

1 SENATE BILL NO. 232

2 INTRODUCED BY J. LASLOVICH

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE LAW GOVERNING AGRICULTURAL LIENS;
5 INCLUDING PRODUCTION-MONEY LIENS AS A FORM OF AGRICULTURAL LIENS; REPLACING FARM
6 LABORERS' LIENS, CROP LIENS FOR SEED OR GRAIN, HAIL INSURANCE LIENS, THRESHERS' LIENS,
7 AND FERTILIZER AND PESTICIDE LIENS WITH PRODUCTION-MONEY LIENS; AMENDING SECTIONS
8 15-1-701, 30-1-105, 30-2A-103, 30-9A-102, 30-9A-334, 71-3-124, 77-2-336, 77-6-112, 80-2-207, 80-2-226,
9 80-2-227, 80-2-230, AND 80-2-231, MCA; AND REPEALING SECTIONS 71-3-125, 71-3-401, 71-3-402,
10 71-3-404, 71-3-405, 71-3-406, 71-3-407, 71-3-408, 71-3-701, 71-3-702, 71-3-703, 71-3-704, 71-3-705, 71-3-711,
11 71-3-712, 71-3-713, 71-3-801, 71-3-802, 71-3-804, 71-3-805, 71-3-806, 71-3-807, 71-3-808, 71-3-809, 71-3-810,
12 71-3-901, 71-3-902, 71-3-904, 71-3-905, 71-3-906, 71-3-907, 71-3-908, AND 71-3-909, MCA."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15
16 **Section 1.** Section 15-1-701, MCA, is amended to read:

17 **"15-1-701. Warrant for distraint.** (1) A warrant for distraint is an order, under the official seal of the
18 department or of the department of transportation, directed to a sheriff of a county of Montana or to an agent
19 authorized by law to collect a tax. The order commands the recipient to levy upon and sell the real and personal
20 property of a delinquent taxpayer.

21 (2) Upon filing the warrant as provided in 15-1-704, there is a lien against all real and personal property
22 of the delinquent taxpayer located in the county where the warrant is filed. The resulting lien is treated in the
23 same manner as a properly docketed judgment lien, the department is a judgment lien creditor, and the
24 department may collect delinquent taxes and enforce the tax lien in the same manner as a judgment is enforced,
25 except that the department may enforce the judgment lien at any time within 10 years of its creation or effective
26 date, whichever is later.

27 (3) A warrant may be issued for the amount of unpaid tax plus accumulated penalty, if any, and
28 accumulated interest. The lien is for the amount indicated on the warrant plus accrued penalty and interest from
29 the date of the warrant. The priority date of the tax lien created by filing the warrant for distraint is the date the
30 tax was due as indicated on the warrant for distraint.

1 (4) The accelerated priority date provided for in (3) is not valid against purchasers, holders of security
 2 interests, judgment lien creditors, and those lienholders identified in [section 5], [section 6], and Title 71, chapter
 3 3, parts 3, 5, 6, and 10 through 15, whose interest is recorded prior to the filing of the warrant for distraint."
 4

5 **Section 2.** Section 30-1-105, MCA, is amended to read:

6 **"30-1-105. Territorial application of code -- parties' power to choose applicable law.** (1) Except
 7 as provided in this section, when a transaction bears a reasonable relation to this state and also to another state
 8 or nation, the parties may agree that the law either of this state or of the other state or nation governs their rights
 9 and duties. Failing agreement, this code applies to transactions bearing an appropriate relation to this state.

10 (2) When one of the following provisions of this code specifies the applicable law, that provision governs
 11 and a contrary agreement is effective only to the extent permitted by the law (including the conflict of laws rules)
 12 so specified:

13 Rights of creditors against sold goods. 30-2-402.

14 Applicability of the Chapter on Leases. 30-2A-105 and 30-2A-106.

15 Applicability of the Chapter on Bank Deposits and Collections. 30-4-102.

16 Governing law in the Chapter on Funds Transfers. 30-4A-507.

17 Letters of Credit. 30-5-136.

18 Applicability of the Chapter on Investment Securities. 30-8-120.

19 Law governing perfection, the effect of perfection or nonperfection, and the priority of security interest
 20 and agricultural liens. 30-9A-301 through 30-9A-307, [section 5], and [section 6]."

21

22 **Section 3.** Section 30-2A-103, MCA, is amended to read:

23 **"30-2A-103. Definitions and index of definitions.** (1) In this chapter, unless the context otherwise
 24 requires, the following definitions apply:

25 (a) "Buyer in ordinary course of business" means a person, who in good faith and without knowledge
 26 that the sale to the buyer is in violation of the ownership rights or security interest or leasehold interest of a third
 27 party in the goods, buys in ordinary course from a person in the business of selling goods of that kind, but the
 28 term does not include a pawnbroker. "Buying" may be for cash or by exchange of other property or on secured
 29 or unsecured credit and includes receiving goods or documents of title under a preexisting contract for sale but
 30 does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

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

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

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

10 (e) "Consumer lease" means a lease that a lessor regularly engaged in the business of leasing or selling
11 makes to a lessee who is an individual and who takes under the lease primarily for a personal, family, or
12 household purpose if the total payments to be made under the lease contract, excluding payments for options
13 to renew or buy, do not exceed \$25,000.

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

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

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

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

19 (iii) one of the following occurs:

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

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

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

29 (D) if the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs
30 the lessee in writing:

1 (I) of the identity of the person supplying the goods to the lessor, unless the lessee has selected that
2 person and directed the lessor to acquire the goods or the right to possession and use of the goods from that
3 person;

4 (II) that the lessee is entitled under this chapter to the promises and warranties, including those of any
5 third party, provided to the lessor by the person supplying the goods in connection with or as part of the contract
6 by which the lessor acquired the goods or the right to possession and use of the goods; and

7 (III) that the lessee may communicate with the person supplying the goods to the lessor and receive an
8 accurate and complete statement of those promises and warranties, including any disclaimers and limitations
9 of them or of remedies.

10 (h) "Goods" means all things that are movable at the time of identification to the lease contract, or are
11 fixtures (30-2A-309), but the term does not include money, documents, instruments, accounts, chattel paper,
12 general intangibles, or minerals or the like, including oil and gas, before extraction. The term also includes the
13 unborn young of animals.

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

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

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

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

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

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

30 (o) "Lessee in ordinary course of business" means a person, who in good faith and without knowledge

1 that the lease to him is in violation of the ownership rights or security interest or leasehold interest of a third party
2 in the goods, leases in ordinary course from a person in the business of selling or leasing goods of that kind,
3 but the term does not include a pawnbroker. "Leasing" may be for cash or by exchange of other property or on
4 secured or unsecured credit and includes receiving goods or documents of title under a preexisting lease
5 contract but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

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

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

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

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

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

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

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

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

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

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

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

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

- 1 (a) "Accessions". 30-2A-310(1).
 2 (b) "Construction mortgage". 30-2A-309(1)(d).
 3 (c) "Encumbrance". 30-2A-309(1)(e).
 4 (d) "Fixtures". 30-2A-309(1)(a).
 5 (e) "Fixture filing". 30-2A-309(1)(b).
 6 (f) "Purchase money lease". 30-2A-309(1)(c).
 7 (3) The following definitions in other chapters apply to this chapter:
 8 (a) "Account". 30-9A-102(1)(b).
 9 (b) "Between merchants". 30-2-104(3).
 10 (c) "Buyer". 30-2-103(1)(a).
 11 (d) "Chattel paper". 30-9A-102(1)(k).
 12 (e) "Consumer goods". 30-9A-102(1)(w).
 13 (f) "Document". 30-9A-102(1)(dd).
 14 (g) "Entrusting". 30-2-403(3).
 15 (h) "General intangible". 30-9A-102(1)(pp).
 16 (i) "Good faith". 30-2-103(1)(b).
 17 (j) "Instrument". 30-9A-102(1)(uu).
 18 (k) "Merchant". 30-2-104(1).
 19 (l) "Mortgage". 30-9A-102(1)(ccc).
 20 (m) "Pursuant to commitment". ~~30-9A-102(1)(ppp)~~ 30-9A-102(1)(sss).
 21 (n) "Receipt". 30-2-103(1)(c).
 22 (o) "Sale". 30-2-106(1).
 23 (p) "Sale on approval". 30-2-326.
 24 (q) "Sale or return". 30-2-326.
 25 (r) "Seller". 30-2-103(1)(d).

26 (4) In addition, Title 30, chapter 1, contains general definitions and principles of construction and
 27 interpretation applicable throughout this chapter."
 28

29 **Section 4.** Section 30-9A-102, MCA, is amended to read:

30 **"30-9A-102. Definitions and index of definitions.** (1) As used in this chapter, the following definitions

1 apply:

2 (a) "Accession" means goods that are physically united with other goods in such a manner that the
3 identity of the original goods is not lost.

4 (b) (i) "Account", except as used in "account for", means a right to payment of a monetary obligation,
5 whether or not earned by performance:

6 (A) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of;

7 (B) for services rendered or to be rendered;

8 (C) for a policy of insurance issued or to be issued;

9 (D) for a secondary obligation incurred or to be incurred;

10 (E) for energy provided or to be provided;

11 (F) for the use or hire of a vessel under a charter or other contract;

12 (G) arising out of the use of a credit or charge card or information contained on or for use with the card;

13 or

14 (H) as winnings in a lottery or other game of chance operated or sponsored by a state, governmental
15 unit of a state, or person licensed or authorized to operate the game by a state or governmental unit of a state.

16 (ii) The term includes a health-care-insurance receivable.

17 (iii) The term does not include:

18 (A) a right to payment evidenced by chattel paper or an instrument;

19 (B) a commercial tort claim;

20 (C) a deposit account;

21 (D) investment property;

22 (E) a letter-of-credit right; or

23 (F) a right to payment for money or funds advanced or sold, other than a right arising out of the use of
24 a credit or charge card or information contained on or for use with the card.

25 (c) "Account debtor" means a person obligated on an account, chattel paper, or general intangible. The
26 term does not include a person obligated to pay a negotiable instrument, even if the instrument constitutes part
27 of chattel paper.

28 (d) "Accounting", except as used in "accounting for", means a record:

29 (i) authenticated by a secured party;

30 (ii) indicating the aggregate unpaid secured obligations as of a date not more than 35 days earlier or 35

- 1 days later than the date of the record; and
- 2 (iii) identifying the components of the obligations in reasonable detail.
- 3 (e) "Agricultural lien" means an interest, other than a security interest, in farm products:
- 4 (i) that secures payment or performance of an obligation for:
- 5 (A) goods or services furnished in connection with a debtor's farming operation; or
- 6 (B) rent on real property leased by a debtor in connection with its farming operation;
- 7 (ii) that is created by statute in favor of a person that:
- 8 (A) in the ordinary course of its business furnished goods or services to a debtor in connection with a
- 9 debtor's farming operation; or
- 10 (B) leased real property to a debtor in connection with the debtor's farming operation; and
- 11 (iii) whose effectiveness does not depend on the person's possession of the personal property.
- 12 (f) "As-extracted collateral" means:
- 13 (i) oil, gas, or other minerals that are subject to a security interest that:
- 14 (A) is created by a debtor having an interest in the minerals before extraction; and
- 15 (B) attaches to the minerals as extracted; or
- 16 (ii) accounts arising out of the sale at the wellhead or minehead of oil, gas, or other minerals in which
- 17 the debtor had an interest before extraction.
- 18 (g) "Authenticate" means to:
- 19 (i) sign; or
- 20 (ii) execute or adopt a symbol, or encrypt a record in whole or in part, with present intent to:
- 21 (A) identify the authenticating party; and
- 22 (B) adopt, accept, or establish the authenticity of a record or term.
- 23 (h) "Bank" means an organization that is engaged in the business of banking. The term includes a
- 24 savings bank, savings and loan association, credit union, and trust company.
- 25 (i) "Cash proceeds" means proceeds that are money, checks, deposit accounts, or the like.
- 26 (j) "Certificate of title" means a certificate of title with respect to which a statute provides for the security
- 27 interest in question to be indicated on the certificate as a condition or result of the security interest's obtaining
- 28 priority over the rights of a lien creditor with respect to the collateral.
- 29 (k) (i) "Chattel paper" means a record or records that evidence both a monetary obligation and a security
- 30 interest in specific goods, a security interest in specific goods and software used in the goods, a security interest

1 in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific
2 goods and license of software used in the goods. In this subsection (1)(k)(i), "monetary obligation" means a
3 monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary
4 obligation with respect to software used in the goods.

5 (ii) (A) The term does not include:

6 (I) charters or other contracts involving the use or hire of a vessel; or

7 (II) records that evidence a right to payment arising out of the use of a credit or charge card or
8 information contained on or for use with the card.

9 (B) If a transaction is evidenced by records that include an instrument or series of instruments, the group
10 of records taken together constitutes chattel paper.

11 (I) "Collateral" means the property subject to a security interest or agricultural lien. The term includes:

12 (i) proceeds to which a security interest attaches under 30-9A-315;

13 (ii) accounts, chattel paper, payment intangibles, and promissory notes that have been sold; and

14 (iii) goods that are the subject of a consignment.

15 (m) "Commercial tort claim" means a claim arising in tort if:

16 (i) the claimant is an organization; or

17 (ii) the claimant is an individual and the claim:

18 (A) arose in the course of the claimant's business or profession; and

19 (B) does not include damages arising out of personal injury to or the death of an individual.

20 (n) "Commodity account" means an account maintained by a commodity intermediary in which a
21 commodity contract is carried for a commodity customer.

22 (o) "Commodity contract" means a commodity futures contract, an option on a commodity futures
23 contract, a commodity option, or another contract if the contract or option is:

24 (i) traded on or subject to the rules of a board of trade that has been designated as a contract market
25 for such a contract pursuant to federal commodities laws; or

26 (ii) traded on a foreign commodity board of trade, exchange, or market and is carried on the books of
27 a commodity intermediary for a commodity customer.

28 (p) "Commodity customer" means a person for which a commodity intermediary carries a commodity
29 contract on its books.

30 (q) "Commodity intermediary" means a person that:

- 1 (i) is registered as a futures commission merchant under federal commodities law; or
2 (ii) in the ordinary course of its business provides clearance or settlement services for a board of trade
3 that has been designated as a contract market pursuant to federal commodities law.
- 4 (r) "Communicate" means:
5 (i) to send a written or other tangible record;
6 (ii) to transmit a record by any means agreed upon by the persons sending and receiving the record;
7 or
8 (iii) in the case of transmission of a record to or by a filing office, to transmit a record by any means
9 prescribed by filing-office rule.
- 10 (s) "Consignee" means a merchant to which goods are delivered in a consignment.
11 (t) "Consignment" means a transaction, regardless of its form, in which a person delivers goods to a
12 merchant for the purpose of sale and:
13 (i) the merchant:
14 (A) deals in goods of that kind under a name other than the name of the person making delivery;
15 (B) is not an auctioneer; and
16 (C) is not generally known by its creditors to be substantially engaged in selling the goods of others;
17 (ii) with respect to each delivery, the aggregate value of the goods is \$1,000 or more at the time of
18 delivery;
19 (iii) the goods are not consumer goods immediately before delivery; and
20 (iv) the transaction does not create a security interest that secures an obligation.
- 21 (u) "Consignor" means a person that delivers goods to a consignee in a consignment.
22 (v) "Consumer debtor" means a debtor in a consumer transaction.
23 (w) "Consumer goods" means goods that are used or bought for use primarily for personal, family, or
24 household purposes.
25 (x) "Consumer-goods transaction" means a transaction to the extent that:
26 (i) an individual incurs an obligation primarily for personal, family, or household purposes; and
27 (ii) a security interest in consumer goods or in consumer goods and software that is used, licensed, or
28 bought for use primarily for personal, family, or household purposes secures the obligation.
29 (y) "Consumer obligor" means an obligor who is an individual and who incurred the obligation as part
30 of a transaction entered into primarily for personal, family, or household purposes.

- 1 (z) "Consumer transaction" means a transaction to the extent that:
- 2 (i) an individual incurs an obligation primarily for personal, family, or household purposes;
- 3 (ii) a security interest secures the obligation; and
- 4 (iii) the collateral is held or acquired primarily for personal, family, or household purposes. The term
- 5 includes a consumer-goods transaction.
- 6 (aa) "Continuation statement" means an amendment of a financing statement that:
- 7 (i) identifies, by its file number, the initial financing statement to which it relates; and
- 8 (ii) indicates that it is a continuation statement for, or that it is filed to continue the effectiveness of, the
- 9 identified financing statement.
- 10 (bb) "Debtor" means:
- 11 (i) a person having a property interest, other than a security interest or other lien, in the collateral,
- 12 whether or not the person is an obligor;
- 13 (ii) a seller of accounts, chattel paper, payment intangibles, or promissory notes; or
- 14 (iii) a consignee.
- 15 (cc) "Deposit account" means a demand, time, savings, passbook, or similar account maintained with
- 16 a bank. The term does not include investment property or an account evidenced by an instrument.
- 17 (dd) "Document" means a document of title or a receipt of the type described in 30-7-201(2).
- 18 (ee) "Electronic chattel paper" means chattel paper evidenced by a record or records consisting of
- 19 information stored in an electronic medium.
- 20 (ff) "Encumbrance" means a right, other than an ownership interest, in real property. The term includes
- 21 a mortgage and other lien on real property.
- 22 (gg) "Equipment" means goods other than inventory, farm products, or consumer goods.
- 23 (hh) "Farm products" means goods, other than standing timber, with respect to which the debtor is
- 24 engaged in a farming operation and that are:
- 25 (i) crops grown, growing, or to be grown, including:
- 26 (A) crops produced on trees, vines, and bushes; and
- 27 (B) aquatic goods produced in aquacultural operations;
- 28 (ii) livestock, born or unborn, including aquatic goods produced in aquacultural operations;
- 29 (iii) supplies used or produced in a farming operation; or
- 30 (iv) products of crops or livestock in their unmanufactured states.

- 1 (ii) "Farming operation" means raising, cultivating, propagating, fattening, grazing, or any other farming,
2 livestock, or aquacultural operation.
- 3 (jj) "File number" means the number assigned to an initial financing statement pursuant to 30-9A-519(1).
4 (kk) "Filing office" means an office designated in 30-9A-501 as the place to file a financing statement.
5 (ll) "Filing-office rule" means a rule adopted pursuant to 30-9A-526.
- 6 (mm) "Financing statement" means a record or records composed of an initial financing statement and
7 any filed record relating to the initial financing statement.
- 8 (nn) "Fixture filing" means the filing of a financing statement covering goods that are or are to become
9 fixtures and satisfying the requirements of 30-9A-502(1) and (2). The term includes the filing of a financing
10 statement covering goods of a transmitting utility that are or are to become fixtures.
- 11 (oo) "Fixtures" means goods that have become so related to particular real property that an interest in
12 them arises under real property law.
- 13 (pp) "General intangible" means any personal property, including things in action, other than accounts,
14 chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property,
15 letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals before extraction. The term includes
16 a payment intangible and software.
- 17 (qq) "Good faith" means honesty in fact and the observance of reasonable commercial standards of fair
18 dealing.
- 19 (rr) (i) "Goods" means all things that are movable when a security interest attaches. The term includes:
20 (A) fixtures;
21 (B) standing timber that is to be cut and removed under a conveyance or contract for sale;
22 (C) the unborn young of animals;
23 (D) crops grown, growing, or to be grown, even if the crops are produced on trees, vines, or bushes;
24 and
25 (E) manufactured homes.
- 26 (ii) The term also includes a computer program structurally integrated with goods, any informational
27 content included in the program, and any supporting information provided in connection with a transaction
28 relating to the program or informational content if:
29 (A) the program is associated with the goods in such a manner that it customarily is considered part of
30 the goods; or

1 (B) by becoming the owner of the goods, a person would acquire a right to use the program in
2 connection with the goods.

3 (iii) The term does not include a program integrated with goods that consist solely of the medium with
4 which the program is integrated. The term also does not include accounts, chattel paper, commercial tort claims,
5 deposit accounts, documents, general intangibles, instruments, investment property, letter-of-credit rights, letters
6 of credit, money, or oil, gas, or other minerals before extraction.

7 (ss) "Governmental unit" means a subdivision, agency, department, county, parish, municipality, or other
8 unit of the government of the United States, a state, or a foreign country. The term includes an organization with
9 a separate corporate existence only if the organization is eligible to issue debt obligations on which interest is
10 exempt from income taxation under the laws of the United States.

11 (tt) "Health-care-insurance receivable" means an interest in or claim under a policy of insurance that is
12 a right to payment of a monetary obligation for health care goods or services provided.

13 (uu) (i) "Instrument" means:

14 (A) a negotiable instrument; or

15 (B) any other writing that evidences a right to the payment of a monetary obligation, is not itself a
16 security agreement or lease, and is of a type that in the ordinary course of business is transferred by delivery
17 with any necessary indorsement or assignment.

18 (ii) The term does not include:

19 (A) investment property;

20 (B) a letter of credit; or

21 (C) a writing that evidences a right to payment arising out of the use of a credit or charge card or
22 information contained on or for use with the card.

23 (vv) "Inventory" means goods, other than farm products, that:

24 (i) are leased by a person as lessor;

25 (ii) are held by a person for sale or lease or to be furnished under contracts of service;

26 (iii) are furnished by a person under a contract of service; or

27 (iv) consist of raw materials, work in process, or materials used or consumed in a business.

28 (ww) "Investment property" means a security, whether certificated or uncertificated, security entitlement,
29 securities account, commodity contract, or commodity account.

30 (xx) "Jurisdiction of organization", with respect to a registered organization, means the jurisdiction under

1 whose law the organization is organized.

2 (yy) (i) "Letter-of-credit right" means a right to payment and performance under a letter of credit, whether
3 or not the beneficiary has demanded or is at the time entitled to demand payment or performance.

4 (ii) The term does not include the right of a beneficiary to demand payment or performance under a letter
5 of credit.

6 (zz) "Lien creditor" means:

7 (i) a creditor that has acquired a lien on the property involved by attachment, levy, or the like;

8 (ii) an assignee for benefit of creditors from the time of assignment;

9 (iii) a trustee in bankruptcy from the date of the filing of the petition; and

10 (iv) a receiver in equity from the time of appointment.

11 (aaa) "Manufactured home" means a structure, transportable in one or more sections, that in the
12 traveling mode is 8 body feet or more in width or 40 body feet or more in length or that when erected on site is
13 320 or more square feet and that is built on a permanent chassis and designed to be used as a dwelling with
14 or without a permanent foundation when connected to the required utilities and includes the plumbing, heating,
15 air-conditioning, and electrical systems contained therein. The term includes any structure that meets all of the
16 requirements of this subsection except the size requirements and with respect to which the manufacturer
17 voluntarily files a certification required by the United States secretary of housing and urban development and
18 complies with the standards established under Title 42 of the United States Code.

19 (bbb) "Manufactured-home transaction" means a secured transaction:

20 (i) that creates a purchase-money security interest in a manufactured home, other than a manufactured
21 home held as inventory; or

22 (ii) in which a manufactured home, other than a manufactured home held as inventory, is the primary
23 collateral.

24 (ccc) "Mortgage" means a consensual interest in real property, including fixtures, that is created by a
25 mortgage, trust deed, or similar transaction.

26 (ddd) "New debtor" means a person that becomes bound as debtor under 30-9A-203(4) by a security
27 agreement previously entered into by another person.

28 (eee) (i) "New value" means:

29 (A) money;

30 (B) money's worth in property, services, or new credit; or

- 1 (C) release by a transferee of an interest in property previously transferred to the transferee.
- 2 (ii) The term does not include an obligation substituted for another obligation.
- 3 (fff) "Noncash proceeds" means proceeds other than cash proceeds.
- 4 (ggg) (i) "Obligor" means a person that, with respect to an obligation secured by a security interest in
5 or an agricultural lien on the collateral:
- 6 (A) owes payment or other performance of the obligation;
- 7 (B) has provided property other than the collateral to secure payment or other performance of the
8 obligation; or
- 9 (C) is otherwise accountable in whole or in part for payment or other performance of the obligation.
- 10 (ii) The term does not include an issuer or a nominated person under a letter of credit.
- 11 (hhh) "Original debtor", except as used in 30-9A-310(3), means a person that, as debtor, entered into
12 a security agreement to which a new debtor has become bound under 30-9A-203(4).
- 13 (iii) "Payment intangible" means a general intangible under which the account debtor's principal
14 obligation is a monetary obligation.
- 15 (jjj) "Person related to", with respect to an individual, means:
- 16 (i) the spouse of the individual;
- 17 (ii) a brother, brother-in-law, sister, or sister-in-law of the individual;
- 18 (iii) an ancestor or lineal descendant of the individual or the individual's spouse; and
- 19 (iv) any other relative, by blood or marriage, of the individual or the individual's spouse who shares the
20 same home with the individual.
- 21 (kkk) "Person related to", with respect to an organization, means:
- 22 (i) a person directly or indirectly controlling, controlled by, or under common control with the
23 organization;
- 24 (ii) an officer or director of, or a person performing similar functions with respect to, the organization;
- 25 (iii) an officer or director of, or a person performing similar functions with respect to, a person described
26 in subsection (1)(kkk)(i);
- 27 (iv) the spouse of an individual described in subsection (1)(kkk)(i), (1)(kkk)(ii), or (1)(kkk)(iii); or
- 28 (v) an individual who is related by blood or marriage to an individual described in subsections (1)(kkk)(i),
29 (1)(kkk)(ii), (1)(kkk)(iii), or (1)(kkk)(iv) and shares the same home with the individual.
- 30 (lll) "Proceeds", except as used in 30-9A-609(2), means the following property:

- 1 (i) whatever is acquired upon the sale, lease, license, exchange, or other disposition of collateral;
- 2 (ii) whatever is collected on, or distributed on account of, collateral;
- 3 (iii) rights arising out of collateral;
- 4 (iv) to the extent of the value of collateral, claims arising out of the loss, nonconformity, or interference
- 5 with the use of, defects or infringement of rights in, or damage to the collateral; and
- 6 (v) to the extent of the value of collateral and to the extent payable to the debtor or the secured party,
- 7 insurance payable by reason of the loss or nonconformity of, defects in, or damage to the collateral.

8 (mmm) "Production-money crops" means crops that secure a production-money obligation incurred with

9 respect to the production of those crops.

10 (nnn) "Production-money obligation" means an obligation of an obligor incurred for new value given to

11 enable the debtor to produce crops if the value is in fact used for the production of the crops.

12 (ooo) "Production of crops" includes tilling and otherwise preparing land for growing, planting, cultivating,

13 fertilizing, irrigating, harvesting, and gathering crops, protecting them from damage or disease, and insuring them

14 against loss from hail.

15 ~~(mmm)~~(ppp) "Promissory note" means an instrument that:

- 16 (i) evidences a promise to pay a monetary obligation;
- 17 (ii) does not evidence an order to pay; and
- 18 (iii) does not contain an acknowledgment by a bank that the bank has received for deposit a sum of
- 19 money or funds.

20 ~~(nnn)~~(qqq) "Proposal" means a record authenticated by a secured party and including the terms on

21 which the secured party is willing to accept collateral in full or partial satisfaction of the obligation it secures

22 pursuant to 30-9A-620 through 30-9A-622.

23 ~~(ooo)~~(rrr) "Public-finance transaction" means a secured transaction in connection with which:

- 24 (i) bonds, debentures, certificates of participation, or similar debt securities are issued;
- 25 (ii) all or a portion of the securities issued have an initial stated maturity of at least 20 years; and
- 26 (iii) the debtor, the obligor, the secured party, the account debtor or other person obligated on collateral,
- 27 the assignor or assignee of a secured obligation, or the assignor or assignee of a security interest is a state or
- 28 a governmental unit of a state.

29 ~~(ppp)~~(sss) "Pursuant to commitment", with respect to an advance made or other value given by a

30 secured party, means pursuant to the secured party's obligation, whether or not a subsequent event of default

1 or other event not within the secured party's control has relieved or may relieve the secured party from its
2 obligation.

3 ~~(qqq)~~(ttt) "Record", except as used in "for record", "of record", "record or legal title", and "record owner",
4 means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and
5 is retrievable in perceivable form.

6 ~~(rrr)~~(uuu) "Registered organization" means an organization organized solely under the law of one state
7 or the United States and as to which the state or the United States is required to maintain a public record
8 showing the organization to have been organized.

9 ~~(sss)~~(vvv) "Secondary obligor" means an obligor to the extent that:

- 10 (i) the obligor's obligation is secondary; or
11 (ii) the obligor has a right of recourse with respect to an obligation secured by collateral against the
12 debtor, another obligor, or property of either.

13 ~~(ttt)~~(www) "Secured party" means:

- 14 (i) a person in whose favor a security interest is created or provided for under a security agreement,
15 whether or not any obligation to be secured is outstanding;
16 (ii) a person that holds an agricultural lien;
17 (iii) a consignor;
18 (iv) a person to which accounts, chattel paper, payment intangibles, or promissory notes have been sold;
19 (v) a trustee, indenture trustee, agent, collateral agent, or other representative in whose favor a security
20 interest or agricultural lien is created or provided for; or
21 (vi) a person that holds a security interest arising under 30-2-401, 30-2-505, 30-2-711(3), 30-2A-508(5),
22 30-4-208, or 30-5-118.

23 ~~(uuu)~~(xxx) "Security agreement" means an agreement that creates or provides for a security interest.

24 ~~(vvv)~~(yyy) "Send", in connection with a record or notification, means to:

- 25 (i) deposit in the mail, deliver for transmission, or transmit by any other usual means of communication,
26 with postage or cost of transmission provided for, addressed to any address reasonable under the
27 circumstances; or
28 (ii) cause the record or notification to be received within the time that it would have been received if
29 properly sent under subsection ~~(1)(vvv)(i)~~ (1)(yyy)(i).

30 ~~(www)~~(zzz) (i) "Software" means a computer program, any informational content included in the program,

1 and any supporting information provided in connection with a transaction relating to the computer program or
2 informational content.

3 (ii) The term does not include a computer program that is contained in goods unless the goods are a
4 computer or computer peripheral.

5 ~~(xxx)~~(aaaa) "State" means a state of the United States, the District of Columbia, Puerto Rico, the United
6 States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.

7 ~~(yyy)~~(bbbb) "Supporting obligation" means a letter-of-credit right or secondary obligation that supports
8 the payment or performance of an account, chattel paper, document, general intangible, instrument, or
9 investment property.

10 ~~(zzz)~~(cccc) "Tangible chattel paper" means chattel paper evidenced by a record or records consisting
11 of information that is inscribed on a tangible medium.

12 ~~(aaa)~~(dddd) "Termination statement" means an amendment of a financing statement that:

- 13 (i) identifies, by its file number, the initial financing statement to which it relates; and
14 (ii) indicates either that it is a termination statement or that the identified financing statement is no longer
15 effective.

16 ~~(bbb)~~(eeee) "Transmitting utility" means a person primarily engaged in the business of:

- 17 (i) operating a railroad, subway, street railway, or trolley bus;
18 (ii) transmitting electric or electronic communications;
19 (iii) transmitting goods by pipeline or sewer; or
20 (iv) transmitting or producing and transmitting electricity, steam, gas, or water.

21 (2) The following definitions in other chapters apply to this chapter:

22 "Applicant" 30-5-122.

23 "Beneficiary" 30-5-122.

24 "Broker" 30-8-112.

25 "Certificated security" 30-8-112.

26 "Check" 30-3-104.

27 "Clearing corporation" 30-8-112.

28 "Contract for sale" 30-2-106.

29 "Customer" 30-4-104.

30 "Entitlement holder" 30-8-112.

- 1 "Financial asset" 30-8-112.
2 "Holder in due course" 30-3-302.
3 "Issuer" (with respect to a letter of credit or letter-of-credit right) 30-5-122.
4 "Issuer" (with respect to a security) 30-8-211.
5 "Lease" 30-2A-103.
6 "Lease agreement" 30-2A-103.
7 "Lease contract" 30-2A-103.
8 "Leasehold interest" 30-2A-103.
9 "Lessee" 30-2A-103.
10 "Lessee in ordinary course of business" 30-2A-103.
11 "Lessor" 30-2A-103.
12 "Lessor's residual interest" 30-2A-103.
13 "Letter of credit" 30-5-122.
14 "Merchant" 30-2-104.
15 "Negotiable instrument" 30-3-104.
16 "Nominated person" 30-5-122.
17 "Note" 30-3-104.
18 "Proceeds of a letter of credit" 30-5-134.
19 "Prove" 30-3-102.
20 "Sale" 30-2-106.
21 "Securities account" 30-8-501.
22 "Securities intermediary" 30-8-112.
23 "Security" 30-8-112.
24 "Security certificate" 30-8-112.
25 "Security entitlement" 30-8-112.
26 "Uncertificated security" 30-8-112.
27 (3) Chapter 1 contains general definitions and principles of construction and interpretation applicable
28 throughout this chapter."
29
30 NEW SECTION. **Section 5. Production money crops -- production-money obligation --**

1 **production-money security interest -- burden of establishing production-money security interest.** (1) A
 2 security interest in crops is a production-money security interest to the extent that the crops are
 3 production-money crops.

4 (2) If the extent to which a security interest is a production-money security interest depends on the
 5 application of a payment to a particular obligation, the payment must be applied:

6 (a) in accordance with any reasonable method of application to which the parties agree;

7 (b) in the absence of the parties' agreement to a reasonable method, in accordance with any intention
 8 of the obligor manifested at or before the time of payment; or

9 (c) in the absence of an agreement to a reasonable method and a timely manifestation of the obligor's
 10 intention, in the following order:

11 (i) to obligations that are not secured; and

12 (ii) if more than one obligation is secured, to obligations secured by production-money security interests
 13 in the order in which those obligations were incurred.

14 (3) A production-money security interest does not lose its status as a production-money security interest,
 15 even if:

16 (a) the production-money crops also secure an obligation that is not a production-money obligation;

17 (b) collateral that is not production-money crops also secures the production-money obligation; or

18 (c) the production-money obligation has been renewed, refinanced, or restructured.

19 (4) A secured party claiming a production-money security interest has the burden of establishing the
 20 extent to which the security interest is a production-money security interest.

21
 22 **NEW SECTION. Section 6. Priority of production-money security interests and agricultural liens.**

23 (1) Except as otherwise provided in subsections (3), (4), and (5), if the requirements of subsection (2) are met,
 24 a perfected production-money security interest in production-money crops has priority over a conflicting security
 25 interest in the same crops and, except as otherwise provided in 30-9A-322, also has priority in their identifiable
 26 proceeds.

27 (2) A production-money security interest has priority under subsection (1) if:

28 (a) the production-money security interest is perfected by filing when the production-money secured
 29 party first gives new value to enable the debtor to produce the crops;

30 (b) the production-money secured party sends an authenticated notification to the holder of the

1 conflicting security interest not less than 10 or more than 30 days before the production-money secured party
2 first gives new value to enable the debtor to produce the crops if the holder had filed a financing statement
3 covering the crops before the date of the filing made by the production-money secured party; and

4 (c) the notification states that the production-money secured party has or expects to acquire a
5 production-money security interest in the debtor's crops and provides a description of the crops.

6 (3) Except as otherwise provided in subsection (4) or (5), if more than one security interest qualifies for
7 priority in the same collateral under subsection (1), the security interests rank according to priority in time of filing
8 under 30-9A-322(1).

9 (4) To the extent that a person holding a perfected security interest in production-money crops that are
10 the subject of a production-money security interest gives new value to enable the debtor to produce the
11 production-money crops and the value is in fact used for the production of the production-money crops, the
12 security interests rank according to priority in time of filing under 30-9A-322(1).

13 (5) To the extent that a person holds both an agricultural lien and a production-money security interest
14 in the same collateral securing the same obligations, the rules of priority applicable to agricultural liens govern
15 priority.

16 (6) Creating or perfecting a production-money security interest may not operate under any
17 circumstances as a default on, an accelerating event under, or otherwise as a breach of any note or other
18 instrument or agreement of any kind or nature to pay a debt, any loan or credit agreement, or any security
19 agreement or arrangement of any kind or nature where the collateral is real or personal property.

20

21 **Section 7.** Section 30-9A-334, MCA, is amended to read:

22 **"30-9A-334. Priority of security interests in fixtures and crops.** (1) A security interest under this
23 chapter may be created in goods that are fixtures or may continue in goods that become fixtures. A security
24 interest does not exist under this chapter in ordinary building materials incorporated into an improvement on
25 land.

26 (2) This chapter does not prevent creation of an encumbrance upon fixtures under real property law.

27 (3) In cases not governed by subsections (4) through (8), a security interest in fixtures is subordinate
28 to a conflicting interest of an encumbrancer or owner of the related real property that is not the debtor.

29 (4) Except as otherwise provided in subsection (8), a perfected security interest in fixtures has priority
30 over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record

1 in or is in possession of the real property and:

2 (a) the security interest is a purchase-money security interest;

3 (b) the interest of the encumbrancer or owner arises before the goods become fixtures; and

4 (c) the security interest is perfected by a fixture filing before the goods become fixtures or within 20 days
5 thereafter.

6 (5) A perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer
7 or owner of the real property if:

8 (a) the debtor has an interest of record in the real property or is in possession of the real property and
9 the security interest:

10 (i) is perfected by a fixture filing before the interest of the encumbrancer or owner is of record; and

11 (ii) the security interest has priority over any conflicting interest of a predecessor in title of the
12 encumbrancer or owner;

13 (b) before the goods become fixtures, the security interest is perfected by any method permitted by this
14 chapter and the fixtures are readily removable:

15 (i) factory or office machines;

16 (ii) equipment that is not primarily used or leased for use in the operation of the real property; or

17 (iii) replacements of domestic appliances that are consumer goods;

18 (c) the conflicting interest is a lien on the real property obtained by legal or equitable proceedings after
19 the security interest was perfected by any method permitted by this chapter; or

20 (d) the security interest is:

21 (i) created in a manufactured home in a manufactured-home transaction; and

22 (ii) perfected pursuant to a statute described in 30-9A-311(1)(b).

23 (6) A security interest in fixtures, whether or not perfected, has priority over a conflicting interest of an
24 encumbrancer or owner of the real property if:

25 (a) the encumbrancer or owner has, in an authenticated record, consented to the security interest or
26 disclaimed an interest in the goods as fixtures; or

27 (b) the debtor has a right to remove the goods as against the encumbrancer or owner.

28 (7) The priority of the security interest under subsection (6) continues for a reasonable time if the
29 debtor's right to remove the goods as against the encumbrancer or owner terminates.

30 (8) A mortgage is a "construction mortgage" to the extent that it secures an obligation incurred for the

1 construction of an improvement on land, including the acquisition cost of the land, if the recorded record so
 2 indicates. Except as otherwise provided in subsections (5) and (6), a security interest in fixtures is subordinate
 3 to a construction mortgage recorded before the goods become fixtures if the goods become fixtures before the
 4 completion of the construction. A mortgage has this priority to the same extent as a construction mortgage to
 5 the extent that it is given to refinance a construction mortgage.

6 (9) A perfected security interest in crops growing on real property has priority over a conflicting interest
 7 of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession
 8 of the real property.

9 ~~(10) Subsection (9) prevails over any inconsistent provisions of Title 71, chapter 3, parts 8 and 9.~~

10

11 **Section 8.** Section 71-3-124, MCA, is amended to read:

12 **"71-3-124. Filing costs and attorney fees to be recovered on foreclosure of liens -- offer of**
 13 **judgment.** (1) In an action to foreclose any of the liens provided for by part 3, ~~4~~, 5, 6, ~~8~~, or 10 of this chapter,
 14 the court shall allow as costs the money paid and attorney fees incurred for filing and recording the lien and
 15 reasonable attorney fees in the district and supreme courts. The costs and attorney fees must be allowed to each
 16 claimant whose lien is established, and the reasonable attorney fees must be allowed to the defendant against
 17 whose property a lien is claimed if the lien is not established.

18 (2) In an action to foreclose any of the liens provided for by part 3, ~~4~~, 5, 6, ~~8~~, or 10 of this chapter, a
 19 defendant may make an offer of judgment as authorized in Rule 68, M.R.Civ.P. If the lienholder rejects the offer
 20 to allow judgment to be taken against the defendant and the lienholder obtains a judgment that is not more
 21 favorable than the offer, the lienholder shall, in addition to the costs allowed under Rule 68, M.R.Civ.P., pay the
 22 attorney fees incurred after the offer is made."

23

24 **Section 9.** Section 77-2-336, MCA, is amended to read:

25 **"77-2-336. Lien on improvements and crops for amount due state.** (1) The state has a lien prior and
 26 superior to all other liens, except ~~threshermen's liens and seed production-money security interests and~~
 27 agricultural liens as specified in ~~71-3-701 and 71-3-801~~ [section 5] and 30-9A-322, which have priority, but only
 28 for the aggregate amount of the indebtedness then existing, including any advances ~~theretofore~~ previously
 29 made, interest due, and other charges, as evidenced by the original loan contract and indebtedness ~~thereafter~~
 30 later accumulating on ~~such that~~ that basis, exclusive of any other future advances originally contemplated. This lien

1 is upon all buildings, structures, fences, and all other improvements upon the lands ~~se~~ sold and upon all crops
 2 growing upon any of these lands and also upon ~~such~~ the crops after they have been separated from the lands
 3 for all due and delinquent installments of principal and interest and penalty interest and taxes under the
 4 certificate of purchase and also for all installments becoming due during the calendar year in which the crop is
 5 harvested, and this lien is ~~hereby~~ expressly reserved.

6 (2) Any person purchasing or otherwise acquiring the improvements or crops or any part ~~thereof~~ of the
 7 improvements or crops takes them subject to the lien.

8 (3) Any representative of the department or the sheriff of the county in which the land is located or ~~his~~
 9 the sheriff's deputy may demand of the purchaser or ~~his~~ the purchaser's agent payment of the amounts due the
 10 state, and if they are not paid upon demand, the officer making the demand or any representative of the
 11 department may immediately seize the improvements and crops, and upon giving 3 days' notice, sell and
 12 dispose of, either at private or public sale, ~~sufficient~~ enough of the crops or improvements or of both to pay the
 13 amounts due the state, together with cost and expenses of seizure and sale."
 14

15 **Section 10.** Section 77-6-112, MCA, is amended to read:

16 **"77-6-112. Liens on crops and improvements.** (1) The state has a lien upon all crops growing upon
 17 any of its lands and upon the crops after they have been separated from the lands for any rentals and penalties
 18 due or delinquent under the lease on the lands or becoming due during the calendar year in which the crops are
 19 harvested, for any year or part of a year that the land has been held or used by the lessee. This lien applies to
 20 all buildings, structures, fences, and all other improvements and is prior and superior to all other liens, except
 21 ~~threshermen's liens and seed~~ production-money security interests and agricultural liens specified in ~~71-3-701~~
 22 ~~and 71-3-801~~ [section 5] and 30-9A-322, which have priority, but only for the aggregate amount of the
 23 indebtedness then existing, including any advances ~~theretofore~~ previously made, interest due and other charges
 24 as evidenced by the original loan-contract, and indebtedness ~~thereafter~~ later accumulating on ~~such~~ that basis,
 25 exclusive of any other future advances originally contemplated.

26 (2) Any person acquiring any of these crops or improvements takes them subject to this lien. The
 27 department or the sheriff of the county in which the land is located may demand of the lessee payment of the
 28 amounts due the state, and if they are not paid upon demand, the officer making the demand or the department
 29 may seize and sell, either at a private or public sale, upon giving notice for not less than 3 days of the sale,
 30 ~~sufficient~~ enough of those crops or improvements, or of both, to pay the amounts due the state together with

1 costs and expenses of seizure and sale. These provisions relating to liens on crops and improvements ~~shall~~
2 must be embodied in all leases for agricultural and grazing lands and for town, city, or other lots."

3

4 **Section 11.** Section 80-2-207, MCA, is amended to read:

5 **"80-2-207. Delinquent fees -- application by delinquent -- crop lien.** (1) An owner of land who has
6 more than 1 year's delinquent fees on the land may not be allowed hail insurance under the provisions of this
7 part, unless the owner's application is accompanied by a cash payment for the amount that would be due on the
8 application for that year.

9 (2) Any grain grower unable to secure state hail insurance under the provisions of this part because of
10 delinquent fees or for other reasons may make an application to the department of revenue, and the department
11 of revenue may receive and accept the application when the applicant furnishes a sufficient ~~crop~~
12 production-money security interest, as provided in [section 5], or an agricultural lien, as provided in 30-9A-322,
13 that is subject only to a ~~seed~~ production-money security interest or an agricultural lien for seed. The ~~crop~~
14 production-money security interest or agricultural lien may be accepted only under rules and requirements that
15 may be prescribed by the board of hail insurance and under the provision that the board may cancel any hail
16 insurance accepted in violation of the rules and requirements. Upon receipt of the application, the department
17 of revenue shall make a record of the application and shall file the original in the office of the clerk and recorder
18 of the county. The department of revenue shall also send a bill to the grain grower for the proper amount due
19 for hail insurance under the provisions of this part.

20 (3) A tenant who has delinquent hail insurance that was secured by a ~~crop~~ production-money security
21 interest or agricultural lien and was not secured by real estate may not be allowed another policy in any
22 succeeding year until the delinquent amount is paid or until the tenant pays cash for the current hail insurance.

23 (4) If a tenant becomes delinquent for hail insurance after having failed to apply for relief as provided
24 by the board under 80-2-229, the tenant may apply to the board for a reduction. If the reasons for requesting a
25 reduction are approved by the board, the board may reduce the charge to not less than one-half the original
26 amount charged."

27

28 **Section 12.** Section 80-2-226, MCA, is amended to read:

29 **"80-2-226. ~~Crop~~ Security interest or lien -- when created -- assessment.** (1) In addition to the lien
30 created in 80-2-225 on the land of the insured, the fee for hail insurance is a production-money security interest

1 or agricultural lien on the crops insured, with the exception that the ~~erop~~ security interest or lien may not apply
 2 to owners of unencumbered land or to the land or crops of those who pay cash for hail insurance. The
 3 applications of these persons may not be filed with the county clerk and recorded as provided for in 80-2-207.
 4 Except as provided in this subsection, the ~~erop~~ production-money security interest or agricultural lien must be
 5 included in all applications for hail insurance and must be enforced as provided in 80-2-230 and 80-2-231
 6 against all applicable persons insured.

7 (2) All applicants securing hail insurance on ~~erop~~ production-money security interests or agricultural
 8 liens as provided in this section are subject to the same charges per acre that are made on land."
 9

10 **Section 13.** Section 80-2-227, MCA, is amended to read:

11 **"80-2-227. Hail insurance secured by ~~erop~~ security interest or lien only.** When any hail insurance
 12 issued under this part is secured by a ~~erop~~ production-money security interest or agricultural lien only ~~said on~~
 13 a crop, the ~~erop~~ production-money security interest or agricultural lien is hereby declared a first lien on the
 14 insured crop, except ~~only for any ~~erop~~ production-money security interest or agricultural lien which that~~ may have
 15 been given to secure the purchase price for the seed ~~which that~~ was bought and used to plant and produce the
 16 insured grain."
 17

18 **Section 14.** Section 80-2-230, MCA, is amended to read:

19 **"80-2-230. Collection of fees -- release of lien.** (1) The department of revenue shall collect all fees
 20 imposed under this part. The department of revenue shall deposit the money with the state treasurer. The
 21 department of revenue shall use due diligence in making the collections of the fees provided in this part.

22 (2) All insurance fees, whether imposed against land or in the form of special assessments secured by
 23 ~~erop~~ production-money security interests or agricultural liens, are payable in full and not in semiannual payments
 24 on or before November 30 of each year in which the fees are imposed.

25 (3) When the amount due on any hail insurance secured by a ~~erop~~ production-money security interest
 26 or agricultural lien is paid, the department of revenue shall promptly endorse on the security interest or lien on
 27 file in the office of the county clerk and recorder the amount paid with the date of payment. The endorsement
 28 is considered a satisfaction and release of the security interest or lien.

29 (4) The penalty and interest provisions of 15-1-216 apply to late payments of fees imposed under this
 30 part."

1

2 **Section 15.** Section 80-2-231, MCA, is amended to read:

3 "**80-2-231. Foreclosure of lien.** If the person receiving hail insurance secured by a ~~crop~~
4 production-money security interest or agricultural lien fails to pay the fee for insurance to the department of
5 revenue by December 1 of the year in which the crop is grown, the department shall on that day or as soon as
6 possible after that day deliver to the sheriff of the county a full, true, and correct copy of the production-money
7 security interest or agricultural lien on file in the office of the clerk and recorder and the sheriff shall immediately
8 demand from the person or persons signing the ~~lien~~ payment of the amount due. If the fee is not paid to the
9 sheriff upon demand being made, the sheriff shall seize and sell in the manner provided by law for the sale of
10 personal property under execution a sufficient amount of grain belonging to the person to pay the amount due
11 for hail insurance together with interest and costs and expenses of seizure and sale."

12

13 NEW SECTION. Section 16. Repealer. Sections 71-3-125, 71-3-401, 71-3-402, 71-3-404, 71-3-405,
14 71-3-406, 71-3-407, 71-3-408, 71-3-701, 71-3-702, 71-3-703, 71-3-704, 71-3-705, 71-3-711, 71-3-712, 71-3-713,
15 71-3-801, 71-3-802, 71-3-804, 71-3-805, 71-3-806, 71-3-807, 71-3-808, 71-3-809, 71-3-810, 71-3-901, 71-3-902,
16 71-3-904, 71-3-905, 71-3-906, 71-3-907, 71-3-908, and 71-3-909, MCA, are repealed.

17

18 NEW SECTION. Section 17. Codification instruction. [Sections 5 and 6] are intended to be codified
19 as an integral part of Title 30, chapter 9A, part 3, and the provisions of Title 30, chapter 9A, part 3, apply to
20 [sections 5 and 6].

21

22 NEW SECTION. Section 18. Saving clause. [This act] does not affect rights and duties that matured,
23 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

24

- END -