to this chapter:

(a) "Buyer." IC 26-1-2-103(1)(a).

(b) "Equipment." ~~IC 26-1-9-109(2).~~ **IC 26-1-9.1-102(a)(33).**

(c) "Inventory." ~~IC 26-1-9-109(4).~~ **IC 26-1-9.1-102(a)(48).**

(d) "Sale." IC 26-1-2-106(1).

(e) "Seller". IC 26-1-2-103(1)(d).

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

SECTION 34. IC 26-1-6.1-103 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 103. (1) Except as otherwise provided in subsection (3), this chapter applies to a bulk sale if:

(a) the seller's principal business is the sale of inventory from stock; and

(b) on the date of the bulk-sale agreement the seller is located in Indiana or, if the seller is located in a jurisdiction that is not a part of the United States, the seller's major executive office in the United States is in Indiana.

(2) A seller is deemed to be located at the seller's place of business. If a seller has more than one (1) place of business, the seller is deemed located at the seller's chief executive office.

(3) This chapter does not apply to:

(a) a transfer made to secure payment or performance of an obligation;

(b) a transfer of collateral to a secured party pursuant to ~~IC 26-1-9-503;~~ **IC 26-1-9.1-609;**

(c) a sale of collateral pursuant to ~~IC 26-1-9-504;~~ **IC 26-1-9.1-610;**

(d) retention of collateral pursuant to ~~IC 26-1-9-505;~~ **IC 26-1-9.1-620;**

(e) a sale of an asset encumbered by a security interest or lien if (i) all the proceeds of the sale are applied in partial or total satisfaction of the debt secured by the security interest or lien, or (ii) the security interest or lien is enforceable against the asset after it has been sold to the buyer and the net contract price is zero (0);

(f) a general assignment for the benefit of creditors or to a subsequent transfer by the assignee;

(g) a sale by an executor, administrator, receiver, trustee in bankruptcy, or any public officer under judicial process;

(h) a sale made in the course of judicial or administrative proceedings for the dissolution or reorganization of an organization;

(i) a sale to a buyer whose principal place of business is in the United States and who:

(i) not earlier than twenty-one (21) days before the date of the bulk sale, (A) obtains from the seller a verified and dated list of claimants of whom the seller has notice three (3) days before the seller sends or delivers the list to the buyer or (B) conducts a reasonable inquiry to discover the claimants;

(ii) assumes in full the debts owed to claimants of whom the buyer has knowledge on the date the buyer receives the list of claimants from the seller or on the date the buyer completes the reasonable inquiry, as the case may be;

(iii) is not insolvent after the assumption; and

(iv) gives written notice of the assumption not later than thirty (30) days after the date of the bulk sale by sending or delivering a notice to the claimants identified in subparagraph (ii) or by filing a notice in the office of the secretary of state;

(j) a sale to a buyer whose principal place of business is in the United States and who:

(i) assumes in full the debts that were incurred in the seller's business before the date of the bulk sale;

(ii) is not insolvent after the assumption; and

(iii) gives written notice of the assumption not later than thirty (30) days after the date of the bulk sale by sending or delivering a notice to each creditor whose debt is assumed or by filing a notice in the office of the secretary of state;

(k) a sale to a new organization that is organized to take over and continue the business of the seller and that has its principal place of business in the United States if:

(i) the buyer assumes in full the debts that were incurred in the seller's business before the date of the bulk sale;

(ii) the seller receives nothing from the sale except an interest in the new organization that is subordinate to the claims against the organization arising from the assumption; and

(iii) the buyer gives written notice of the assumption not later than thirty (30) days after the date of the bulk sale by sending or delivering a notice to each creditor whose debt is assumed or by filing a notice in the office of the secretary of state;

(l) a sale of assets having:

(i) a value, net of liens, and security interests of less than ten thousand dollars ($10,000). If a debt is secured by assets and other property of the seller, the net value of the assets is determined by subtracting fromtheir value an amount equal to the product of the debt multiplied by a fraction, the numerator of which is the value of the assets on the date of the bulk sale and the denominator of which is the value of all property securing the debt on the date of the bulk sale; or

(ii) a value of more than twenty-five million dollars ($25,000,000);

on the date of the bulk-sale agreement; or

(m) a sale required by, and made pursuant to, statute.

(4) The notice under subsection (3)(i)(iv) must state:

(i) that a sale that may constitute a bulk sale has been or will be made;

(ii) the date or prospective date of the bulk sale;

(iii) the individual, partnership, or corporate names and the addresses of the seller and buyer;

(iv) the address to which inquiries about the sale may be made, if different from the seller's address; and

(v) that the buyer has assumed or will assume in full the debts owed to claimants of whom the buyer has knowledge on the date the buyer receives the list of claimants from the seller or completes a reasonable inquiry to discover the claimants.

(5) The notice under subsections (3)(j)(iii) and (3)(k)(iii) must state:

(i) that a sale that may constitute a bulk sale has been or will be made;

(ii) the date or prospective date of the bulk sale;

(iii) the individual, partnership, or corporate names and the addresses of the seller and buyer;

(iv) the address to which inquiries about the sale may be made, if different from the seller's address; and

(v) that the buyer has assumed or will assume the debts that were incurred in the seller's business before the date of the bulk sale.

(6) For purposes of subsection (3)(l), the value of assets is presumed to be equal to the price the buyer agrees to pay for the assets. However, in a sale by auction or a sale conducted by a liquidator on the seller's behalf, the value of assets is presumed to be the amount the auctioneer or liquidator reasonably estimates the assets will bring at auction or upon liquidation.

SECTION 35. IC 26-1-6.1-109 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 109. (1) Presentation of a notice or list of claimants for filing and tender of the filing fee or acceptance of the notice or list by the secretary of state constitutes filing under IC 26-1-6.1.

(2) The secretary of state shall:

(a) mark each notice or list with a file number and with the date and hour of filing;

(b) hold the notice or list or a copy for public inspection;

(c) index the notice or list according to each name given for the seller and for the buyer; and

(d) note in the index the file number and the addresses of the seller and buyer given in the notice or list.

(3) If the person filing a notice or list furnishes the secretary of state with a copy, the secretary of state upon request shall note upon the copy the file number and date and hour of the filing of the original and send or deliver the copy to the person.

(4) The fee for filing and indexing and for stamping a copy furnished by the person filing to show the date and place of filing is set forth in ~~IC 26-1-9-401.~~ **IC 26-1-9.1.**

(5) Upon request of any person, the secretary of state shall issue a certificate showing whether any notice or list with respect to a particular seller or buyer is on file on the date and hour stated in the certificate. If a notice or list is on file, the certificate must give the date and hour of filing of each notice or list and the name and address of each seller, buyer, auctioneer, or liquidator. The fee for the certificate is set forth in IC 26-1-9-401. Upon request of any person, the secretary of state shall furnish a copy of any filed notice or list for the fee that is set forth in IC 26-1-9-401.

(6) The secretary of state shall keep each notice or list for two (2) years after it is filed.

SECTION 36. IC 26-1-7-209 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 209. (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 negotiable 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 ~~IC 26-1-9~~ **IC 26-1-9.1** on secured transactions.

(3) 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 IC 26-1-7-503.

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

SECTION 37. IC 26-1-7-503 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 503. (1) A document of title confers no right in goods against a person who before issuance of the document had a legal interest or a perfected security interest in them and who neither:

(a) delivered or entrusted them or any document of title covering them to the bailor or his nominee with actual or apparent authority to ship, store, or sell or with power to obtain delivery under IC 26-1-7-403 or with power of disposition under IC 26-1-2-403, ~~IC 26-1-9-307~~ **IC 26-1-9.1-320,** or other statute or rule of law; nor

(b) acquiesced in the procurement by the bailor or his nominee of any document of title.

(2) Title to goods based upon an unaccepted delivery order is subject to the rights of anyone to whom a negotiable warehouse receipt or bill of lading covering the goods has been duly negotiated. Such a title may be defeated under IC 26-1-7-504 to the same extent as the rights of the issuer or a transferee from the issuer.

(3) Title to goods based upon a bill of lading issued to a freight forwarder is subject to the rights of anyone to whom a bill issued by the freight forwarder covering such goods has been duly negotiated, but delivery by the carrier in accordance with IC 26-1-7-401 through IC 26-1-7-404 pursuant to its own bill of lading discharges the carrier's obligation to deliver.

SECTION 38. IC 26-1-8.1-103 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 26-1-9-115)~~ **IC 26-1-9.1-102(a)(15)),** is not a security or a financial asset.

SECTION 39. IC 26-1-8.1-105 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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~~ **IC 26-1-9.1** is not notice of an adverse claim to a financial asset.

SECTION 40. IC 26-1-8.1-106 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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; ~~or~~

(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)(2)~~ **(c)** or ~~(d)(2)~~ **(d)** has control even if the registered owner in the case of subsection ~~(c)(2)~~ **(c)** or the entitlement holder in the case of subsection ~~(d)(2)~~ **(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.

SECTION 41. IC 26-1-8.1-110 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 ~~specifies that it is governed by the law of a particular jurisdiction,~~ **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 ~~does not specify the governing law as provided in subdivision (1), but~~ **governing the securities account** expressly ~~specifies~~ **provides** that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

~~(3)~~ **(4)** If ~~an agreement between the securities intermediary and its entitlement holder does not specify a jurisdiction as provided in subdivision (1) or (2),~~ **none of the preceding subdivisions apply,** the securities intermediary's jurisdiction is the jurisdiction in which ~~is located~~ the office identified in an account statement as the office serving the entitlement holder's account **is located.**

~~(4)~~ **(5)** If ~~an agreement between the securities intermediary and its entitlement holder does not specify a jurisdiction as provided in subdivision (1) or (2) and an account statement does not identify an office serving the entitlement holder's account as provided in subdivision (3),~~ **none of the preceding subdivisions apply,** the securities intermediary's jurisdiction is the jurisdiction in which ~~is located~~ 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.

SECTION 42. IC 26-1-8.1-301 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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 ~~has been~~ **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.

SECTION 43. IC 26-1-8.1-302 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 302. (a) Except as otherwise provided in subsections (b) and (c), ~~upon delivery~~ **a purchaser** of a certificated or uncertificated security ~~to a purchaser, the purchaser~~ 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.

SECTION 44. IC 26-1-8.1-510 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: 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,~~ **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 ~~equally, except that~~ **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.

SECTION 45. IC 26-1-9.1 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]:

Chapter 9.1. Secured Transactions

Sec. 101. This article may be cited as Uniform Commercial Code–Secured Transactions.

Sec. 102. (a) In this article:

(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 (i) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (ii) for services rendered or to be rendered, (iii) for a policy of insurance issued or to be issued, (iv) for a secondary obligation incurred or to be incurred, (v) for energy provided or to be provided, (vi) for the use or hire of a vessel under a charter or other contract, (vii) arising out of the use of a credit or charge card or information contained on or for use with the card, or (viii) as winnings in a lottery or other game of chance operated or sponsored by a state, governmental unit of a state, or person licensed or authorized to operate the game by a state or governmental unit of a state. 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) to execute or otherwise adopt a symbol, or encrypt or similarly process a record in whole or in part, with the present intent of the authenticating person to identify the person and adopt or accept a record.

(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.

(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 lease of specific goods, or a lease of specific goods and a 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 charters or other contracts involving the use or hire of a vessel. 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(2).
(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 with 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 organized.
(51) "Letter-of-credit right" means a right to payment and 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" 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" 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) "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.
(69) "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.
(70) "Registered organization" means an organization organized solely under the law of a single state or the United States and as to which the state or the United States must maintain a public record showing the organization to have been organized.
(71) "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.
(72) "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.
(73) "Security agreement" means an agreement that creates or provides for a security interest.
(74) "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).
(75) "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.
(76) "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.
(77) "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.
(78) "Tangible chattel paper" means chattel paper evidenced by a record or records consisting of information that is inscribed on a tangible medium.
(79) "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.
(80) "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) The following definitions in other articles apply to this article:
"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.
"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) Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.

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.

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.

Sec. 105. A secured party has control of electronic chattel paper 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 revisions that add or change an identified assignee of the authoritative copy can be made only with the participation 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 revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

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.

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.

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.

Sec. 109. (a) Except as otherwise provided in subsections (c) and (d), this article 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 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 this article 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 this article does not apply.

(c) This article does not apply to the extent that:

(1) a statute, regulation, or treaty of the United States preempts this article; 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) This article 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 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; or

(15) a pledge of revenues, other money, or property made under IC 5-1-14-4.

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 this article. 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.

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 this article 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) This article 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.

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.

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, or letter-of-credit rights, and

the secured party has control under 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 this article 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.

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.

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.

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.

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 26-1-9.1-104, 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.

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; and

(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.

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.

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 security 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.

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 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.

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.

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.

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 this part:

(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.

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 this part:

(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.

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 this part, 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).

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; 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 state.

(j) A foreign air carrier under the Federal Aviation Act of 1958, as amended, 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 this part.

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 this article and is later perfected by another method under this article, 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.

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.

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 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, 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 this article is not required to continue the perfected status of the security interest against creditors of and transferees from the original debtor.

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 certificate-of-title statute covering automobiles, trailers, mobile homes, boats, farm tractors, or the like, which provides for a security interest to be indicated on the certificate as a condition or result of perfection; or

(3) a certificate-of-title statute of another jurisdiction which provides for a security interest 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 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 this article. 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 this article.

(d) During any period in which collateral 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 or leasing goods of that kind, this section does not apply to a security interest in that collateral created by that person as debtor, but instead, the filing provisions of IC 26-1-9.1-501 through IC 26-1-9.1-527 apply.

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 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 this article.

Sec. 313. (a) Except as otherwise provided in subsection (b), a secured party may perfect a security interest in 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(d).

(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 this article 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 this article otherwise provides.

Sec. 314. (a) A security interest in investment property, deposit accounts, letter-of-credit rights, or electronic chattel paper may be perfected by control of the collateral under 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, or letter-of-credit rights is perfected by control under 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.

Sec. 315. (a) Except as otherwise provided in this article 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 this article 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.

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;

(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; or

(4) the expiration of one (1) year after a new debtor located in another jurisdiction becomes bound under IC 26-1-9.1-203(d).

(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.

Sec. 317. (a) An unperfected 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) a person that becomes a lien creditor before the earlier of the time the security interest or agricultural lien is perfected or 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, documents, goods, instruments, or a security certificate 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 accounts, electronic chattel paper, general intangibles, or investment property other than 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.

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.

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 this part, a perfected security interest held by the consignor would have priority over the rights of the creditor.

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 he has received prior written notice of the security interest. "Written notice" means an original financing statement or a carbon, photographic, or other reproduction of an original that is effective under IC 26-1-9.1-502, or a notice on a form prescribed by the secretary of state or a carbon, photographic, or other reproduction of the form that contains the following:

(A) The full name and address of the debtor.

(B) The full name and address of the secured party.

(C) A description of the collateral.

(D) The date and location of the filing of the security interest.

(E) The date on which written notice is issued.

A written notice expires eighteen (18) months after the date the secured party signs the notice or at the time the debt that appears on the notice is satisfied, whichever occurs first. 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".

(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 (a) 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 subdivision 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.

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 the 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.

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 the other provisions of this part;

(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.

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 while the security interest is perfected only to the extent that it secures advances 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.

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) Subsections (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) Subsections (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.

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).

Sec. 326. (a) Subject to subsection (b), a security interest created by a new debtor which is perfected by a filed financing statement that is effective solely under IC 26-1-9.1-508 in collateral in which a new debtor has or acquires rights 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 that are effective solely under IC 26-1-9-508. 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.

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.

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.

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.

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.

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 this article does not constitute notice of a claim or defense to the holders, purchasers, or persons described in subsections (a) and (b).

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.

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.

Sec. 334. (a) A security interest under this article may be created in goods that are fixtures or may continue in goods that become fixtures. A security interest does not exist under this article in ordinary building materials incorporated into an improvement on land.

(b) This article 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 this article 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 this article; 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.

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 subsection (f), 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 encumbrancer or owner of the whole or of 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 encumbrancer 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.

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.

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.

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 chattel paper, documents, goods, instruments, or a security certificate, receives delivery of the collateral.

Sec. 339. This article does not preclude subordination by agreement by a person entitled to priority.

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 this article 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.

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.

Sec. 342. This article 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.

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 this article.

(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.

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.

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 this article 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 this article 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 this article which gives effect to an agreement by an account debtor not to assert a claim or defense against an 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 this article 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 this article 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.

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 this article 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.

Sec. 406. (a) Subject to subsections (b) through (h), 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 (g), 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 this article; 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 general 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 (g), 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 (g), 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.

(f) Except as provided in IC 26-1-2.1-303 and IC 26-1-9-407, 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 this article 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.

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 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 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 seller. Even in that event, the creation, attachment, perfection, and enforcement of the security interest remain effective.

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 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.

(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 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 this article 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.

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 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 this article 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.

Sec. 501. (a) Except as otherwise provided in subsection (b), 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.

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 complies with the requirements for a financing statement in this section other than an indication that it is to be filed in the real property records; 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) The provisions of IC 36-2-11-15 requiring the identification of draftsmen of instruments transferring interest in real estate do not apply to IC 26-1.

Sec. 503. (a) A financing statement sufficiently provides the name of the debtor:

(1) if the debtor is a registered organization, only if the financing statement provides the name of the debtor indicated on the public record of the debtor's jurisdiction of organization which shows the debtor to have been organized;

(2) if the debtor is a decedent's estate, only if the financing statement provides the name of the decedent and indicates that the debtor is an estate;

(3) if the debtor is a trust or a trustee acting with respect to property held in trust, only if the financing statement:

(A) provides the name specified for the trust in its organic documents or, if no name is specified, provides the name of the settlor and additional information sufficient to distinguish the debtor from other trusts having one (1) or more of the same settlors; and

(B) indicates, in the debtor's name or otherwise, that the debtor is a trust or is a trustee acting with respect to property held in trust; and

(4) 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.

(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)(4)(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.

Sec. 504. A financing statement sufficiently indicates the collateral that it covers only 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.

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", "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.

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, wouldddisclose 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.

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 a debtor so changes its name that a filed 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 change; 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 change, unless an amendment to the financing statement which renders the financing statement not seriously misleading is filed within four months (4) after the change.

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).

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

(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 a security agreement, a 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)(1).

(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).

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.

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.

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.

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.

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.

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 without filing. 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 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.

Sec. 516. (a) Except as otherwise provided in subsection (b), 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 correction 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 last name; 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;

(B) indicate whether the debtor is an individual or an organization; or

(C) if the financing statement indicates that the debtor is an organization, provide:

(i) a type of organization for the debtor;

(ii) a jurisdiction of organization for the debtor; or

(iii) an organizational identification number for the debtor or indicate that the debtor has none;

(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.

Sec. 517. The failure of the filing office to index a record correctly does not affect the effectiveness of the filed record.

Sec. 518. (a) A person may file in the filing office a correction 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) A correction statement 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 a correction 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) The filing of a correction statement does not affect the effectiveness of an initial financing statement or other filed record.

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) enables the filing office to detect 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).

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.

Sec. 521. (a) A filing office that accepts written records may not refuse to accept a written initial financing statement in the form specified in IC 26-1-1.5 and format except for a reason set forth in IC 26-1-9.1-516(b).

(b) A filing office that accepts written records may not refuse to accept a written record in the form specified in IC 26-1-1.5 and format except for a reason described in IC 26-9.1-516(b).

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).

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 this part, in every medium from time to time available to the 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.

Sec. 525. (a) Except as otherwise provided in subsection (e), the fee for filing and indexing a record under this part, 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 and consists of one (1) or two (2) pages;

(2) eight dollars ($8) if the record is communicated in writing and consists of more than two (2) pages; and

(3) four dollars ($4) if the record is communicated by another medium authorized by filing-office rule.

(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 the amount specified in subsection (c), if applicable, plus:

(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) Except as otherwise provided in subsection (e), if a record is communicated in writing, the fee for each name more than two (2) required to be indexed is one dollar ($1).

(d) 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) one dollar ($1) if the request is communicated in writing; and

(2) one dollar ($1) if the request is communicated by another medium authorized by filing-office rule.

(e) 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.

Sec. 526. (a) The secretary of state shall adopt and publish rules to implement this article. The filing-office rules must be consistent with this chapter.

(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 this part, and to keep the technology used by the filing office compatible with the technology used by filing offices in other jurisdictions that enact substantially this part, the secretary of state, so far as is consistent with the purposes, policies, and provisions of this article, in adopting, amending, and repealing filing-office rules, shall:

(1) consult with filing offices in other jurisdictions that enact

substantially this part;

(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 this part.

Sec. 527. The secretary of state shall report annually to the general assembly on the operation of the filing office. The report 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.

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 26-1-9.1-104, 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 this article.

(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.

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 (except that a secondary obligor may waive or vary the rules listed in subdivisions (1), (2), (3), (4), and (7) below):

(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 this article.

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.

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.

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.

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.

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; 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.

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 this section 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 this section 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.

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.

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 warranty relating to title, but does not include, unless explicitly extended in writing, any warranty relating to possession, quiet enjoyment, merchantablility, fitness for a specific purpose, or any other warranty which by operation of law would otherwise accompany a voluntary disposition of property of the kind subject to the contract.

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.

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) 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.

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 sale 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)

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 this article.
(6) If a notification under this section is not in the form of subdivision (3), law other than this article determines the effect of including information not required by subdivision (1).

Sec. 615. (a) A secured party shall apply or pay over for application the cash proceeds of disposition 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 this section 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.

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.

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 this article 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.

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 this article.

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 this article and does not of itself relieve the secured party of its duties under this article.

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.

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).

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 this article.

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.

Sec. 624. (a) A debtor 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 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.

(d) A secondary obligor may waive any right or defense, before or after default, unless the waiver is explicitly prohibited by this chapter.

Sec. 625. (a) If it is established that a secured party is not proceeding in accordance with this article, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.

(b) Subject to subsections (c), and (d), a secured party is liable for damages in the amount of any loss caused by a failure to comply with this article. Loss caused by a failure to comply with a request under IC 26-1-9.1-210 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) 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 statement included in the request as against a person that is reasonably misled by the failure.

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 this part.

(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.

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.

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 this article; and

(2) the secured party's failure to comply with this article 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.

Sec. 701. IC 26-1-9.1 takes effect on July 1, 2001.

Sec. 702. (a) Except as otherwise provided in this section through section 708 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 26-1-9.1-708:

(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 wouldbe 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.

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.

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.

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 subsection (c), 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 subsection (c) provides 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 subsection (e) for an initial 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 for the period provided in IC 26-1-9.1-515 with respect to an initial financing statement 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 before IC 26-1-9.1 takes effect, for the period provided in:

(1) IC 26-1-9-403 (before its repeal) for a financing statement; and

(2) IC 26-1-9-115 (before its repeal) 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 26-1-9.1-705(e) 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.

Sec. 707. A person may file an initial financing statement or a continuation statement under IC 26-1-9.1-701 through IC 26-1-9.1-708 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 26-1-9.1-708:

(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.

Sec. 708. (a) IC 26-1-9, before its repeal, determines the priority of conflicting claims to collateral if the relative priorities of the parties were fixed 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 a perfected security interest under IC 26-1-9.1-704 dates from the time the applicable requirements for perfection are satisfied. This subsection does not apply to conflicting security interests each of which becomes a perfected security interest under IC 26-1-9.1-704.

(c) 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.

SECTION 46. IC 32-1-2-16.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 16.3. (a) This section applies to an instrument regardless of when the instrument was recorded, except that this section does not divest rights that vested before May 1, 1993.

(b) An assignment, a mortgage, or a pledge of rents and profits arising from real estate that is intended as security, whether contained in a separate instrument or otherwise, shall be recorded under section 16 of this chapter.

(c) When an assignment, a mortgage, or a pledge of rents and profits is recorded under subsection (b), the security interest of the assignee, mortgagee, or pledgee is immediately perfected as to the assignor, mortgagor, pledgor, and any third parties:

(1) regardless of whether the assignment, mortgage, or pledge is operative:

(A) immediately;

(B) upon the occurrence of a default; or

(C) under any other circumstances; and

(2) without the holder of the security interest taking any further action.

(d) This section does not apply to security interests in:

(1) farm products;

(2) accounts or general intangibles arising from or relating to the sale of farm products by a farmer;

(3) timber to be cut; **or**

(4) minerals or the like (including oil and gas); ~~or~~

~~(5) accounts subject to IC 26-1-9-103(5);~~

that may be perfected under ~~IC 26-1-9.~~ **IC 26-1-9.1.**

SECTION 47. IC 32-8-24-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. (a) Any employee wishing to acquire such lien upon the corporate property of any corporation, or the earnings thereof, whether the employee's claim be due or not, shall file in the recorder's office of the county where such corporation is located or doing business, notice of the employee's intention to hold a lien upon such property and earnings aforesaid, for the amount of the employee's claim, setting forth the date of such employment, the name of the corporation and the amount of such claim, and it shall be the duty of the recorder of any county, when such notice is presented for record, to record the same in the record required by law for notice of mechanics' liens, for which the recorder shall charge a fee in an amount specified in IC 36-2-7-10(b)(1) and IC 36-2-7-10(b)(2). The lien so created shall relate to the time when such employee was employed by such corporation, or to any subsequent date during such employment, at the election of such employee, and shall have priority over all liens suffered or created thereafter, except other employees' liens, over which there shall be no such priority.

(b) Where:

(1) any person, other than an employee, shall acquire a lien upon the corporate property of any corporation located or doing business in this state;

(2) such lien for a period of sixty (60) days either:

(A) remains a matter of record in the proper place specified in ~~IC 26-1-9-401;~~ **IC 26-1-9.1-501;** or

(B) remains otherwise perfected under applicable law; and

(3) no notice of an employee's intention to hold a lien shall have been filed by any employee of such corporation during that period;

then and in that case such lien so created shall have priority over the lien of such employee in the county where such corporation is located or doing business, and not otherwise.

(c) This section shall not apply to any lien acquired by any person for purchase money.

SECTION 48. IC 26-1-9 IS REPEALED [EFFECTIVE JULY 1, 2001].

(Reference is to HB 1326 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 9, nays 0.

DVORAK, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Human Affairs, to which was referred House Bill 1392, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 9, nays 2.

SUMMERS

Report adopted.

OTHER BUSINESS ON THE SPEAKER'S TABLE

Referrals to Ways and Means

The Speaker announced, pursuant to House Rule 127, that House Bill 1385 had been referred to the Committee on Ways and Means.

The House recessed until the fall of the gavel.

RECESS

The House reconvened at 3:40 p.m. with the Speaker in the Chair.

Representative Porter was excused.

ENGROSSED HOUSE BILLS ON THIRD READING

Engrossed House Bill 1054

Representative Dvorak called down Engrossed House Bill 1054 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning education finance.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 73: yeas 97, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Zakas.

Engrossed House Bill 1053

Representative Dvorak called down Engrossed House Bill 1053 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning education.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 74: yeas 76, nays 20. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Wyss.

Engrossed House Bill 1062

Representative Herrell called down Engrossed House Bill 1062 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning state police, civil defense and military affairs.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 75: yeas 97, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Johnson and Lewis.

Engrossed House Bill 1074

Representative Leuck called down Engrossed House Bill 1074 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 76: yeas 95, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Weatherwax.

Representative Villalpando was excused for the rest of the day.

Engrossed House Bill 1106

Representative Cheney called down Engrossed House Bill 1106 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning motor vehicles.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 77: yeas 54, nays 43. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Zakas and Antich.

Engrossed House Bill 1108

Representative T. Adams called down Engrossed House Bill 1108 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass? Representatives Cook, Herrell, and Mellinger were excused from voting.

Roll Call 78: yeas 53, nays 40. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Server and Craycraft.

Representative Munson was excused for the rest of the day.

Engrossed House Bill 1115

Representative Dillon called down Engrossed House Bill 1115 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning professions and occupations.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 79: yeas 95, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Miller and Simpson.

Representative Porter was again present.

Engrossed House Bill 1125

Representative Mahern called down Engrossed House Bill 1125 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning trusts and fiduciaries.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 80: yeas 96, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Zakas.

Engrossed House Bill 1131

Representative Becker called down Engrossed House Bill 1131 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning motor vehicles.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 81: yeas 93, nays 2. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Server.

Engrossed House Bill 1141

Representative Budak called down Engrossed House Bill 1141 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning professions and occupations.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 82: yeas 94, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Miller.

Engrossed House Bill 1142

Representative Stevenson called down Engrossed House Bill 1142 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning utilities and transportation.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 83: yeas 94, nays 1. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Landske, Antich, Rogers, and Mrvan.

Engrossed House Bill 1189

Representative Fry called down Engrossed House Bill 1189 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass? Representative Murphy was excused from voting.

Roll Call 84: yeas 85, nays 10. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Paul.

Engrossed House Bill 1157

Representative Bischoff called down Engrossed House Bill 1157 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning local government.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 85: yeas 95, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Nugent, Lewis, and Server.

Engrossed House Bill 1158

Representative Crosby called down Engrossed House Bill 1158 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning education finance.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 86: yeas 79, nays 16. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators C. Lawson and Bray.

Engrossed House Bill 1162

Representative Whetstone called down Engrossed House Bill 1162 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning local government.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 87: yeas 91, nays 2. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator C. Lawson.

Engrossed House Bill 1166

Representative Summers called down Engrossed House Bill 1166 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 88: yeas 95, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Clark and Howard.

Engrossed House Bill 1179

Representative Denbo called down Engrossed House Bill 1179 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 89: yeas 92, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Nugent and Hume.

Engrossed House Bill 1187

Representative Cook called down Engrossed House Bill 1187 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning motor vehicles.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 90: yeas 94, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsors: Senators Riegsecker, Zakas, Craycraft, and Alexa.

Representative Mannweiler was excused for the rest of the day.

Engrossed House Bill 1188

Representative Fry called down Engrossed House Bill 1188 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 91: yeas 94, nays 0. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator Paul.

Engrossed House Bill 1201

Representative Liggett called down Engrossed House Bill 1201 for third reading:

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

The bill was read a third time by sections and placed upon its passage. The question was, Shall the bill pass?

Roll Call 92: yeas 53, nays 40. The bill was declared passed. The question was, Shall the title of the bill remain the title of the act? There being no objection, it was so ordered. The Clerk was directed to inform the Senate of the passage of the bill. Senate sponsor: Senator R. Young.

REPORTS FROM COMMITTEES

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1059, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 18, nays 6.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1111, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 21, nays 1.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1150, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 22, nays 0.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1230, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning public libraries.

Delete everything after the enacting clause and insert the following:

"SECTION 1. IC 4-23-7.1-41 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 41. (a) As used in this section, "Carnegie library building" refers to a building:**

(1) originally constructed for use as a public library with money donated by Andrew Carnegie; and

(2) currently used for public library purposes.

(b) As used in this section, "fund" refers to the Carnegie library building improvement fund established under subsection (c).

(c) The Carnegie library building improvement matching grant program and fund is established for the purpose of providing matching grants to public libraries to restore and repair Carnegie library buildings. The state library shall:

(1) provide details for the matching grant program, including eligibility and match requirements; and

(2) administer the fund.

(d) The fund consists of the following:

(1) Appropriations by the general assembly.

(2) Grants and gifts that the state library receives for the fund under terms, obligations, and liabilities that the state library considers appropriate.

(e) The expenses of administering the fund shall be paid from money in the fund.

(f) The treasurer of state shall invest the money in the fund that is not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested. The treasurer of state shall deposit in the fund the interest that accrues from the investment of the fund.

(g) Money in the fund at the end of a state fiscal year does not revert to the state general fund.".

(Reference is to HB 1230 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 23, nays 0.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1235, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, line 14, reset in roman "petition and".

Page 2, line 15, reset in roman "remonstrance process against".

Page 2, line 15, delete "referendum on".

Page 2, line 19, reset in roman "application of".

Page 2, line 20, reset in roman "a petition and remonstrance process".

Page 2, line 20, delete "referendum".

Page 2, line 21, strike "lesser of:" and insert "**following:**".

Page 2, line 22, after "(250)" insert "**If the population of the political subdivision is less than fifty thousand (50,000),**".

Page 2, strike lines 24 through 25, begin a new line double block indented and insert:

"**(B) If the population of the political subdivision is at least fifty thousand (50,000), but less than one hundred thousand (100,000), six hundred (600) owners of real property within the political subdivision.**

(C) If the population of the political subdivision is at least one hundred thousand (100,000), but less than two hundred thousand (200,000), seven hundred (700) owners of real property within the political subdivision.

(D) If the population of the political subdivision is at least two hundred thousand (200,000), but less than three hundred thousand (300,000), eight hundred (800) owners of real property within the political subdivision.

(E) If the population of the political subdivision is at least three hundred thousand (300,000), but less than four hundred thousand (400,000), nine hundred (900) owners of real property within the political subdivision.

(F) If the population of the political subdivision is at least four hundred thousand, nine hundred ninety-nine (999) owners of real property within the political subdivision.".

Page 2, line 42, reset in roman "petition and remonstrance process.".

Page 2, line 42, delete "referendum.".

Page 3, line 3, reset in roman "petition and remonstrance process".

Page 3, line 4, delete "referendum".

Page 3, delete lines 8 through 42.

Delete pages 4 through 7.

Page 8, delete lines 1 through 5, begin a new paragraph and insert:

"SECTION 4. [EFFECTIVE UPON PASSAGE] **(a) IC 6-1.1-20-3.1, as amended by this act, does.**".

Page 8, line 10, delete ", IC 6-1.1-20-3.2, and IC 6-1.1-20-9,".

Page 8, line 11, delete "apply" and insert "**applies**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1235 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 18, nays 5.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1278, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 21, nays 1.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1295, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 22, nays 0.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1296, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 22, nays 2.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1312, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the committee report of the Committee on Public Health adopted January 24, 2000.

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning tobacco and to make an appropriation.

Delete everything after the enacting clause and insert the following:

SECTION 1. IC 4-4-9.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]:

Chapter 9.5. Indiana Rural Development Council

Sec. 1. As used in this chapter, "council" refers to the Indiana Rural Development Council established by the 1993 memorandum of understanding between Indiana and the United States Department of Agriculture.

Sec. 2. With the approval of the governing board of the council, the council may use not more than two hundred fifty thousand dollars ($250,000) each year to provide funding for the Southern Indiana Rural Development Project, Inc. for rural development programs.

Sec. 3. (a) There is appropriated to the council from interest earned on money in the tobacco settlement fund three hundred thousand dollars ($300,000) beginning July 1, 2000, and ending June 30, 2005, to carry out the purposes of this chapter.

(b) This SECTION expires July 1, 2005.

SECTION 2. IC 4-4-30 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]:

Chapter 30. Rural Community Impact Fund

Sec. 1. As used in this chapter, "fund" refers to the rural community impact fund established by section 2 of this chapter.

Sec. 2. (a) The rural community impact fund is established. The fund shall be administered by the commissioner of agriculture and the department of commerce.

(b) The 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 obligation 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 the fiscal year does not revert to the state general fund.

Sec. 3. (a) Money in the fund shall be used for the following purposes:

(1) To develop new agricultural enterprises in areas that were used for tobacco production, including facilities for research and development, new market opportunities, educational programs, leadership developmental programs, and direct financial assistance.

(2) Assistance to rural communities that suffer a negative economic impact from the loss of tobacco production.

(b) The commissioner of agriculture shall approve money for projects under subsection (a)(1).

(c) The department of commerce shall approve money for projects under subsection (a)(2).

Sec. 4. (a) The fund consists of interest earned on money in the tobacco settlement fund and transferred to the fund as follows:

(1) On July 1, 2000, eight million two hundred thousand dollars ($8, 200,000).

(2) On July 1, 2001, three million seven hundred thousand dollars ($3,700,000).

(3) On July 1, 2002, three million seven hundred thousand dollars ($3,700,000).

(4) On July 1, 2003, three million seven hundred thousand dollars ($3,700,000).

(5) On July 1, 2004, three million seven hundred thousand dollars ($3,700,000).

(6) On July 1, 2005, three million seven hundred thousand dollars ($3,700,000).

(b) Money transferred under subsection (a) is appropriated to the fund.

(c) This section expires July 1, 2005.

SECTION 3. IC 4-12-1-14.3, AS ADDED BY P.L.273-1999, SECTION 232, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 14.3. **(a) As used in this section, "advisory council" refers to the tobacco fund executive advisory council established under subsection (d).**

(b) As used in this section, "master settlement agreement" has the meaning set forth in IC 24-3-3-6.

(c) There is hereby created the tobacco settlement fund for the purpose of depositing money received by the state from the master settlement agreement. ~~with the United States' tobacco product manufacturers.~~ The fund shall be administered by the budget agency. 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 is invested. **Except as provided in IC 4-4-9.5-3 and IC 4-4-30-4,** interest that accrues from these investments shall be deposited in the fund. Money in the fund at the end of the state fiscal year does not revert to the state general fund.

(d) The tobacco fund executive advisory council is established. The advisory council consists of the following members:

(1) The commissioner of the state department of health.

(2) The secretary of family and social services.

(3) The insurance commissioner.

(4) The state superintendent of public instruction.

(5) The attorney general.

(6) A youth member of the commission for a drug free Indiana selected by the governor.

(7) A member of the enhanced health planning advisory committee established by IC 16-46-12-2 selected by the governor.

(8) A member of the tobacco control advisory committee established by IC 16-46-12-3 selected by the governor.

(9) A member of the Indiana Minority Health Coalition selected by the governor.

(10) A member of the Indiana commission for women selected by the governor.

(11) A local health officer selected by the governor.

(12) A representative of a senior citizens organization selected by the governor.

(13) A representative of a disability organization, appointed by the governor.

(14) A representative of the Indiana Chapter of the National Medical Association, appointed by the governor.

(15) A member of the Native American Council, appointed by the governor.

The governor shall designate a member to serve as chairperson. A vacancy with respect to a member shall be filled in the same manner as the original appointment. The advisory council shall annually elect one (1) of its members as vice chairperson. Each member is entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. The state department of health shall provide staff for the advisory council. The advisory council is a public agency for purposes of IC 5-14-1.5 and IC 5-14-3. The advisory council is a governing body for purposes of IC 5-14-1.5.

(e) A quorum consists of a majority of the voting members appointed to the council. Approval of a program requires approval by a majority of the voting member appointed to the council. The advisory council shall review all programs recommended by the:

(1) enhanced health planning advisory committee established by IC 16-46-12-2;

(2) tobacco control advisory committee established by IC 16-46-12-3; and

(3) prescription drug advisory committee established by IC 16-46-12-7.

The advisory council may reject, approve, or modify and then approve any recommended program. A program approved by the advisory council shall be recommended to the budget committee. The budget committee shall review and may approve only those programs that further the purposes of IC 16-46-12.

(f) The advisory council shall prepare an annual financial report and an annual report concerning the advisory council's activities under this section. The reports shall be transmitted to the governor and the health finance commission.

(g) The expenses of the following shall be paid from the tobacco settlement fund:

(1) The tobacco fund executive advisory council established by subsection (d).

(2) The enhanced health planning advisory committee established by IC 16-46-12-2.

(3) The tobacco control advisory committee established by IC 16-46-12-3.

(4) The prescription drug advisory committee established by IC 16-46-12-7.

(h) The office of the secretary of family and social services and the office of Medicaid policy and planning shall enter into a contract with a health insurance company to administer a prescription drug program approved under subsection (e).

SECTION 4. IC 6-7-1-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 15. (a) The department is the official agent of the state for the administration and enforcement of this chapter. A sufficient sum to pay salaries and expenses is appropriated to the department out of the monies received by virtue of this chapter.

(b) The department may issue registration certificates, upon the terms and conditions provided in this chapter, and may revoke or suspend the ~~same~~ **registration certificate** upon the violation of:

(1) this chapter;

(2) IC 24-3-2; or

(3) IC 24-3-4;

by the holder of ~~such a~~ **the registration** certificate.

(c) The department may apply for membership in the National Tobacco Tax Association.

(d) The department may design and have printed or manufactured stamps of sizes and denominations to be affixed to each individual package. The stamps shall be firmly affixed on each individual package in such a manner that the stamps can not be removed without being mutilated or destroyed; however, the department may by regulation designate some other manner for cancelation of stamps. In addition to the stamps, the department may by rules and regulations authorize distributors to use metered stamping machines or other devices which will imprint distinctive indicia evidencing the payment of the tax upon each individual package. The machines shall be constructed in such a manner as will accurately record or meter the number of impressions or tax stamps made. The tax meter machines or other devices shall be kept available at all reasonable times for inspection by the department, and the machines shall be maintained in proper operating condition. A person who knowingly tampers with the printing or recording mechanism of such a machine commits a Class B misdemeanor.

SECTION 5. IC 16-46-10-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 2. (a) Except as provided in subsections (b) and (d), the state department shall provide funding each year from the local health maintenance fund under the following schedule to each local board of health whose application for funding is approved by the state department:

COUNTY POPULATION	AMOUNT OF GRANT
over - 499,999	~~$ 60,000~~ **$120,000**
100,000 = 499,999	~~50,000~~ **100,000**
50,000 = 99,999	~~30,000~~ **60,000**
under = 50,000	~~20,000~~ **40,000**

(b) For purposes of determining the amount of a grant to a multiple county board of health, the state department shall regard each county of the multiple county health department as a separate county. A grant to a multiple county board of health must equal the total of grants that would be made to the separate counties based on the population of each county.

(c) A local board of health that desires to receive funding from the local health maintenance fund must file an application with the state department before May 1 of each year. The application must state how the funds will be spent. The state department may extend the deadline for filing an application upon a showing of good cause by the local board of health.

(d) If a county has more than one (1) local health department, the county fiscal body shall adopt an ordinance to allocate the funds provided to the county under subsection (a). This ordinance must provide that each local board of health in the county must receive an allocation of funds granted under subsection (a). The county fiscal body shall file a copy of the ordinance with the state department before May 1 of each year.

(e) By June 1 of each year, the state department shall:

(1) allocate money in the local health maintenance fund (for distribution the following January) to each local board of health whose application is approved in accordance with the schedule in subsection (a); and

(2) determine how much money in the local health maintenance fund has not been applied for.

The state department may use the money that has not been applied for or otherwise allocated to fund joint plans entered into by two (2) or more local boards of health or by a multiple county board as provided in subsections (g) and (i).

(f) If two (2) or more local boards of health cooperate in providing any of the services set out in section 3 of this chapter, those boards of health shall file a joint plan that must be approved by the state department. The joint plan must specify the following:

(1) The services to be provided under the plan.

(2) The cost of each service to be provided under the plan.

(3) The percentage of the total cost of services to be provided under the joint plan by each local board of health.

(g) If two (2) or more local boards of health join together to provide services in accordance with a joint plan filed with the state department of health under subsection (f), and the state department determines that the services to be provided under the joint plan are eligible for funding from the local health maintenance fund, the state department shall grant (in addition to the funds provided to each county in which the local boards of health are located under subsection (a)) an amount not to exceed fifteen thousand dollars ($15,000) to fund the joint plan. The state department shall grant money to fund joint plans that most effectively accomplish the

following goals in accordance with standards adopted by the state department:

(1) Benefit the greatest number of people.

(2) Provide services in a cost effective manner.

(3) Address the most serious health care needs of the area served.

(4) Provide additional public health services in a medically underserved or economically distressed area.

This money shall be allocated directly to each local board of health participating in the joint plan in the same percentages specified in the joint plan under subsection (f)(3).

(h) A multiple county health board may file a plan under this section to provide any of the services set out in section 3 of this chapter. If the state department determines that the services to be provided under the plan submitted by a multiple county health board are eligible for funding from the local health maintenance fund, the state department shall grant (in addition to the funds provided under subsection (a) to each county in which the local boards of health are located) an amount not to exceed fifteen thousand dollars ($15,000) to fund the plan.

(i) Services funded under this section must be in addition to, and not in place of, services funded at the local level.

SECTION 6. IC 16-46-12 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]:

Chapter 12. Tobacco Settlement Fund Programs

Sec. 1. The tobacco settlement programs to be funded under this chapter must be designed to achieve one (1) or more of the following goals:

(1) Prevention, intervention, and reduction of tobacco use, especially among children and youth and smoking cessation programs offered by local health departments that use a combination of classes and treatment for nicotine addiction.

(2) Provide better access to quality health care, including mental health and addictions treatment.

(3) Increase the availability of quality health care in underserved geographic areas and for low income individuals.

(4) Research treatments and cures for tobacco related diseases.

(5) Address the special health care needs of those who suffer most from tobacco related diseases, including end of life and long term care alternatives.

(6) Eliminate health disparities for ethnic racial minorities.

Sec. 2. (a) The enhanced health planning advisory committee is established. The committee consists of appointees by the governor who represent the following organizations or interests:

(1) One (1) consumer of community health services.

(2) The Indiana Dental Association.

(3) The Indiana Hospital Association.

(4) The Indiana Minority Health Coalition.

(5) The Indiana Pediatric Association.

(6) The Indiana State Medical Association.

(7) The Indiana State Nurses Association.

(8) The Indiana University School of Medicine.

(9) A local health officer.

(10) A primary health care organization.

(11) A rural health organization.

(12) A senior citizens organization.

(13) The Indiana chapter of the National Medical Association.

(14) The Indiana Council of Community Mental Health Centers.

(15) A consumer or representative of an end of life care organization, an alternative to long term care services, or a disability organization.

(b) The members of the enhanced health planning advisory committee serve at the pleasure of the governor. The term of each member is two (2) years. Not more than eight (8) members of the enhanced health planning advisory committee may be from the same political party.

(c) The governor may reappoint a sitting member.

(d) A vacancy with respect to a member shall be filled in the same manner as the original appointment.

(e) The governor shall designate a member to serve as chairperson. The board shall annually elect one (1) of its members as vice chairperson.

(f) Each member is entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties.

(g) The state department of health shall provide the staff for the enhanced health planning advisory committee.

(h) The enhanced health planning advisory committee is a public agency for purposes of IC 5-14-1.5 and IC 5-14-3.

(i) The enhanced health planning advisory committee is a governing body for purposes of IC 5-14-1.5.

Sec. 3. (a) The tobacco control advisory committee is established.

(b) The voting members of the tobacco control advisory committee consist of appointees by the governor who represent the following organizations or interests:

(1) The Indiana Chapter of the American Cancer Society.

(2) The Indiana Chapter of the American Heart Association.

(3) The Indiana Chapter of the American Lung Association.

(4) The Indiana Dental Association.

(5) The state excise police within the Indiana alcoholic beverage commission.

(6) The Indiana Minority Health Coalition.

(7) The Indiana State Medical Association.

(8) The Indiana State Mental Health Association.

(9) An individual doing tobacco disease research.

(10) A local health officer.

(11) A senior citizens organization.

(12) A representative of a tobacco free youth organization.

(13) The Indiana Chapter of the National Medical Association.

(14) The Indiana Council of Community Mental Health Centers.

(15) The Indiana Pharmacists Alliance.

(c) The nonvoting members of the tobacco control advisory committee consist of appointees by the governor who represent the following organizations:

(1) The division of mental health.

(2) The Governor's Commission for a Drug-Free Indiana.

(3) The office of tobacco control within the state department of health.

(4) The department of education.

(d) The members of the tobacco control advisory committee serve at the pleasure of the governor. The term of each member is two (2) years. Not more than eight (8) voting members of the tobacco control advisory committee may be from the same political party.

(e) The governor may reappoint a sitting member.

(f) A vacancy with respect to a member shall be filled in the same manner as the original appointment.

(g) The governor shall designate a member to serve as chairperson. The committee shall annually elect one (1) of its members vice chairperson.

(h) Each member is entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties.

(i) The state department of health shall provide the staff for the tobacco control advisory committee.

(j) The tobacco control advisory committee is a public agency for purposes of IC 5-14-1.5 and IC 5-14-3.

(k) The tobacco control advisory committee is a governing body for purposes of IC 5-14-1.5.

Sec. 4. The enhanced health planning advisory committee shall study health needs of the population and recommend to the tobacco fund executive advisory council established by IC 4-12-1-14.3 goals and programs that:

(1) promote health and wellness activities, including mental health and addictions;

(2) encourage the prevention of disease, particularly tobacco related diseases;

(3) address alternative services to meet the health care of seniors;

(4) address minority health disparities;
(5) address the impact of tobacco related diseases, particularly on minorities;
(6) promote community based health care, particularly in areas with a high percentage of uninsured and under insured citizens, including individuals with disabilities, or with a shortage of health care professionals;
(7) enhance local health department services; and
(8) expand community based minority health infrastructure.

Sec. 5. The tobacco control advisory committee shall recommend to the tobacco fund executive advisory council established by IC 4-12-1-14.3 programs that do the following:
(1) Provide screening and counseling for tobacco users.
(2) Emphasize the prevention and reduction of tobacco use by minorities, pregnant women, children, and youth.
(3) Provide smoking cessation.
(4) Produce and distribute information concerning the dangers of tobacco use.
(5) Provide research on issues related to reduction of tobacco use, especially chronic diseases, including mental illness and addictive disorders, common to tobacco users.
(6) Enforce Indiana tobacco use laws.
(7) Educate the public about the harms of tobacco use.
(8) Provide research and information needed to assess programs.
(9) Develop a minority health epidemiology center to collect minority-specific health data through research and clinical trials.
(10) Assess attitudes, beliefs, and behaviors of minority populations.
(11) Assess the impact of cultural, social, economic, religion, environmental, and psycho-social factors on health outcomes for minorities.

Sec. 6. (a) A public or private entity or an individual may submit an application to the enhanced health planning advisory committee, the tobacco control advisory committee, or the prescription drug advisory committee for program funding from the tobacco settlement fund. Each application must be in writing and contain the following information:
(1) A clear objective to be achieved with the program.
(2) A plan for implementation of the program.
(3) A statement of the manner in which the proposed program will further the goals of the enhanced health planning advisory committee, the tobacco control advisory committee, or the prescription drug advisory committee.
(4) The amount of funding requested.
(5) An evaluation and assessment component to determine the program's performance.
(6) Any other information required by the enhanced health planning advisory committee, the tobacco control advisory committee, or the prescription drug advisory committee.

The enhanced health planning advisory committee, the tobacco control advisory committee, and the prescription drug advisory committee may each adopt written guidelines to establish procedures, forms, additional evaluation criteria, and application deadlines for programs.

(b) The approval by a majority of the voting members appointed to serve on a specific committee are required for approval of a program by the enhanced health planning advisory committee, the tobacco control advisory committee, or the prescription drug advisory committee.

Sec. 7. (a) The prescription drug advisory committee is established to recommend to the tobacco fund executive advisory council established by IC 4-12-1-14.3 programs that address the pharmaceutical costs of low income elderly and disabled individuals.

(b) The prescription drug advisory committee consists of seven (7) members appointed by the governor who have knowledge, skill, and expertise in health planning and the impact of pharmaceutical costs on low income elderly and disabled individuals. The term of each member is two (2) years. The committee must include the following members:
(1) A pharmacoeconomist.
(2) A health economist.
(3) A medical actuary with expertise in prescription drug benefits.
(4) A pharmaceutical researcher.
(5) A physician with a specialty in geriatrics.
(6) A health planner or health finance person with expertise in health programs for the elderly.
(7) A senior citizen consumer with knowledge in health planning and the impact of pharmaceutical costs on low income elderly individuals.

(c) The office of family and social services shall provide staff for the prescription drug advisory committee.

(d) The prescription drug advisory committee is a public agency for purposes of IC 5-14-1.5 and IC 5-14-3.

(e) The prescription drug advisory committee is a governing body for purposes of IC 5-14-1.5.

(f) Each member of the committee is entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. The expenses of the committee shall be paid from the tobacco settlement fund created by IC 14-12-1-14.3.

SECTION 7. IC 24-3-2-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. **(a)** In establishing the cost of cigarettes to the retailer or distributor, the invoice cost of said cigarettes purchased at a forced, bankrupt, or close-out sale, or other sale outside of the ordinary channels of trade, may not be used as a basis for justifying a price lower than one based upon the replacement cost of the cigarettes to the retailer or distributor, within thirty (30) days prior to the date of sale, in the quantity last purchased, through the ordinary channels of trade.

(b) Any cigarettes that are imported or reimported into the United States for sale or distribution under a trade name, trade dress, or trademark that is the same as or confusingly similar to a trade name, trade dress, or trademark used for cigarettes manufactured in the United States for sale or distribution in the United States are presumed to be purchased outside the ordinary channels of trade.

SECTION 8. IC 24-3-4 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 4. Cigarettes Produced for Export; Imported Cigarettes

Sec. 1. This chapter does not apply to cigarettes sold or intended to be sold as duty free merchandise by a duty free sales enterprise that complies with federal requirements, including the requirements under 19 U.S.C. 1555(b). However, this chapter applies to cigarettes that are brought back into the United States that have not been assessed a federal tax or federal duty.

Sec. 2. As used in this chapter, "cigarette" has the meaning set forth in IC 24-3-2-2(a).

Sec. 3. As used in this chapter, "department" refers to the department of state revenue.

Sec. 4. As used in this chapter, "importer" means any of the following:
(1) A person in the United States to whom nontaxpaid tobacco products, cigarette papers, or cigarette tubes manufactured in a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States are shipped or consigned.
(2) A person who removes cigars or cigarettes for sale or consumption in the United States from a customs bonded manufacturing warehouse.
(3) A person who smuggles or unlawfully brings tobacco products, cigarette papers, or cigarette tubes into the United States.

Sec. 5. As used in this chapter, "law enforcement officer" has the meaning set forth in IC 35-41-1-17.

Sec. 6. As used in this chapter, "manufacturer" means a person who manufactures a product made from tobacco that is made for smoking or chewing, including snuff. However, the term does not include the following:
(1) A person who produces a product made from tobacco that is made for smoking or chewing, including snuff, solely for the

person's own personal consumption or use.

(2) A proprietor of a customs bonded manufacturing warehouse with respect to the operation of the warehouse.

Sec. 7. As used in this chapter, "person" has the meaning set forth in IC 24-3-2-2(b).

Sec. 8. As of July 1, 2000, a person may not sell, distribute, possess, or transport into Indiana any of the following cigarettes:

(1) Cigarettes that have been marked for sale, distribution, or use outside the United States, including labels stating "For Export Only", "U.S. Tax-Exempt", and "For Use Outside U.S.".

(2) Cigarettes that do not comply with the federal Cigarette Labeling and Advertising Act (15 U.S.C. 1333) or with other federal requirements regarding health warnings and other information on cigarette packages manufactured, packaged, or imported for sale, distribution, or use in the United States.

(3) Cigarettes that do not comply with federal trademark and copyright laws.

(4) Cigarettes that violate federal requirements on importation of previously exported tobacco products, including 26 U.S.C. 5754.

(5) Cigarettes that the person knows or has reason to know that the manufacturer did not intend to be sold, distributed, or used in the United States.

(6) Cigarettes that have not had the list of the cigarette's added ingredients submitted to the Secretary of the Department of Health and Human Services under 15 U.S.C. 1335a.

(7) Cigarettes that have had the package altered before the cigarettes are sold or distributed to the consumer that remove, conceal, or obscure any of the following:

(A) A marking that indicates the cigarettes are intended to be sold, distributed, or used outside the United States.

(B) A health warning or other information required under 15 U.S.C. 1333.

Sec. 9. A person may not affix a stamp (as defined by IC 6-7-1-9) on a package of cigarettes described in section 8 of this chapter.

Sec. 10. (a) A person who, for the purpose of selling or distributing the cigarettes in Indiana, imports cigarettes into Indiana that were manufactured outside the United States, shall file a monthly report with the department and keep and maintain the records required under IC 6-7-1-19 and IC 6-7-1-19.5.

(b) The report required under subsection (a) must be signed by the person who imports the cigarettes, under penalties of perjury, and must contain the following information concerning cigarettes that the person imported during the preceding month:

(1) A copy of each of the following:

(A) The permit issued under 26 U.S.C. 5713 that allows the person to import the cigarettes into the United States.

(B) The U.S. Customs Service form concerning the cigarettes that contains the internal revenue tax information required by the federal Bureau of Alcohol, Tobacco, and Firearms.

(2) A statement that includes the following information:

(A) The brand and brand styles of the cigarettes imported.

(B) The quantity of each brand style of the cigarettes imported.

(C) The name and address of each person to whom the cigarettes have been shipped.

(3) A statement signed by an officer of the manufacturer or importer, under the penalties for perjury, that states whether the manufacturer is a participant in the escrow fund under IC 24-3-3-12 and certifies that the manufacturer or importer has complied with the following:

(A) The federal cigarette package health warning requirements (15 U.S.C. 1333) and the federal ingredient reporting requirements (15 U.S.C. 1335a).

(B) The qualified escrow fund for tobacco product manufacturers requirements under IC 24-3-3.

Sec. 11. The department may do the following:

(1) Adopt rules under IC 4-22-2 to implement this chapter.

(2) Assess tax due, penalties, and interest on cigarettes in violation of this chapter.

(3) Revoke or suspend the registration certificate issued under IC 6-7-1-16 of a person who violates this chapter.

Sec. 12. (a) If the department or a law enforcement officer discovers cigarettes that are in violation of section 8 or 9 of this chapter, the department or a law enforcement officer may seize and take possession of the cigarettes together with any vending machine or receptacle in which the cigarettes are held for sale. The seized cigarettes, vending machine, or receptacle, not including money contained in the vending machine or receptacle, shall be forfeited to the state. The department or law enforcement agency shall, within a reasonable time after the seizure, destroy the confiscated cigarettes and vending machine or receptacle.

(b) The confiscation, destruction, sale, or redemption of cigarettes does not relieve a person of any penalties imposed for violation of this chapter.

(c) When the department has reason to believe that any cigarettes are being kept, sold, offered for sale, or given away in violation of this chapter, an officer of the department or a law enforcement officer may make an affidavit for a search warrant under IC 35-33-5. If the judge issues a search warrant under IC 35-33-1, a law enforcement officer or an authorized agent of the department may search any place or vehicle designated in the affidavit and search warrant and seize any cigarettes.

Sec. 13. (a) This chapter may be enforced by the department or a law enforcement officer.

(b) Upon referral of a violation of this chapter by the department or a law enforcement officer, the prosecuting attorney or the attorney general shall prosecute the person who violates this chapter.

Sec. 14. In addition to any other remedy, any person may bring an action for appropriate injunctive or equitable relief for a violation of this chapter that caused actual damages to the person. The person who brings the action may recover actual damages, interest on the damages from the date the complaint was filed, costs, and reasonable attorney's fees. If the court finds that the violation was flagrant, the court may increase the recovery to an amount not exceeding three (3) times the amount of actual damages.

Sec. 15. A person who knowingly or intentionally possesses, sells, distributes, or transports into Indiana cigarettes in violation of section 8 of this chapter commits a Class A misdemeanor.

Sec. 16. A person who knowingly or intentionally possesses, sells, or distributes cigarettes that bear Indiana tax stamps affixed in violation of this chapter commits a Class A misdemeanor.

Sec. 17. A person who:

(1) knowingly possesses, sells, distributes, or transports more than twelve thousand (12,000) cigarettes in violation of section 8 or 9 of this chapter; and

(2) has previously been convicted of an offense under section 8 or 9 of this chapter;

commits a Class D felony.

SECTION 9. IC 24-5-0.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) The following acts or representations as to the subject matter of a consumer transaction, made either orally or in writing by a supplier, are deceptive acts:

(1) That such subject of a consumer transaction has sponsorship, approval, performance, characteristics, accessories, uses, or benefits it does not have which the supplier knows or should reasonably know it does not have.

(2) That such subject of a consumer transaction is of a particular standard, quality, grade, style, or model, if it is not and if the supplier knows or should reasonably know that it is not.

(3) That such subject of a consumer transaction is new or unused, if it is not and if the supplier knows or should reasonably know that it is not.

(4) That such subject of a consumer transaction will be supplied to the public in greater quantity than the supplier intends or reasonably expects.

(5) That replacement or repair constituting the subject of a consumer transaction is needed, if it is not and if the supplier knows or should reasonably know that it is not.

(6) That a specific price advantage exists as to such subject of a consumer transaction, if it does not and if the supplier knows or should reasonably know that it does not.
(7) That the supplier has a sponsorship, approval, or affiliation in such consumer transaction he does not have, and which the supplier knows or should reasonably know that he does not have.
(8) That such consumer transaction involves or does not involve a warranty, a disclaimer of warranties, or other rights, remedies, or obligations, if the representation is false and if the supplier knows or should reasonably know that the representation is false.
(9) That the consumer will receive a rebate, discount, or other benefit as an inducement for entering into a sale or lease in return for giving the supplier the names of prospective consumers or otherwise helping the supplier to enter into other consumer transactions, if earning the benefit, rebate, or discount is contingent upon the occurrence of an event subsequent to the time the consumer agrees to the purchase or lease.
(10) That the supplier is able to deliver or complete the subject of the consumer transaction within a stated period of time, when the supplier knows or should reasonably know he could not. If no time period has been stated by the supplier, there is a presumption that the supplier has represented that he will deliver or complete the subject of the consumer transaction within a reasonable time, according to the course of dealing or the usage of the trade.
(11) That the consumer will be able to purchase the subject of the consumer transaction as advertised by the supplier, if the supplier does not intend to sell it.
(12) That the replacement or repair constituting the subject of a consumer transaction can be made by the supplier for the estimate the supplier gives a customer for the replacement or repair, if the specified work is completed and:
(A) the cost exceeds the estimate by an amount equal to or greater than ten percent (10%) of the estimate;
(B) the supplier did not obtain written permission from the customer to authorize the supplier to complete the work even if the cost would exceed the amounts specified in clause (A);
(C) the total cost for services and parts for a single transaction is more than seven hundred fifty dollars ($750); and
(D) the supplier knew or reasonably should have known that the cost would exceed the estimate in the amounts specified in clause (A).
(13) That the replacement or repair constituting the subject of a consumer transaction is needed, and that the supplier disposes of the part repaired or replaced earlier than seventy-two (72) hours after both:
(A) the customer has been notified that the work has been completed; and
(B) the part repaired or replaced has been made available for examination upon the request of the customer.
(14) Engaging in the replacement or repair of the subject of a consumer transaction if the consumer has not authorized the replacement or repair, and if the supplier knows or should reasonably know that it is not authorized.
(15) The act of misrepresenting the geographic location of the supplier by listing a fictitious business name or an assumed business name (as described in IC 23-15-1) in a local telephone directory if:
(A) the name misrepresents the supplier's geographic location;
(B) the listing fails to identify the locality and state of the supplier's business;
(C) calls to the local telephone number are routinely forwarded or otherwise transferred to a supplier's business location that is outside the calling area covered by the local telephone directory; and
(D) the supplier's business location is located in a county that is not contiguous to a county in the calling area covered by the local telephone directory.
(16) The act of listing a fictitious business name or assumed business name (as described in IC 23-15-1) in a directory assistance database if:
(A) the name misrepresents the supplier's geographic location;
(B) calls to the local telephone number are routinely forwarded or otherwise transferred to a supplier's business location that is outside the local calling area; and
(C) the supplier's business location is located in a county that is not contiguous to a county in the local calling area.
(17) That the supplier violated IC 24-3-4 concerning cigarettes for import or export.

(b) Any representations on or within a product or its packaging or in advertising or promotional materials which would constitute a deceptive act shall be the deceptive act both of the supplier who places such representation thereon or therein, or who authored such materials, and such other suppliers who shall state orally or in writing that such representation is true if such other supplier shall know or have reason to know that such representation was false.

(c) If a supplier shows by a preponderance of the evidence that an act resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid the error, such act shall not be deceptive within the meaning of this chapter.

(d) It shall be a defense to any action brought under this chapter that the representation constituting an alleged deceptive act was one made in good faith by the supplier without knowledge of its falsity and in reliance upon the oral or written representations of the manufacturer, the person from whom the supplier acquired the product, any testing organization, or any other person provided that the source thereof is disclosed to the consumer.

(e) For purposes of subsection (a)(12), a supplier that provides estimates before performing repair or replacement work for a customer shall give the customer a written estimate itemizing as closely as possible the price for labor and parts necessary for the specific job before commencing the work.

(f) For purposes of subsection (a)(15), a telephone company or other provider of a telephone directory or directory assistance service or its officer or agent is immune from liability for publishing the listing of a fictitious business name or assumed business name of a supplier in its directory or directory assistance database unless the telephone company or other provider of a telephone directory or directory assistance service is the same person as the supplier who has committed the deceptive act.

SECTION 10. [EFFECTIVE JULY 1, 2000] **(a) The following amounts are appropriated from the tobacco settlement fund established by IC 4-12-1-14.3, as amended by this act, to the budget agency to cover total operating expenses incurred in carrying out the purposes of IC 16-46-12, as added by this act, for the period beginning July 1, 2000, and ending June 30, 2001:**

(1) Thirty million dollars ($30,000,000) for tobacco education, prevention, and use control, with emphasis on mental health addictions treatment and intervention programs. However, two million five hundred thousand dollars ($2,500,000) must be used to fund minority organizations, agencies, and businesses to implement minority prevention and intervention programs.
(2) Twenty million dollars ($20,000,000) for pharmaceutical assistance.
(3) Nine million five hundred thousand dollars ($9,500,000) for the following:
(A) Seven million five hundred thousand dollars ($7,500,000) for addiction services provided under IC 12-23-2.
(B) Two million dollars ($2,000,000) for hospice programs, as defined in IC 16-25-1.1-4, for individuals with a terminal illness or disease.

(b) Fifteen million dollars ($15,000,000) is appropriated from the tobacco settlement fund established by IC 4-12-1-14.3, as amended

by this act, to the state department of health for total operating expenses for community health centers for the period beginning July 1, 2000, and ending June 30, 2001.

(c) Five million dollars ($5,000,000) shall be transferred from the tobacco settlement fund established by IC 4-12-1-14.3, as amended by this act, to the Indiana twenty-first century research and technology fund (IC 4-4-5.1), and is appropriated to pay for research on tobacco related diseases for the period beginning July 1, 2000, and ending June 30, 2001.

(d) Ten million dollars ($10,000,000) is appropriated from the tobacco settlement fund established by IC 4-12-1-14.3, as amended by this act, as follows:

(1) To the budget agency, four million six hundred twenty-five thousand dollars ($4, 625,000) to cover capital costs for the period beginning July 1, 2000, and ending June 30, 2002, for community health centers to carry out programs approved by the tobacco fund executive advisory council under IC 4-12-1-14.3, as amended by this act.

(2) To the state department of health, two million three hundred seventy-five thousand dollars ($2,375,000) to expand local minority health coalitions.

(3) To the Indiana minority health coalition and Martin University three million dollars ($3,000,000) to establish a minority epidemiology resource center.

(e) In addition to the money appropriated under IC 6-7-1-30.5 and under P.L.273-1999, SECTION 8, two million five hundred thousand dollars ($2,500,000) shall be transferred from the tobacco settlement fund established by IC 4-12-1-14.3, as amended by this act, to the local health maintenance fund established by IC 16-46-10-1 and is appropriated for total operating expenses of the local health maintenance fund beginning July 1, 2000, and ending June 30, 2001.

(f) Five million dollars ($5,000,000) is appropriated from the tobacco settlement fund established by IC 4-12-1-14.3, as amended by this act, to the division of mental health for the purpose of funding a special program for prevention, intervention, and reduction of tobacco use by seriously emotionally disturbed children who are enrolled in the division's Hoosier assurance plan. All providers who participate in the program under this subsection shall submit service data including measures to the division of mental health.

(g) Notwithstanding IC 4-12-1-14.3, as amended by this act, two million five hundred thousand dollars ($2,500,000) is appropriated from interest earned on the tobacco settlement fund established by IC 4-12-1-14.3, as amended by this act, to the Indiana comprehensive health insurance association (ICHIA) to provide reduced premiums to qualified individuals who are unable to afford ICHIA health insurance without the reduction.

(h) The general assembly encourages the governor to include the following programs in the governor's next recommended appropriations from the tobacco settlement fund:

(1) Two million five hundred thousand dollars ($2,500,000) to the Indiana comprehensive health insurance association (ICHIA) to provide reduced premiums to qualified individuals who are unable to afford ICHIA health insurance without the reduction.

(2) Thirty million dollars ($30,000,000) to be combined with existing funds for hospital care for the indigent to be used by the office of Medicaid policy and planning to be used with the funds for hospital care for the indigent to secure federal Medicaid matching funds. The office of Medicaid policy and planning is encouraged to apply for any federal waivers necessary to secure the federal Medicaid matching funds and to use the funds to provide health care coverage for individuals who are uninsured, working, and poor.

(i) This SECTION expires July 1, 2002.

SECTION 11. **An emergency is declared for this act.**

(Reference is to HB 1312 as introduced and as amended by the committee report of the Committee on Public Health adopted January 24, 2000.)

and when so amended that said bill do pass.

Committee Vote: yeas 20, nays 5.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1372, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

Committee Vote: yeas 14, nays 0.

BAUER, Chair

Report adopted.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1373, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, line 4, strike "Capital projects include the".

Page 2, strike line 5.

Page 2, line 6, strike "projects.".

Page 4, between lines 5 and 6, begin a new paragraph and insert:

"SECTION 5. [EFFECTIVE JULY 1, 2000] **The general assembly finds that the state needs the construction of a judicial/legislative facility and that the state will have a continuing need for the use and occupancy of the facility. The general assembly authorizes the state office building commission to provide the facility under IC 4-13.5-1 and IC 4-13-.5-4, including the borrowing of money or the issuance and sale of bonds, or both, under IC 4-13.5-4, subject to the approval of the budget agency after review by the budget committee.**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1373 as introduced.)

and when so amended that said bill do pass.

Committee Vote: yeas 21, nays 1.

BAUER, Chair

Report adopted.

OTHER BUSINESS ON THE SPEAKER'S TABLE

Referrals to Ways and Means

The Speaker announced, pursuant to House Rule 127, that House Bills 1146 and 1303 had been referred to the Committee on Ways and Means.

PETITION TO CHANGE VOTING RECORD

Mr. Speaker: Pursuant to House Rule 75, I hereby petition to change my voting record on the third reading of Engrossed House Bill 1062, Roll Call 75, on January 26, 2000. In support of this petition, I submit the following reason:

"I was present in the House, but was unable to push the Yea button to vote ."

MURPHY

There being a constitutional majority voting in favor of the petition, the petition was adopted. [*Journal Clerk's note: this changes the vote tally for Roll Call 75 to 97 yeas, 0 nays. The corrected roll call is printed with this Journal.*]

HOUSE MOTION

Mr. Speaker: I move that House Rule 106.1 be suspended for the purpose of adding more than three coauthors and that Representatives Ulmer, Avery, Ayres, Bailey, Bodiker, Budak, Buell, Burton, Crooks, Crosby, Denbo, Dumezich, Frenz, Goeglein, Herrell, Kruse, Kuzman, McClain, Mellinger, Pelath, Ruppel, Ripley, Scholer,

M. Smith, Stevenson, Tincher, Torr, Turner, Weinzapfel, M. Young, and Welch be added as coauthors of House Bill 1029

STEELE

The motion, having been seconded by a constitutional majority and carried by a two-thirds vote of the members, prevailed.

HOUSE MOTION

Mr. Speaker: I move that House Rule 106.1 be suspended for the purpose of adding more than three coauthors and that Representative Becker be added as coauthor of House Bill 1062

HERRELL

The motion, having been seconded by a constitutional majority and carried by a two-thirds vote of the members, prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representative Frenz be added as coauthor of House Bill 1073.

BAILEY

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that House Rule 106.1 be suspended for the purpose of adding more than three coauthors and that Representatives Crosby, Mahern, Foley, Cheney, Friend, Pond, and Kruse be added as coauthors of House Bill 1080

WEINZAPFEL

The motion, having been seconded by a constitutional majority and carried by a two-thirds vote of the members, prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representatives Cook and Mellinger be added as coauthors of House Bill 1097.

CHERRY

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representatives Becker and Frizzell be added as coauthors of House Bill 1124.

DAY

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representatives Porter, Hoffman, and Oxley be added as coauthors of House Bill 1136.

THOMPSON

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that House Rule 106.1 be suspended for the purpose of adding more than three coauthors and that Representatives Kruse and M. Young be added as coauthors of House Bill 1150

FRY

The motion, having been seconded by a constitutional majority and carried by a two-thirds vote of the members, prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representatives Whetstone and Cook be added as coauthors of House Bill 1180.

DENBO

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representatives Leuck, T. Adams, and Day be added as coauthors of House Bill 1230.

AVERY

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representatives Espich and GiaQuinta be added as coauthors of House Bill 1231.

AVERY

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representative Frenz be added as coauthor of House Bill 1235.

CROOKS

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representative Cook be added as coauthor of House Bill 1270.

DENBO

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representative Buell be added as coauthor of House Bill 1278.

DAY

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that House Rule 106.1 be suspended for the purpose of adding more than three coauthors and that Representatives Ulmer, Crosby, Duncan, Becker, Budak, Dillon, Kruzan, and Goeglein be added as coauthors of House Bill 1293

RUPPEL

The motion, having been seconded by a constitutional majority and carried by a two-thirds vote of the members, prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representatives M. Young, Klinker, and Atterholt be added as coauthors of House Bill 1314.

C. BROWN

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representative Kruzan be removed as author of House Bill 1326, Representative Dvorak be substituted as author.

KRUZAN

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representative Porter be added as coauthor of House Bill 1352.

CRAWFORD

Motion prevailed.

HOUSE MOTION

Mr. Speaker: I move that House Rule 106.1 be suspended for the purpose of adding more than three coauthors and that Representative Kuzman be added as coauthor of House Bill 1385

KLINKER

The motion, having been seconded by a constitutional majority and carried by a two-thirds vote of the members, prevailed.

HOUSE MOTION

Mr. Speaker: I move that House Rule 106.1 be suspended for the purpose of adding more than three coauthors and that Representatives Welch and Tincher be added as coauthors of House Bill 1387

KLINKER

The motion, having been seconded by a constitutional majority and carried by a two-thirds vote of the members, prevailed.

HOUSE MOTION

Mr. Speaker: I move that Representative Becker be added as coauthor of House Bill 1393.

HASLER

Motion prevailed.

Pursuant to House Rule 60, committee meetings were announced.

On the motion of Representative Steele the House adjourned at 6:05 p.m., this twenty-sixth day of January, 2000, until Thursday, January 27, 2000, at 1:00 p.m.

JOHN R. GREGG
Speaker of the House of Representatives

LEE SMITH
Principal Clerk of the House of Representatives