

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL DRS35028-MUZ-3A

Short Title: GSC Uniform Comm. Code/Emerging Technologies. (Public)

Sponsors: Senators Galey, B. Newton, and Britt (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO UPDATE THE UNIFORM COMMERCIAL CODE TO GOVERN
3 TRANSACTIONS INVOLVING CERTAIN EMERGING TECHNOLOGIES, AS
4 RECOMMENDED BY THE GENERAL STATUTES COMMISSION.

5 The General Assembly of North Carolina enacts:

6
7 **PART I. CONTROLLABLE ELECTRONIC RECORDS**

8 **SECTION 1.** Chapter 25 of the General Statutes is amended by adding a new Article
9 to read:

10 "Article 12.

11 "Controllable Electronic Records.

12 **"§ 25-12-101. Title.**

13 This Article may be cited as Uniform Commercial Code – Controllable Electronic Records.

14 **"§ 25-12-102. Definitions.**

15 (a) Article 12 Definitions. – In this Article, the following definitions apply:

16 (1) Account debtor. – Defined in G.S. 25-9-102.

17 (2) Chattel paper. – Defined in G.S. 25-9-102.

18 (3) Controllable account. – Defined in G.S. 25-9-102.

19 (4) Controllable electronic record. – A record stored in an electronic medium that
20 can be subjected to control under G.S. 25-12-105. The term does not include
21 a controllable account, a controllable payment intangible, a deposit account,
22 an electronic copy of a record evidencing chattel paper, an electronic
23 document of title, electronic money, investment property, or a transferable
24 record.

25 (5) Controllable payment intangible. – Defined in G.S. 25-9-102.

26 (6) Deposit account. – Defined in G.S. 25-9-102.

27 (7) Electronic money. – Defined in G.S. 25-9-102.

28 (8) Investment property. – Defined in G.S. 25-9-102.

29 (9) Qualifying purchaser. – A purchaser of a controllable electronic record or an
30 interest in a controllable electronic record that obtains control of the
31 controllable electronic record for value, in good faith, and without notice of a
32 claim of a property right in the controllable electronic record.

33 (10) Transferable record. – Has the meaning provided for that term in either of the
34 following:

35 a. Section 201(a)(1) of the Electronic Signatures in Global and National
36 Commerce Act, 15 U.S.C. § 7021(a)(1).



1 b. G.S. 66-326(a).

2 (11) Value. – Has the meaning provided in G.S. 25-3-303(a), as if references in
3 that subsection to an "instrument" were references to a controllable account,
4 controllable electronic record, or controllable payment intangible.

5 (b) Article 1 Definitions and Principles. – Article 1 of this Chapter contains general
6 definitions and principles of construction and interpretation applicable throughout this Article.

7 **"§ 25-12-103. Relation to Article 9 and consumer laws.**

8 (a) Article 9 Governs in Case of Conflict. – If there is conflict between this Article and
9 Article 9 of this Chapter, Article 9 of this Chapter governs.

10 (b) Applicable Consumer Law and Other Laws. – A transaction subject to this Article is
11 subject to any applicable rule of law that establishes a different rule for consumers, to any other
12 statute or rule of this State that regulates the rates, charges, agreements, and practices for loans,
13 credit sales, or other extensions of credit, and to any consumer-protection statute or rule of this
14 State, including Chapter 24 of the General Statutes, the Retail Installment Sales Act (Chapter
15 25A of the General Statutes), the North Carolina Consumer Finance Act (Article 15 of Chapter
16 53 of the General Statutes), and the Pawnbrokers and Currency Converters Modernization Act
17 (Part 1 of Article 45 of Chapter 66 of the General Statutes).

18 **"§ 25-12-104. Rights in controllable account, controllable electronic record, and**
19 **controllable payment intangible.**

20 (a) Applicability of Section to Controllable Account and Controllable Payment
21 Intangible. – This section applies to the acquisition and purchase of rights in a controllable
22 account or controllable payment intangible, including the rights and benefits under subsections
23 (c), (d), (e), (g), and (h) of this section of a purchaser and qualifying purchaser, in the same
24 manner this section applies to a controllable electronic record.

25 (b) Control of Controllable Account and Controllable Payment Intangible. – To
26 determine whether a purchaser of a controllable account or a controllable payment intangible is
27 a qualifying purchaser, the purchaser obtains control of the account or payment intangible if it
28 obtains control of the controllable electronic record that evidences the account or payment
29 intangible.

30 (c) Applicability of Other Law to Acquisition of Rights. – Except as provided in this
31 section, law other than this Article determines whether a person acquires a right in a controllable
32 electronic record and the right the person acquires.

33 (d) Shelter Principle and Purchase of Limited Interest. – A purchaser of a controllable
34 electronic record acquires all rights in the controllable electronic record that the transferor had or
35 had power to transfer, except that a purchaser of a limited interest in a controllable electronic
36 record acquires rights only to the extent of the interest purchased.

37 (e) Rights of Qualifying Purchaser. – A qualifying purchaser acquires its rights in the
38 controllable electronic record free of a claim of a property right in the controllable electronic
39 record.

40 (f) Limitation of Rights of Qualifying Purchaser in Other Property. – Except as provided
41 in subsections (a) and (e) of this section for a controllable account and a controllable payment
42 intangible or law other than this Article, a qualifying purchaser takes a right to payment, right to
43 performance, or other interest in property evidenced by the controllable electronic record subject
44 to a claim of a property right in the right to payment, right to performance, or other interest in
45 property.

46 (g) No-Action Protection for Qualifying Purchaser. – An action shall not be asserted
47 against a qualifying purchaser based on both a purchase by the qualifying purchaser of a
48 controllable electronic record and a claim of a property right in another controllable electronic
49 record, whether the action is framed in conversion, replevin, constructive trust, equitable lien, or
50 other theory.

1 (h) Filing Not Notice. – Filing of a financing statement under Article 9 of this Chapter is
2 not notice of a claim of a property right in a controllable electronic record.

3 **"§ 25-12-105. Control of controllable electronic record.**

4 (a) General Rule for Control of Controllable Electronic Record. – A person has control
5 of a controllable electronic record if the electronic record, a record attached to or logically
6 associated with the electronic record, or a system in which the electronic record is recorded does
7 both of the following:

8 (1) Gives the person both of the following:

9 a. Power to avail itself of substantially all the benefit from the electronic
10 record.

11 b. Exclusive power, subject to subsection (b) of this section, to do both
12 of the following:

13 1. Prevent others from availing themselves of substantially all the
14 benefit from the electronic record.

15 2. Transfer control of the electronic record to another person or
16 cause another person to obtain control of another controllable
17 electronic record as a result of the transfer of the electronic
18 record.

19 (2) Enables the person readily to identify itself in any way, including by name,
20 identifying number, cryptographic key, office, or account number, as having
21 the powers specified in subdivision (1) of this subsection.

22 (b) Meaning of Exclusive. – Subject to subsection (c) of this section, a power is exclusive
23 under sub-subdivision (a)(1)b. of this section even if either of the following applies:

24 (1) The controllable electronic record, a record attached to or logically associated
25 with the electronic record, or a system in which the electronic record is
26 recorded limits the use of the electronic record or has a protocol programmed
27 to cause a change, including a transfer or loss of control or a modification of
28 benefits afforded by the electronic record.

29 (2) The power is shared with another person.

30 (c) When Power Not Shared with Another Person. – A power of a person is not shared
31 with another person under subdivision (b)(2) of this section and the person's power is not
32 exclusive if both of the following apply:

33 (1) The person can exercise the power only if the power also is exercised by the
34 other person.

35 (2) Either of the following applies:

36 a. The other person can exercise the power without exercise of the power
37 by the person.

38 b. The other person is the transferor to the person of an interest in the
39 controllable electronic record or a controllable account or controllable
40 payment intangible evidenced by the controllable electronic record.

41 (d) Presumption of Exclusivity of Certain Powers. – If a person has the powers specified
42 in sub-subdivision (a)(1)b. of this section, the powers are presumed to be exclusive.

43 (e) Control Through Another Person. – A person has control of a controllable electronic
44 record if either of the following applies to another person, other than the transferor to the person
45 of an interest in the controllable electronic record or a controllable account or controllable
46 payment intangible evidenced by the controllable electronic record:

47 (1) The other person has control of the electronic record and acknowledges that it
48 has control on behalf of the person.

49 (2) The other person obtains control of the electronic record after having
50 acknowledged that it will obtain control of the electronic record on behalf of
51 the person.

1 (f) No Requirement to Acknowledge. – A person that has control under this section is
2 not required to acknowledge that it has control on behalf of another person.

3 (g) No Duties or Confirmation. – If a person acknowledges that it has or will obtain
4 control on behalf of another person, unless the person otherwise agrees or law other than this
5 Article or Article 9 of this Chapter otherwise provides, the person does not owe any duty to the
6 other person and is not required to confirm the acknowledgment to any other person.

7 **§ 25-12-106. Discharge of account debtor on controllable account or controllable payment**
8 **intangible.**

9 (a) Discharge of Account Debtor. – An account debtor on a controllable account or
10 controllable payment intangible may discharge its obligation by paying either of the following
11 persons:

12 (1) The person having control of the controllable electronic record that evidences
13 the controllable account or controllable payment intangible.

14 (2) Except as provided in subsection (b) of this section, a person that formerly had
15 control of the controllable electronic record.

16 (b) Content and Effect of Notification. – Subject to subsection (d) of this section, the
17 account debtor shall not discharge its obligation by paying a person that formerly had control of
18 the controllable electronic record if the account debtor receives a notification that satisfies all of
19 the following requirements:

20 (1) The notification is signed by a person that formerly had control or the person
21 to which control was transferred.

22 (2) The notification reasonably identifies the controllable account or controllable
23 payment intangible.

24 (3) The notification notifies the account debtor that control of the controllable
25 electronic record that evidences the controllable account or controllable
26 payment intangible was transferred.

27 (4) The notification identifies the transferee, in any reasonable way, including by
28 name, identifying number, cryptographic key, office, or account number.

29 (5) The notification provides a commercially reasonable method by which the
30 account debtor is to pay the transferee.

31 (c) Discharge Following Effective Notification. – After receipt of a notification that
32 complies with subsection (b) of this section, the account debtor may discharge its obligation by
33 paying in accordance with the notification and shall not discharge the obligation by paying a
34 person that formerly had control.

35 (d) When Notification Ineffective. – Subject to subsection (h) of this section, all of the
36 following apply to a notification under subsection (b) of this section:

37 (1) The notification is ineffective unless, before the notification is sent, the
38 account debtor and the person that, at that time, had control of the controllable
39 electronic record that evidences the controllable account or controllable
40 payment intangible agree in a signed record to a commercially reasonable
41 method by which a person may furnish reasonable proof that control has been
42 transferred.

43 (2) The notification is ineffective to the extent an agreement between the account
44 debtor and seller of a payment intangible limits the account debtor's duty to
45 pay a person other than the seller and the limitation is effective under law
46 other than this Article.

47 (3) The notification is ineffective at the option of the account debtor, if the
48 notification notifies the account debtor to do any of the following:

49 a. Divide a payment.

50 b. Make less than the full amount of an installment or other periodic
51 payment.

1 c. Pay any part of a payment by more than one method or to more than
2 one person.

3 (e) Proof of Transfer of Control. – Subject to subsection (h) of this section, if requested
4 by the account debtor, the person giving the notification under subsection (b) of this section
5 seasonably shall furnish reasonable proof, using the method in the agreement referred to in
6 subdivision (d)(1) of this section, that control of the controllable electronic record has been
7 transferred. Unless the person complies with the request, the account debtor may discharge its
8 obligation by paying a person that formerly had control, even if the account debtor has received
9 a notification under subsection (b) of this section.

10 (f) What Constitutes Reasonable Proof. – A person furnishes reasonable proof under
11 subsection (e) of this section that control has been transferred if the person demonstrates, using
12 the method in the agreement referred to in subdivision (d)(1) of this section, that the transferee
13 has the power to do all of the following:

14 (1) Avail itself of substantially all the benefit from the controllable electronic
15 record.

16 (2) Prevent others from availing themselves of substantially all the benefit from
17 the controllable electronic record.

18 (3) Transfer the powers specified in subdivisions (1) and (2) of this subsection to
19 another person.

20 (g) Rights Not Waivable. – Subject to subsection (h) of this section, an account debtor
21 shall not waive or vary its rights under subdivision (d)(1) and subsection (e) of this section or its
22 option under subdivision (d)(3) of this section.

23 (h) Rule for Individual Under Other Law. – This section is subject to law other than this
24 Article that establishes a different rule for an account debtor who is an individual and who
25 incurred the obligation primarily for personal, family, or household purposes.

26 **§ 25-12-107. Governing law.**

27 (a) General Rule for Governing Law. – Except as provided in subsection (b) of this
28 section, the local law of a controllable electronic record's jurisdiction governs a matter covered
29 by this Article.

30 (b) Governing Law for G.S. 25-12-106. – For a controllable electronic record that
31 evidences a controllable account or controllable payment intangible, the local law of the
32 controllable electronic record's jurisdiction governs a matter covered by G.S. 25-12-106 unless
33 an effective agreement determines that the local law of another jurisdiction governs.

34 (c) Controllable Electronic Record's Jurisdiction. – The following rules determine a
35 controllable electronic record's jurisdiction under this section:

36 (1) If the controllable electronic record, or a record attached to or logically
37 associated with the controllable electronic record and readily available for
38 review, expressly provides that a particular jurisdiction is the controllable
39 electronic record's jurisdiction for purposes of this Article or Chapter, that
40 jurisdiction is the controllable electronic record's jurisdiction.

41 (2) If subdivision (1) of this subsection does not apply and the rules of the system
42 in which the controllable electronic record is recorded are readily available for
43 review and expressly provide that a particular jurisdiction is the controllable
44 electronic record's jurisdiction for purposes of this Article or Chapter, that
45 jurisdiction is the controllable electronic record's jurisdiction.

46 (3) If subdivisions (1) and (2) of this subsection do not apply and the controllable
47 electronic record, or a record attached to or logically associated with the
48 controllable electronic record and readily available for review, expressly
49 provides that the controllable electronic record is governed by the law of a
50 particular jurisdiction, that jurisdiction is the controllable electronic record's
51 jurisdiction.

(4) If subdivisions (1), (2), and (3) of this subsection do not apply and the rules of the system in which the controllable electronic record is recorded are readily available for review and expressly provide that the controllable electronic record or the system is governed by the law of a particular jurisdiction, that jurisdiction is the controllable electronic record's jurisdiction.

(5) If subdivisions (1) through (4) of this subsection do not apply, the controllable electronic record's jurisdiction is the District of Columbia.

(d) Applicability of Article 12. – If subdivision (c)(5) of this section applies and Article 12 is not in effect in the District of Columbia without material modification, the governing law for a matter covered by this Article is the law of the District of Columbia as though Article 12 were in effect in the District of Columbia without material modification. In this subsection, "Article 12" means Article 12 of Uniform Commercial Code Amendments (2022).

(e) Relation of Matter or Transaction to Controllable Electronic Record's Jurisdiction Not Necessary. – To the extent subsections (a) and (b) of this section provide that the local law of the controllable electronic record's jurisdiction governs a matter covered by this Article, that law governs even if the matter or a transaction to which the matter relates does not bear any relation to the controllable electronic record's jurisdiction.

(f) Rights of Purchasers Determined at Time of Purchase. – The rights acquired under G.S. 25-12-104 by a purchaser or qualifying purchaser are governed by the law applicable under this section at the time of purchase."

PART II. CONFORMING CHANGES AND OTHER AMENDMENTS TO ARTICLE 9 (SECURED TRANSACTIONS) OF THE UCC

SECTION 2. G.S. 25-9-102 reads as rewritten:

"§ 25-9-102. Definitions and index of definitions.

(a) Article 9 ~~definitions.~~—Definitions. – In this Article: Article, the following definitions apply:

(1) "Accession" ~~means goods~~ Accession. – Goods that are physically united with other goods in such a manner that ~~in which~~ the identity of the original goods is not lost.

(2) "Account", ~~except as used in "account for",~~ means a Account. – Except as used in "account for," "account statement," "account to," "commodity account," "customer's account," "deposit account," "on account of," and "statement of account," 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 controllable accounts and health-care-insurance receivables. The term does not include (i) ~~rights to payment evidenced by chattel paper or an instrument,~~ chattel paper, (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~~ card, or (vii) rights to payment evidenced by an instrument.

- 1 (3) ~~"Account debtor" means a~~ Account debtor. – A person obligated on an
2 account, chattel paper, or general intangible. The term does not include
3 persons obligated to pay a negotiable instrument, even if the negotiable
4 instrument constitutes part of evidences chattel paper.
- 5 (4) ~~"Accounting", except as used in "accounting for", means a record:~~
6 Accounting. – Except as used in "accounting for," means a record that meets
7 all of the following requirements:
- 8 a. ~~Authenticated~~ Signed by a secured ~~party;~~ party.
- 9 b. Indicating the aggregate unpaid secured obligations as of a date not
10 more than 35 days earlier or 35 days later than the date of the ~~record;~~
11 and record.
- 12 c. Identifying the components of the obligations in reasonable detail.
- 13 (5) ~~"Agricultural lien" means an~~ Agricultural lien. – An interest, other than a
14 security interest, in farm products; products that satisfies all of the following
15 requirements:
- 16 a. ~~Which~~ The interest secures payment or performance of an obligation
17 ~~for;~~ for either of the following:
- 18 1. Goods or services furnished in connection with a debtor's
19 farming ~~operation;~~ operation.
- 20 2. Rent on real property leased by a debtor in connection with ~~its~~
21 the debtor's farming operation; operation.
- 22 b. ~~Which~~ The interest is created by statute in favor of a person ~~that;~~ that
23 did either of the following:
- 24 1. In the ordinary course of its ~~business~~ business, furnished goods
25 or services to a debtor in connection with ~~a the~~ the debtor's farming
26 ~~operation;~~ operation.
- 27 2. Leased real property to a debtor in connection with the debtor's
28 farming ~~operation;~~ and operation.
- 29 c. ~~Whose~~ The interest's effectiveness does not depend on the ~~person's~~
30 interest holder's possession of the personal property.
- 31 (5a) Applicant. – Defined in G.S. 25-5-102.
- 32 (6) ~~"As-extracted collateral" means:~~ As-extracted collateral. – Either of the
33 following:
- 34 a. Oil, gas, or other minerals that are subject to a security interest ~~that;~~ that
35 satisfies both of the following:
- 36 1. ~~Is~~ The security interest is created by a debtor having an interest
37 in the minerals before ~~extraction;~~ and extraction.
- 38 2. ~~Attaches~~ The security interest attaches to the minerals as
39 ~~extracted;~~ or extracted.
- 40 b. Accounts arising out of the sale at the wellhead or minehead of oil,
41 gas, or other minerals in which the debtor had an interest before
42 extraction.
- 43 (6a) Assignee. – Except as used in "assignee for benefit of creditors," means a
44 person (i) in whose favor a security interest that secures an obligation is
45 created or provided for under a security agreement, whether or not the
46 obligation is outstanding or (ii) to which an account, chattel paper, payment
47 intangible, or promissory note has been sold. The term includes a person to
48 which a security interest has been transferred by a secured party.
- 49 (6b) Assignor. – A person that (i) under a security agreement creates or provides
50 for a security interest that secures an obligation or (ii) sells an account, chattel

- 1 paper, payment intangible, or promissory note. The term includes a secured
 2 party that has transferred a security interest to another person.
 3 (7) "Authenticate" means:
 4 a. To sign; or
 5 b. With present intent to adopt or accept a record, to attach to or logically
 6 associate with the record an electronic sound, symbol, or process.
 7 (8) "Bank" means an Bank. – An organization that is engaged in the business of
 8 banking. The term includes savings banks, savings and loan associations,
 9 credit unions, and trust companies.
 10 (8a) Beneficiary. – Defined in G.S. 25-5-102.
 11 (8b) Broker. – Defined in G.S. 25-8-102.
 12 (9) "Cash proceeds" means proceeds Cash proceeds. – Proceeds that are money,
 13 checks, deposit accounts, or the like.
 14 (10) "Certificate of title" means a Certificate of title. – A certificate of title with
 15 respect to which a statute provides for the security interest in question to be
 16 indicated on the certificate as a condition or result of the security interest's
 17 obtaining priority over the rights of a lien creditor with respect to the
 18 collateral. The term includes another record maintained as an alternative to a
 19 certificate of title by the governmental unit that issues certificates of title if a
 20 statute permits the security interest in question to be indicated on the record
 21 as a condition or result of the security interest's obtaining priority over the
 22 rights of a lien creditor with respect to the collateral.
 23 (10a) Certificated security. – Defined in G.S. 25-8-102.
 24 (11) "Chattel paper" means a record or records that evidence both a monetary
 25 obligation and a security interest in specific goods, a security interest in
 26 specific goods and software used in the goods, a security interest in specific
 27 goods and license of software used in the goods, a lease of specific goods, or
 28 a lease of specific goods and license of software used in the goods. In this
 29 subdivision, "monetary obligation" means a monetary obligation secured by
 30 the goods or owed under a lease of the goods and includes a monetary
 31 obligation with respect to software used in the goods. The term does not
 32 include (i) charters or other contracts involving the use or hire of a vessel or
 33 (ii) records that evidence a right to payment arising out of the use of a credit
 34 or charge card or information contained on or for use with the card. If a
 35 transaction is evidenced by records that include an instrument or series of
 36 instruments, the group of records taken together constitutes chattel
 37 paper. Chattel paper. – Either of the following:
 38 a. A right to payment of a monetary obligation secured by specific goods,
 39 if the right to payment and security agreement are evidenced by a
 40 record.
 41 b. A right to payment of a monetary obligation owed by a lessee under a
 42 lease agreement with respect to specific goods and a monetary
 43 obligation owed by the lessee in connection with the transaction giving
 44 rise to the lease, if both of the following apply:
 45 1. The right to payment and lease agreement are evidenced by a
 46 record.
 47 2. The predominant purpose of the transaction giving rise to the
 48 lease was to give the lessee the right to possession and use of
 49 the goods.
 50 The term does not include a right to payment arising out of a charter or other
 51 contract involving the use or hire of a vessel or a right to payment arising out

- 1 of the use of a credit or charge card or information contained on or for use
2 with the card.
- 3 (11a) Check. – Defined in G.S. 25-3-104.
- 4 (11b) Clearing corporation. – Defined in G.S. 25-8-102.
- 5 (12) ~~"Collateral" means the Collateral.~~ – The property subject to a security interest
6 or agricultural lien. The term ~~includes;~~includes all of the following:
7 a. Proceeds to which a security interest ~~attaches;~~attaches.
8 b. Accounts, chattel paper, payment intangibles, and promissory notes
9 that have been ~~sold;~~ and sold.
10 c. Goods that are the subject of a consignment.
- 11 (13) ~~"Commercial tort claim" means a Commercial tort claim.~~ – A claim arising in
12 tort ~~with respect to which;~~if either of the following applies:
13 a. The claimant is an ~~organization;~~ organization.
14 b. The claimant is an individual and ~~the claim;~~ both of the following
15 apply:
16 1. ~~Arose~~ The claim arose in the course of the claimant's business
17 or ~~profession;~~ and profession.
18 2. ~~Does~~ The claim does not include damages arising out of
19 personal injury to or the death of an individual.
- 20 (14) ~~"Commodity account" means an Commodity account.~~ – An account
21 maintained by a commodity intermediary in which a commodity contract is
22 carried for a commodity customer.
- 23 (15) ~~"Commodity contract" means a Commodity contract.~~ – A commodity futures
24 contract, an option on a commodity futures contract, a commodity option, or
25 another contract if ~~the contract or option is;~~ either of the following applies:
26 a. ~~Traded~~ The contract or option is traded on or subject to the rules of a
27 board of trade that has been designated as a contract market for ~~such a~~
28 ~~contract~~ the contract or option pursuant to federal commodities ~~laws;~~
29 ~~or law.~~
30 b. ~~Traded~~ The contract or option is traded on a foreign commodity board
31 of trade, exchange, or market, and is carried on the books of a
32 commodity intermediary for a commodity customer.
- 33 (16) ~~"Commodity customer" means a Commodity customer.~~ – A person for which
34 a commodity intermediary carries a commodity contract on its books.
- 35 (17) ~~"Commodity intermediary" means a Commodity intermediary.~~ – A person
36 ~~that;~~ that satisfies either of the following:
37 a. Is registered as a futures commission merchant under federal
38 commodities ~~law;~~ or law.
39 b. In the ordinary course of its ~~business~~ business, provides clearance or
40 settlement services for a board of trade that has been designated as a
41 contract market pursuant to federal commodities law.
- 42 (18) ~~"Communicate" means;~~ Communicate. – Any of the following:
43 a. To send a written or other tangible ~~record;~~ record.
44 b. To transmit a record by any means agreed upon by the persons sending
45 and receiving the ~~record;~~ or record.
46 c. In the case of transmission of a record to or by a filing office, to
47 transmit a record by any means prescribed by filing-office rule.
- 48 (19) ~~"Consignee" means a Consignee.~~ – A merchant to which goods are delivered
49 in a consignment.

- 1 (20) ~~"Consignment" means a~~ Consignment. – A transaction, regardless of its form,
2 in which a person delivers goods to a merchant for the purpose of sale ~~and~~ and
3 all of the following apply:
4 a. ~~The merchant:~~ All of the following apply to the merchant:
5 1. ~~Deals~~ The merchant deals in goods of that kind under a name
6 other than the name of the person making ~~delivery;~~ delivery.
7 2. ~~Is~~ The merchant is not an ~~auctioneer;~~ auctioneer.
8 3. ~~Is~~ The merchant is not generally known by its creditors to be
9 substantially engaged in selling the goods of ~~others;~~ others.
10 b. With respect to each delivery, the aggregate value of the goods is one
11 thousand dollars (\$1,000) or more at the time of ~~delivery;~~ delivery.
12 c. The goods are not consumer goods immediately before ~~delivery;~~ and
13 delivery.
14 d. The transaction does not create a security interest that secures an
15 obligation.
16 (21) ~~"Consignor" means a~~ Consignor. – A person that delivers goods to a consignee
17 in a consignment.
18 (22) ~~"Consumer debtor" means a~~ Consumer debtor. – A debtor in a consumer
19 transaction.
20 (23) ~~"Consumer goods" means goods~~ Consumer goods. – Goods that are used or
21 bought for use primarily for personal, family, or household purposes.
22 (24) ~~"Consumer goods transaction" means a~~ Consumer-goods transaction. – A
23 consumer transaction in ~~which;~~ which both of the following apply:
24 a. An individual incurs an obligation primarily for personal, family, or
25 household ~~purposes;~~ and purposes.
26 b. A security interest in consumer goods secures the obligation.
27 (25) ~~"Consumer obligor" means an~~ Consumer obligor. – An obligor who is an
28 individual and who incurred the obligation as part of a transaction entered into
29 primarily for personal, family, or household purposes.
30 (26) ~~"Consumer transaction" means a~~ Consumer transaction. – A transaction in
31 which (i) an individual incurs an obligation primarily for personal, family, or
32 household purposes, (ii) a security interest secures the obligation, and (iii) the
33 collateral is held or acquired primarily for personal, family, or household
34 purposes. The term includes consumer-goods transactions.
35 (27) ~~"Continuation statement" means an~~ Continuation statement. – An amendment
36 of a financing statement ~~which;~~ that does both of the following:
37 a. Identifies, by its file number, the initial financing statement to which
38 it ~~relates;~~ and relates.
39 b. Indicates that it is a continuation statement for, or that it is filed to
40 continue the effectiveness of, the identified financing statement.
41 (27a) Contract for sale. – Defined in G.S. 25-2-106.
42 (27b) Control. – Defined in G.S. 25-7-106.
43 (27c) Controllable account. – An account evidenced by a controllable electronic
44 record that provides that the account debtor undertakes to pay the person that
45 has control under G.S. 25-12-105 of the controllable electronic record.
46 (27d) Controllable electronic record. – Defined in G.S. 25-12-102.
47 (27e) Controllable payment intangible. – A payment intangible evidenced by a
48 controllable electronic record that provides that the account debtor undertakes
49 to pay the person that has control under G.S. 25-12-105 of the controllable
50 electronic record.
51 (27f) Customer. – Defined in G.S. 25-4-104.

- 1 (28) ~~"Debtor" means Debtor.~~ – Any of the following:
- 2 a. A person having an interest, other than a security interest or other lien,
- 3 in the collateral, whether or not the person is an ~~obligor~~; obligor.
- 4 b. A seller of accounts, chattel paper, payment intangibles, or promissory
- 5 ~~notes; or notes.~~
- 6 c. A consignee.
- 7 (29) ~~"Deposit account" means a Deposit account.~~ – A demand, time, savings,
- 8 passbook, or similar account maintained with a bank. The term does not
- 9 include investment property or accounts evidenced by an instrument.
- 10 (30) ~~"Document" means a Document.~~ – A document of title or a receipt of the type
- 11 described in G.S. 25-7-201(b).
- 12 (31) ~~"Electronic chattel paper" means chattel paper evidenced by a record or~~
- 13 ~~records consisting of information stored in an electronic medium.~~
- 14 (31a) Electronic money. – Money in an electronic form.
- 15 (32) ~~"Encumbrance" means a Encumbrance.~~ – A right, other than an ownership
- 16 interest, in real property. The term includes mortgages and other liens on real
- 17 property.
- 18 (32a) Entitlement holder. – Defined in G.S. 25-8-102.
- 19 (33) ~~"Equipment" means goods Equipment.~~ – Goods other than inventory, farm
- 20 products, or consumer goods.
- 21 (34) ~~"Farm products" means goods, Farm products.~~ – Any of the following goods,
- 22 other than standing timber, with respect to which the debtor is engaged in a
- 23 farming ~~operation and which are operation:~~
- 24 a. Crops grown, growing, or to be grown, ~~including; including both of the~~
- 25 ~~following:~~
- 26 1. Crops produced on trees, vines, and ~~bushes; and bushes.~~
- 27 2. Aquatic goods produced in aquacultural ~~operations; operations.~~
- 28 b. Livestock, born or unborn, including aquatic goods produced in
- 29 aquacultural ~~operations; operations.~~
- 30 c. Supplies used or produced in a farming ~~operation; or operation.~~
- 31 d. Products of crops or livestock in their unmanufactured states.
- 32 (35) ~~"Farming operation" means raising, Farming operation.~~ – Raising, cultivating,
- 33 propagating, fattening, grazing, or any other farming, livestock, or
- 34 aquacultural operation.
- 35 (36) ~~"File number" means the File number.~~ – The number assigned to an initial
- 36 financing statement pursuant to G.S. 25-9-519(a).
- 37 (37) ~~"Filing office" means an Filing office.~~ – An office designated in G.S. 25-9-501
- 38 as the place to file a financing statement.
- 39 (38) ~~"Filing office rule" means a Filing-office rule.~~ – A rule adopted pursuant to
- 40 G.S. 25-9-526.
- 41 (38a) Financial asset. – Defined in G.S. 25-8-102.
- 42 (39) ~~"Financing statement" means a Financing statement.~~ – A record or records
- 43 composed of an initial financing statement and any filed record relating to the
- 44 initial financing statement.
- 45 (40) ~~"Fixture filing" means the Fixture filing.~~ – The filing of a financing statement
- 46 covering goods that are or are to become fixtures and satisfying
- 47 G.S. 25-9-502(a) and (b). The term includes the filing of a financing statement
- 48 covering goods of a transmitting utility ~~which that~~ are or are to become
- 49 fixtures.
- 50 (41) ~~"Fixtures" means goods Fixtures.~~ – Goods that have become so related to
- 51 particular real property that an interest in them arises under real property law.

- 1 (42) ~~"General intangible" means any~~ General intangible. – Any personal property,
2 including things in action, other than accounts, chattel paper, commercial tort
3 claims, deposit accounts, documents, goods, instruments, investment
4 property, letter-of-credit rights, letters of credit, money, and oil, gas, or other
5 minerals before extraction. The term includes controllable electronic records,
6 ~~payment intangibles~~ intangibles, and software.
- 7 (43) Repealed by Session Laws 2006-112, s. 21, effective October 1, 2006.
- 8 (44) ~~"Goods" means all~~ Goods. – All things that are movable when a security
9 interest attaches. The term includes (i) fixtures, (ii) standing timber that is to
10 be cut and removed under a conveyance or contract for sale, (iii) the unborn
11 young of animals, (iv) crops grown, growing, or to be grown, even if the crops
12 are produced on trees, vines, or bushes, and (v) manufactured homes. The term
13 also includes a computer program embedded in goods and any supporting
14 information provided in connection with a transaction relating to the program
15 if (i) the program is associated with the goods in ~~such~~ a manner that it
16 customarily is considered part of the goods, or (ii) by becoming the owner of
17 the goods, a person acquires a right to use the program in connection with the
18 goods. The term does not include a computer program embedded in goods that
19 consist solely of the medium in which the program is embedded. The term
20 also does not include accounts, chattel paper, commercial tort claims, deposit
21 accounts, documents, general intangibles, instruments, investment property,
22 letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals
23 before extraction.
- 24 (45) ~~"Governmental unit" means a~~ Governmental unit. – A subdivision, agency,
25 department, county, parish, municipality, or other unit of the government of
26 the United States, a state, or a foreign country. The term includes an
27 organization having a separate corporate existence if the organization (i) is
28 eligible to issue debt on which interest is exempt from income taxation under
29 the laws of the United States, ~~States,~~ States or (ii) was created to facilitate the issuance
30 of notes, bonds, other evidences of ~~indebtedness~~ indebtedness, or payment
31 obligations for borrowed money by, or in conjunction with, installment or
32 lease purchase financings ~~for,~~ for this State or any county, municipality, or
33 other agency or political subdivision thereof as evidenced by the documents
34 creating the organization.
- 35 (46) ~~"Health care insurance receivable" means an~~ Health-care insurance
36 receivable. – An interest in or claim under a policy of insurance ~~which that~~ is
37 a right to payment of a monetary obligation for health-care goods or services
38 provided.
- 39 (46a) Holder in due course. – Defined in G.S. 25-3-302.
- 40 (47) ~~"Instrument" means a~~ Instrument. – A negotiable instrument or any other
41 writing that evidences a right to the payment of a monetary obligation, is not
42 itself a security agreement or lease, and is of a type that in the ordinary course
43 of business is transferred by delivery with any necessary indorsement or
44 assignment. The term does not include (i) investment property, (ii) letters of
45 credit, ~~or~~ (iii) writings that evidence a right to payment arising out of the use
46 of a credit or charge card or information contained on or for use with the ~~card,~~
47 card, or (iv) writings that evidence chattel paper.
- 48 (48) ~~"Inventory" means goods,~~ Inventory. – Goods, other than farm products,
49 ~~which that satisfy any of the following descriptions:~~
50 a. Are leased by a person as ~~lessor;~~ lessor.

- 1 b. Are held by a person for sale or lease or to be furnished under a
 2 contract of ~~service;~~service.
 3 c. Are furnished by a person under a contract of ~~service;~~ or service.
 4 d. Consist of raw materials, work in process, or materials used or
 5 consumed in a business.
- 6 (49) ~~"Investment property" means a~~ Investment property. – A security, whether
 7 certificated or uncertificated, security entitlement, securities account,
 8 commodity contract, or commodity account.
- 9 (49a) Issuer. – Defined as follows:
 10 a. With respect to a letter of credit or letter-of-credit right, defined in
 11 G.S. 25-5-102.
 12 b. With respect to a security, defined in G.S. 25-8-201.
 13 c. With respect to documents of title, defined in G.S. 25-7-102.
- 14 (50) ~~"Jurisdiction of organization", with respect to a registered organization, means~~
 15 ~~the~~ Jurisdiction of organization. – With respect to a registered organization,
 16 the jurisdiction under whose law the organization is formed or organized.
- 17 (50a) Lease. – Defined in G.S. 25-2A-103.
 18 (50b) Lease agreement. – Defined in G.S. 25-2A-103.
 19 (50c) Lease contract. – Defined in G.S. 25-2A-103.
 20 (50d) Leasehold interest. – Defined in G.S. 25-2A-103.
 21 (50e) Lessee. – Defined in G.S. 25-2A-103.
 22 (50f) Lessee in ordinary course of business. – Defined in G.S. 25-2A-103.
 23 (50g) Lessor. – Defined in G.S. 25-2A-103.
 24 (50h) Lessor's residual interest. – Defined in G.S. 25-2A-103.
 25 (50i) Letter of credit. – Defined in G.S. 25-5-102.
- 26 (51) ~~"Letter of credit right" means a~~ Letter-of-credit right. – A right to payment or
 27 performance under a letter of credit, whether or not the beneficiary has
 28 demanded or is at the time entitled to demand payment or performance. The
 29 term does not include the right of a beneficiary to demand payment or
 30 performance under a letter of credit.
- 31 (52) ~~"Lien creditor" means:~~ Lien creditor. – Any of the following:
 32 a. A creditor that has acquired a lien on the property involved by
 33 attachment, levy, or the ~~like;~~ like.
 34 b. An assignee for benefit of creditors from the time of
 35 ~~assignment;~~ assignment.
 36 c. A trustee in bankruptcy from the date of the filing of the ~~petition;~~
 37 ~~or~~ petition.
 38 d. A receiver in equity from the time of appointment.
- 39 (53) ~~"Manufactured home" means a~~ Manufactured home. – A structure,
 40 transportable in one or more ~~sections, which,~~ sections that satisfies all of the
 41 following requirements:
 42 a. ~~in~~ In the traveling mode, is eight body feet or more in width or 40 body
 43 feet or more in length, or, when erected on site, is 320 or more square
 44 feet, ~~and which~~ feet.
 45 b. ~~is~~ Is built on a permanent chassis and designed to be used as a dwelling
 46 with or without a permanent foundation when connected to the
 47 required ~~utilities,~~ and utilities.
 48 c. ~~includes the~~ Includes plumbing, heating, air-conditioning, and
 49 electrical ~~systems contained therein,~~ systems.
- 50 The term includes any structure that meets all of the requirements of this
 51 subdivision except the size requirements and with respect to which the

- 1 manufacturer voluntarily files a certification required by the United States
 2 Secretary of Housing and Urban Development and complies with the
 3 standards established under Title 42 of the United States Code.
- 4 (54) ~~"Manufactured home transaction" means a secured transaction;~~
 5 Manufactured-home transaction. – A secured transaction if either of the
 6 following applies:
- 7 a. ~~That~~The transaction creates a purchase-money security interest in a
 8 manufactured home, other than a manufactured home held as
 9 ~~inventory; or~~inventory.
- 10 b. In which a manufactured home, other than a manufactured home held
 11 as inventory, is the primary collateral.
- 12 (54a) Merchant. – Defined in G.S. 25-2-104.
- 13 (54b) Money. – Defined in G.S. 25-1-201(b) but does not include (i) a deposit
 14 account or (ii) money in an electronic form that cannot be subjected to control
 15 under G.S. 25-9-105.1.
- 16 (55) ~~"Mortgage" means a~~ Mortgage. – A consensual interest in real property,
 17 including fixtures, ~~which that~~ secures payment or performance of an
 18 obligation.
- 19 (55a) Negotiable instrument. – Defined in G.S. 25-3-104.
- 20 (56) ~~"New debtor" means a~~ New debtor. – A person that becomes bound as debtor
 21 under G.S. 25-9-203(d) by a security agreement previously entered into by
 22 another person.
- 23 (57) ~~"New value" means~~ New value. – Any of the following:
- 24 a. ~~(i) money;~~ Money.
- 25 b. ~~(ii) money's~~ Money's worth in property, services, or new ~~credit;~~
 26 ~~or~~credit.
- 27 c. ~~(iii) release~~ Release by a transferee of an interest in property
 28 previously transferred to the transferee.
- 29 The term does not include an obligation substituted for another obligation.
- 30 (57a) Nominated person. – Defined in G.S. 25-5-102.
- 31 (58) ~~"Noncash proceeds" means proceeds~~ Noncash proceeds. – Proceeds other than
 32 cash proceeds.
- 33 (58a) Note. – Defined in G.S. 25-3-104.
- 34 (59) ~~"Obligor" means a~~ Obligor. – A person that, with respect to an obligation
 35 secured by a security interest in or an agricultural lien on the collateral, (i)
 36 owes payment or other performance of the obligation, (ii) has provided
 37 property other than the collateral to secure payment or other performance of
 38 the obligation, or (iii) is otherwise accountable in whole or in part for payment
 39 or other performance of the obligation. The term does not include issuers or
 40 nominated persons under a letter of credit.
- 41 (60) ~~"Original debtor", except as used in G.S. 25-9-310(e), means a~~ Original
 42 debtor, except as used in G.S. 25-9-310(c). – A person that, as debtor, entered
 43 into a security agreement to which a new debtor has become bound under
 44 G.S. 25-9-203(d).
- 45 (61) ~~"Payment intangible" means a~~ Payment intangible. – A general intangible
 46 under which the account debtor's principal obligation is a monetary obligation.
 47 The term includes a controllable payment intangible.
- 48 (62) ~~"Person related to", with respect to an individual, means:~~ Person related to. –
 49 Defined as follows:
- 50 a. With respect to an individual, any of the following:
- 51 a.1. The spouse of the individual; ~~individual.~~

- 1 ~~b.2.~~ A brother, brother-in-law, sister, or sister-in-law of the
- 2 ~~individual;individual.~~
- 3 ~~e.3.~~ An ancestor or lineal descendant of the individual or the
- 4 ~~individual's spouse; orspouse.~~
- 5 ~~d.4.~~ Any other relative, by blood or marriage, of the individual or
- 6 the individual's spouse who shares the same home with the
- 7 individual.
- 8 (63) ~~"Person related to", with respect to an organization, means:~~
- 9 ~~b.~~ With respect to an organization, any of the following:
- 10 ~~a.1.~~ A person directly or indirectly controlling, controlled by, or
- 11 under common control with the ~~organization;organization.~~
- 12 ~~b.2.~~ An officer or director of, or a person performing similar
- 13 functions with respect to, the ~~organization;organization.~~
- 14 ~~e.3.~~ An officer or director of, or a person performing similar
- 15 functions with respect to, a person described in
- 16 ~~sub-subdivision a. of this subdivision;sub-sub-subdivision 1.~~
- 17 ~~of this sub-subdivision.~~
- 18 ~~d.4.~~ The spouse of an individual described in ~~sub-subdivision a., b.,~~
- 19 ~~or c. of this subdivision; orsub-sub-subdivision 1., 2., or 3., of~~
- 20 ~~this sub-subdivision.~~
- 21 ~~e.5.~~ An individual who is related by blood or marriage to an
- 22 individual described in ~~sub-subdivision a., b., c., or d. of this~~
- 23 ~~subdivision—sub-sub-subdivision 1., 2., 3., or 4. of this~~
- 24 ~~sub-subdivision and shares the same home with the individual.~~
- 25 (64) ~~"Proceeds", except as used in G.S. 25-9-609(b), means the Proceeds. – Except~~
- 26 ~~as used in G.S. 25-9-609(b), means any of the following property:~~
- 27 a. Whatever is acquired upon the sale, lease, license, exchange, or other
- 28 disposition of ~~collateral;collateral.~~
- 29 b. Whatever is collected on, or distributed on account of,
- 30 ~~collateral;collateral.~~
- 31 c. Rights arising out of ~~collateral;collateral.~~
- 32 d. To the extent of the value of collateral, claims arising out of the loss,
- 33 nonconformity, or interference with the use of, defects or infringement
- 34 of rights in, or damage to, ~~the collateral; orcollateral.~~
- 35 e. To the extent of the value of collateral and to the extent payable to the
- 36 debtor or the secured party, insurance payable by reason of the loss or
- 37 nonconformity of, defects or infringement of rights in, or damage to,
- 38 the collateral.
- 39 (64a) Proceeds of a letter of credit. – Defined in G.S. 25-5-114.
- 40 (65) ~~"Production money crops" means crops~~ Production-money crops. – Crops that
- 41 ~~secure a production-money obligation incurred with respect to the production~~
- 42 ~~of those crops.~~
- 43 (66) ~~"Production money obligation" means an~~ Production-money obligation. – An
- 44 obligation of an obligor incurred for new value given to enable the debtor to
- 45 produce crops if the value is in fact used for the production of the crops.
- 46 (67) ~~"Production of crops" includes~~ Production of crops. – Includes tilling and
- 47 otherwise preparing land for growing, planting, cultivating, fertilizing,
- 48 irrigating, harvesting, gathering, and curing ~~crops, crops~~ and protecting them
- 49 from damage or disease.
- 50 (68) ~~"Promissory note" means an~~ Promissory note. – An instrument that evidences
- 51 a promise to pay a monetary obligation, does not evidence an order to pay,

- 1 and does not contain an acknowledgment by a bank that the bank has received
 2 for deposit a sum of money or funds.
- 3 (69) ~~"Proposal" means a Proposal. – A record authenticated signed~~ by a secured
 4 party ~~which that~~ includes the terms on which the secured party is willing to
 5 accept collateral in full or partial satisfaction of the obligation it secures
 6 pursuant to G.S. 25-9-620, 25-9-621, and 25-9-622.
- 7 (69a) Protected purchaser. – Defined in G.S. 25-8-303.
- 8 (69b) Prove. – Defined in G.S. 25-3-103.
- 9 (70) ~~"Public finance transaction" means a Public-finance transaction. – A secured~~
 10 ~~transaction in connection with which; to which all of the following apply:~~
- 11 a. ~~Debt securities are issued;~~ issued.
- 12 b. All or a portion of the securities issued have an initial stated maturity
 13 of at least 20 ~~years; and~~ years.
- 14 c. The debtor, obligor, secured party, account debtor or other person
 15 obligated on collateral, assignor or assignee of a secured obligation, or
 16 assignor or assignee of a security interest is a state or a governmental
 17 unit of a state.
- 18 (70a) ~~"Public organic record" means a Public organic record. – A record that is~~
 19 ~~available to the public for inspection and is;~~ is any of the following:
- 20 a. A record consisting of the record initially filed with or issued by a state
 21 or the United States to form or organize an organization and any record
 22 filed with or issued by the state or the United States ~~which that~~ amends
 23 or restates the initial ~~record;~~ record.
- 24 b. An organic record of a business trust consisting of the record initially
 25 filed with a state and any record filed with the state ~~which that~~ amends
 26 or restates the initial record, if a statute of the state governing business
 27 trusts requires that the record be filed with the ~~state;~~ or state.
- 28 c. A record consisting of legislation enacted by the legislature of a state
 29 or the Congress of the United States ~~which that~~ forms or organizes an
 30 organization, any record amending the legislation, and any record filed
 31 with or issued by the state or the United States ~~which that~~ amends or
 32 restates the name of the organization.
- 33 (71) ~~"Pursuant to commitment", with~~ Pursuant to commitment. – With respect to
 34 an advance made or other value given by a secured party, means pursuant to
 35 the secured party's obligation, whether or not a subsequent event of default or
 36 other event not within the secured party's control has relieved or may relieve
 37 the secured party from its obligation.
- 38 (71a) Qualifying purchaser. – Defined in G.S. 25-12-102.
- 39 (72) ~~"Record", except as used in "for record", "of record", "record or legal title",~~
 40 ~~and "record owner",~~ Record. – Except as used in "for record," "of record,"
 41 "record or legal title," and "record owner," means information that is inscribed
 42 on a tangible medium or that is stored in an electronic or other medium and is
 43 retrievable in perceivable form.
- 44 (73) ~~"Registered organization" means an Registered organization. – An~~
 45 organization formed or organized solely under the law of a ~~single~~ state or the
 46 United States by the filing of a public organic record with, the issuance of a
 47 public organic record by, or the enactment of legislation by the state or the
 48 United States. The term includes a business trust that is formed or organized
 49 under the law of a ~~single~~ state if a statute of the state governing business trusts
 50 requires that the business trust's organic record be filed with the state.
- 51 (73a) Sale. – Defined in G.S. 25-2-106.

- 1 (74) ~~"Secondary obligor" means an~~ Secondary obligor. – An obligor to the extent
2 ~~that that either of the following applies:~~
- 3 a. ~~The obligor's obligation is secondary;~~ secondary.
4 b. The obligor has a right of recourse with respect to an obligation
5 secured by collateral against the debtor, another obligor, or property
6 of either.
- 7 (75) ~~"Secured party" means:~~ Secured party. – Any of the following:
8 a. A person in whose favor a security interest is created or provided for
9 under a security agreement, whether or not any obligation to be
10 secured is ~~outstanding;~~ outstanding.
11 b. A person that holds an agricultural ~~lien;~~ lien.
12 c. A ~~esignor;~~ consignor.
13 d. A person to which accounts, chattel paper, payment intangibles, or
14 promissory notes have been ~~sold;~~ sold.
15 e. A trustee, indenture trustee, agent, collateral agent, or other
16 representative in whose favor a security interest or agricultural lien is
17 created or provided ~~for;~~ for.
18 f. A person that holds a security interest arising under G.S. 25-2-401,
19 25-2-505, 25-2-711(3), 25-2A-508(5), 25-4-208, or 25-5-118.
- 20 (75a) Securities account. – Defined in G.S. 25-8-501.
21 (75b) Securities intermediary. – Defined in G.S. 25-8-102.
22 (75c) Security. – Defined in G.S. 25-8-102.
- 23 (76) ~~"Security agreement" means an~~ Security agreement. – An agreement that
24 creates or provides for a security interest.
- 25 (76a) Security certificate. – Defined in G.S. 25-8-102.
26 (76b) Security entitlement. – Defined in G.S. 25-8-102.
- 27 (77) ~~"Send", in connection with a record or notification, means:~~
- 28 a. ~~To deposit in the mail, deliver for transmission, or transmit by any~~
29 ~~other usual means of communication, with postage or cost of~~
30 ~~transmission provided for, addressed to any address reasonable under~~
31 ~~the circumstances; or~~
- 32 b. ~~To cause the record or notification to be received within the time that~~
33 ~~it would have been received if properly sent under sub-subdivision a.~~
34 ~~of this subdivision.~~
- 35 (78) ~~"Software" means a~~ Software. – A computer program and any supporting
36 information provided in connection with a transaction relating to the program.
37 The term does not include a computer program that is included in the
38 definition of goods.
- 39 (79) ~~"State" means a~~ State. – A state of the United States, the District of Columbia,
40 Puerto Rico, the United States Virgin Islands, or any territory or insular
41 possession subject to the jurisdiction of the United States.
- 42 (80) ~~"Supporting obligation" means a~~ Supporting obligation. – A letter-of-credit
43 right or secondary obligation that supports the payment or performance of an
44 account, chattel paper, a document, a general intangible, an instrument, or
45 investment property.
- 46 (81) ~~"Tangible chattel paper" means chattel paper evidenced by a record or records~~
47 ~~consisting of information that is inscribed on a tangible medium.~~
- 48 (81a) Tangible money. – Money in a tangible form.
- 49 (82) ~~"Termination statement" means an~~ Termination statement. – An amendment
50 of a financing statement ~~which~~ that does both of the following:

- 1 a. Identifies, by its file number, the initial financing statement to which
2 it ~~relates; and~~relates.
3 b. Indicates either that it is a termination statement or that the identified
4 financing statement is no longer effective.
5 (83) ~~"Transmitting utility" means a Transmitting utility. – A person primarily~~
6 ~~engaged in the business of:~~of any of the following:
7 a. Operating a railroad, subway, street railway, or trolley ~~bus;~~bus.
8 b. Transmitting communications electrically, electromagnetically, or by
9 ~~light;~~light.
10 c. Transmitting goods by pipeline or ~~sewer;~~or sewer.
11 d. Transmitting or producing and transmitting electricity, steam, gas, or
12 water.
13 (84) Uncertificated security. – Defined in G.S. 25-8-102.
14 (b) ~~Definitions in other articles. – "Control" as provided in G.S. 25-7-106 and the~~
15 ~~following definitions in other Articles of this Chapter apply to this Article:~~
16 "Applicant" G.S. 25-5-102.
17 "Beneficiary" G.S. 25-5-102.
18 "Broker" G.S. 25-8-102.
19 "Certificated security" G.S. 25-8-102.
20 "Check" G.S. 25-3-104.
21 "Clearing corporation" G.S. 25-8-102.
22 "Contract for sale" G.S. 25-2-106.
23 "Customer" G.S. 25-4-104.
24 "Entitlement holder" G.S. 25-8-102.
25 "Financial asset" G.S. 25-8-102.
26 "Holder in due course" G.S. 25-3-302.
27 "Issuer" (with respect to a letter of credit
28 or letter of credit right) G.S. 25-5-102.
29 "Issuer" (with respect to a security) G.S. 25-8-201.
30 "Issuer" (with respect to documents of title) G.S. 25-7-102.
31 "Lease" G.S. 25-2A-103.
32 "Lease agreement" G.S. 25-2A-103.
33 "Lease contract" G.S. 25-2A-103.
34 "Leasehold interest" G.S. 25-2A-103.
35 "Lessee" G.S. 25-2A-103.
36 "Lessee in ordinary course of business" G.S. 25-2A-103.
37 "Lessor" G.S. 25-2A-103.
38 "Lessor's residual interest" G.S. 25-2A-103.
39 "Letter of credit" G.S. 25-5-102.
40 "Merchant" G.S. 25-2-104.
41 "Negotiable instrument" G.S. 25-3-104.
42 "Nominated person" G.S. 25-5-102.
43 "Note" G.S. 25-3-104.
44 "Proceeds of a letter of credit" G.S. 25-5-114.
45 "Prove" G.S. 25-3-103.
46 "Sale" G.S. 25-2-106.
47 "Securities account" G.S. 25-8-501.
48 "Securities intermediary" G.S. 25-8-102.
49 "Security" G.S. 25-8-102.
50 "Security certificate" G.S. 25-8-102.
51 "Security entitlement" G.S. 25-8-102.

1 (b) Single Authoritative Copy. – A system satisfies subsection (a) of this section if the
2 record or records evidencing the chattel paper are created, stored, and assigned in a manner that
3 satisfies all of the following requirements:

- 4 (1) A single authoritative copy of the record or records exists that is unique,
5 identifiable, and, except as otherwise provided in subdivisions (4), (5), and (6)
6 of this subsection, unalterable.
- 7 (2) The authoritative copy identifies the purchaser as the assignee of the record or
8 records.
- 9 (3) The authoritative copy is communicated to and maintained by the purchaser
10 or its designated custodian.
- 11 (4) Copies or amendments that add or change an identified assignee of the
12 authoritative copy can be made only with the consent of the purchaser.
- 13 (5) Each copy of the authoritative copy and any copy of a copy is readily
14 identifiable as a copy that is not the authoritative copy.
- 15 (6) Any amendment of the authoritative copy is readily identifiable as authorized
16 or unauthorized.

17 (c) One or More Authoritative Copies. – A system satisfies subsection (a) of this section,
18 and a purchaser has control of an authoritative electronic copy of a record evidencing chattel
19 paper, if the electronic copy, a record attached to or logically associated with the electronic copy,
20 or a system in which the electronic copy is recorded does all of the following:

- 21 (1) Enables the purchaser readily to identify each electronic copy as either an
22 authoritative copy or a nonauthoritative copy.
- 23 (2) Enables the purchaser readily to identify itself in any way, including by name,
24 identifying number, cryptographic key, office, or account number, as the
25 assignee of the authoritative electronic copy.
- 26 (3) Gives the purchaser exclusive power, subject to subsection (d) of this section,
27 to do both of the following:
 - 28 a. Prevent others from adding or changing an identified assignee of the
29 authoritative electronic copy.
 - 30 b. Transfer control of the authoritative electronic copy.

31 (d) Meaning of Exclusive. – Subject to subsection (e) of this section, a power is exclusive
32 under subdivision (c)(3) of this section even if either of the following applies:

- 33 (1) The authoritative electronic copy, a record attached to or logically associated
34 with the authoritative electronic copy, or a system in which the authoritative
35 electronic copy is recorded limits the use of the authoritative electronic copy
36 or has a protocol programmed to cause a change, including a transfer or loss
37 of control.
- 38 (2) The power is shared with another person.

39 (e) When Power Not Shared with Another Person. – A power of a purchaser is not shared
40 with another person under subdivision (d)(2) of this section and the purchaser's power is not
41 exclusive if both of the following apply:

- 42 (1) The purchaser can exercise the power only if the power also is exercised by
43 the other person.
- 44 (2) Either of the following applies:
 - 45 a. The other person can exercise the power without exercise of the power
46 by the purchaser.
 - 47 b. The other person is the transferor to the purchaser of an interest in the
48 chattel paper.

49 (f) Presumption of Exclusivity of Certain Powers. – If a purchaser has the powers
50 specified in subdivision (c)(3) of this section, the powers are presumed to be exclusive.

1 (g) Obtaining Control Through Another Person. – A purchaser has control of an
2 authoritative electronic copy of a record evidencing chattel paper if either of the following applies
3 to another person, other than the transferor to the purchaser of an interest in the chattel paper:

4 (1) The other person has control of the authoritative electronic copy and
5 acknowledges that it has control on behalf of the purchaser.

6 (2) The other person obtains control of the authoritative electronic copy after
7 having acknowledged that it will obtain control of the electronic copy on
8 behalf of the purchaser."

9 **SECTION 5.** Article 9 of Chapter 25 of the General Statutes is amended by adding
10 a new section to read:

11 **"§ 25-9-105.1. Control of electronic money.**

12 (a) General Rule for Control of Electronic Money. – A person has control of electronic
13 money if both of the following apply:

14 (1) The electronic money, a record attached to or logically associated with the
15 electronic money, or a system in which the electronic money is recorded gives
16 the person both of the following:

17 a. Power to avail itself of substantially all the benefit from the electronic
18 money.

19 b. Exclusive power, subject to subsection (b) of this section, to do both
20 of the following:

21 1. Prevent others from availing themselves of substantially all the
22 benefit from the electronic money.

23 2. Transfer control of the electronic money to another person or
24 cause another person to obtain control of other electronic
25 money as a result of the transfer of the electronic money.

26 (2) The electronic money, a record attached to or logically associated with the
27 electronic money, or a system in which the electronic money is recorded
28 enables the person readily to identify itself in any way, including by name,
29 identifying number, cryptographic key, office, or account number, as having
30 the powers under subdivision (1) of this subsection.

31 (b) Meaning of Exclusive. – Subject to subsection (c) of this section, a power is exclusive
32 under sub-subdivision (a)(1)b. of this section even if either of the following applies:

33 (1) The electronic money, a record attached to or logically associated with the
34 electronic money, or a system in which the electronic money is recorded limits
35 the use of the electronic money or has a protocol programmed to cause a
36 change, including a transfer or loss of control.

37 (2) The power is shared with another person.

38 (c) When Power Not Shared with Another Person. – A power of a person is not shared
39 with another person under subdivision (b)(2) of this section and the person's power is not
40 exclusive if both of the following apply:

41 (1) The person can exercise the power only if the power also is exercised by the
42 other person.

43 (2) Either of the following applies:

44 a. The other person can exercise the power without exercise of the power
45 by the person.

46 b. The other person is the transferor to the person of an interest in the
47 electronic money.

48 (d) Presumption of Exclusivity of Certain Powers. – If a person has the powers specified
49 in sub-subdivision (a)(1)b. of this section, the powers are presumed to be exclusive.

1 (e) Control Through Another Person. – A person has control of electronic money if either
 2 of the following applies to another person, other than the transferor to the person of an interest
 3 in the electronic money:

- 4 (1) The other person has control of the electronic money and acknowledges that
 5 it has control on behalf of the person.
 6 (2) The other person obtains control of the electronic money after having
 7 acknowledged that it will obtain control of the electronic money on behalf of
 8 the person."

9 **SECTION 6.** Article 9 of Chapter 25 of the General Statutes is amended by adding
 10 a new section to read:

11 "**§ 25-9-107.1. Control of controllable electronic record, controllable account, or**
 12 **controllable payment intangible.**

13 (a) Control Under G.S. 25-12-105. – A secured party has control of a controllable
 14 electronic record as provided in G.S. 25-12-105.

15 (b) Control of Controllable Account and Controllable Payment Intangible. – A secured
 16 party has control of a controllable account or controllable payment intangible if the secured party
 17 has control of the controllable electronic record that evidences the controllable account or
 18 controllable payment intangible."

19 **SECTION 7.** Article 9 of Chapter 25 of the General Statutes is amended by adding
 20 a new section to read:

21 "**§ 25-9-107.2. No requirement to acknowledge or confirm; no duties.**

22 (a) No Requirement to Acknowledge. – A person that has control under G.S. 25-9-104,
 23 25-9-105, or 25-9-105.1 is not required to acknowledge that it has control on behalf of another
 24 person.

25 (b) No Duties or Confirmation. – If a person acknowledges that it has or will obtain
 26 control on behalf of another person, unless the person otherwise agrees or law other than this
 27 Article otherwise provides, the person does not owe any duty to the other person and is not
 28 required to confirm the acknowledgment to any other person."

29 **SECTION 8.** G.S. 25-9-203 reads as rewritten:

30 "**§ 25-9-203. Attachment and enforceability of security interest; proceeds; supporting**
 31 **obligations; formal requisites.**

32 (a) Attachment. – A security interest attaches to collateral when it becomes enforceable
 33 against the debtor with respect to the collateral, unless an agreement expressly postpones the time
 34 of attachment.

35 (b) Enforceability. – Except as otherwise provided in subsections (c) through (i) of this
 36 section, a security interest is enforceable against the debtor and third parties with respect to the
 37 collateral only ~~if~~ if all of the following apply:

- 38 (1) Value has been ~~given~~; given.
 39 (2) The debtor has rights in the collateral or the power to transfer rights in the
 40 collateral to a secured ~~party~~; and ~~party~~.
 41 (3) One of the following conditions is met:
 42 a. The debtor has ~~authenticated~~ signed a security agreement that provides
 43 a description of the collateral and, if the security interest covers timber
 44 to be cut, a description of the land ~~concerned~~; concerned.
 45 b. The collateral is not a certificated security and is in the possession of
 46 the secured party under G.S. 25-9-313 pursuant to the debtor's security
 47 agreement; agreement.
 48 c. The collateral is a certificated security in registered form and the
 49 security certificate has been delivered to the secured party under
 50 G.S. 25-8-301 pursuant to the debtor's security ~~agreement~~;
 51 or agreement.

1 d. The collateral is controllable accounts, controllable electronic records,
 2 controllable payment intangibles, deposit accounts, ~~electronic chattel~~
 3 ~~paper,~~ electronic documents, electronic money, investment property,
 4 or letter-of-credit rights, ~~or electronic documents,~~ and the secured
 5 party has control under G.S. 25-7-106, 25-9-104, ~~25-9-105,~~
 6 25-9-105.1, 25-9-106, or 25-9-107-25-9-107, or 25-9-107.1 pursuant
 7 to the debtor's security agreement.

8 e. The collateral is chattel paper, and the secured party has possession
 9 and control under G.S. 25-9-314.1 pursuant to the debtor's security
 10 agreement.

11 (c) ~~Other UCC provisions.~~ Provisions. – Subsection (b) of this section is subject to
 12 G.S. 25-4-208 on the security interest of a collecting bank, G.S. 25-5-118 on the security interest
 13 of a letter-of-credit issuer or nominated person, G.S. 25-9-110 on a security interest arising under
 14 Article 2 or 2A of this Chapter, and G.S. 25-9-206 on security interests in investment property.

15 (d) ~~When person becomes bound by another person's security agreement.~~ Person
 16 Becomes Bound by Another Person's Security Agreement. – A person becomes bound as debtor
 17 by a security agreement entered into by another person if, by operation of law other than this
 18 Article or by ~~contract;~~ contract, either of the following applies:

19 (1) The security agreement becomes effective to create a security interest in the
 20 person's ~~property;~~ or property.

21 (2) The person becomes generally obligated for the obligations of the other
 22 person, including the obligation secured under the security agreement, and
 23 acquires or succeeds to all or substantially all of the assets of the other person.

24 (e) ~~Effect of new debtor becoming bound.~~ New Debtor Becoming Bound. – If a new
 25 debtor becomes bound as debtor by a security agreement entered into by another ~~person;~~ person,
 26 both of the following apply:

27 (1) The agreement satisfies subdivision (b)(3) of this section with respect to
 28 existing or after-acquired property of the new debtor to the extent the property
 29 is described in the ~~agreement;~~ and agreement.

30 (2) Another agreement is not necessary to make a security interest in the property
 31 enforceable.

32 (f) ~~Proceeds and supporting obligations.~~ Supporting Obligations. – The attachment of
 33 a security interest in collateral gives the secured party the rights to proceeds provided by
 34 G.S. 25-9-315 and is also an attachment of a security interest in a supporting obligation for the
 35 collateral.

36 (g) ~~Lien securing right to payment.~~ Securing Right to Payment. – The attachment of a
 37 security interest in a right to payment or performance secured by a security interest or other lien
 38 on personal or real property is also an attachment of a security interest in the security interest,
 39 mortgage, or other lien.

40 (h) ~~Security entitlement carried in securities account.~~ Entitlement Carried in Securities
 41 Account. – The attachment of a security interest in a securities account is also an attachment of
 42 a security interest in the security entitlements carried in the securities account.

43 (i) ~~Commodity contracts carried in commodity account.~~ Contracts Carried in
 44 Commodity Account. – The attachment of a security interest in a commodity account is also an
 45 attachment of a security interest in the commodity contracts carried in the commodity account."

46 **SECTION 9.** G.S. 25-9-204 reads as rewritten:

47 "**§ 25-9-204. After-acquired property; future advances.**

48 (a) ~~After-acquired collateral.~~ After-Acquired Collateral. – Except as otherwise
 49 provided in subsection (b) of this section, a security agreement may create or provide for a
 50 security interest in after-acquired collateral.

1 (b) ~~When after-acquired property clause not effective.~~ A After-Acquired Property
 2 Clause Not Effective. – Subject to subsection (b1) of this section, a security interest does not
 3 attach under a term constituting an after-acquired property clause ~~to either of the following:~~

- 4 (1) Consumer goods, other than an accession when given as additional security,
 5 unless the debtor acquires rights in them within 10 days after the secured party
 6 gives ~~value;~~ or value.
 7 (2) A commercial tort claim.

8 (b1) Limitation on Subsection (b). – Subsection (b) of this section does not prevent a
 9 security interest from attaching to any of the following:

- 10 (1) To consumer goods as proceeds under G.S. 25-9-315(a) or commingled goods
 11 under G.S. 25-9-336(c).
 12 (2) To a commercial tort claim as proceeds under G.S. 25-9-315(a).
 13 (3) Under an after-acquired property clause, to property that is proceeds of
 14 consumer goods or a commercial tort claim.

15 (c) ~~Future advances and other value.~~ Advances and Other Value. – A security
 16 agreement may provide that collateral secures, or that accounts, chattel paper, payment
 17 intangibles, or promissory notes are sold in connection with future advances or other value,
 18 whether or not the advances or value are given pursuant to commitment."

19 **SECTION 10.** G.S. 25-9-207 reads as rewritten:

20 "**§ 25-9-207. Rights and duties of secured party having possession or control of collateral.**

21 (a) ~~Duty of care when secured party in possession.~~ Care When Secured Party in
 22 Possession. – Except as otherwise provided in subsection (d) of this section, a secured party shall
 23 use reasonable care in the custody and preservation of collateral in the secured party's possession.
 24 In the case of chattel paper or an instrument, reasonable care includes taking necessary steps to
 25 preserve rights against prior parties unless otherwise agreed.

26 (b) ~~Expenses, risks, duties, and rights when secured party in possession.~~ Risks, Duties,
 27 and Rights When Secured Party in Possession. – Except as otherwise provided in subsection (d)
 28 of this section, if a secured party has possession of ~~collateral;~~ collateral, all of the following apply:

- 29 (1) Reasonable expenses, including the cost of insurance and payment of taxes or
 30 other charges, incurred in the custody, preservation, use, or operation of the
 31 collateral are chargeable to the debtor and are secured by the
 32 ~~collateral;~~ collateral.
 33 (2) The risk of accidental loss or damage is on the debtor to the extent of a
 34 deficiency in any effective insurance ~~coverage;~~ coverage.
 35 (3) The secured party shall keep the collateral identifiable, but fungible collateral
 36 may be ~~commingled; and~~ commingled.
 37 (4) The secured party may use or operate the ~~collateral;~~ collateral as follows:
 38 a. For the purpose of preserving the collateral or its ~~value;~~ value.
 39 b. As permitted by an order of a court having competent ~~jurisdiction;~~
 40 or jurisdiction.
 41 c. Except in the case of consumer goods, in the manner and to the extent
 42 agreed by the debtor.

43 (c) ~~Rights and duties when secured party in possession or control.~~ Duties When Secured
 44 Party in Possession or Control. – Except as otherwise provided in subsection (d) of this section,
 45 all of the following apply to a secured party having possession of collateral or control of collateral
 46 under G.S. 25-7-106, 25-9-104, 25-9-105, 25-9-105.1, 25-9-106, ~~or 25-9-107;~~ 25-9-107, or
 47 25-9-107.1:

- 48 (1) ~~May~~ The secured party may hold as additional security any proceeds, except
 49 money or funds, received from the ~~collateral;~~ collateral.

1 (2) ~~Shall~~ The secured party shall apply money or funds received from the
2 collateral to reduce the secured obligation, unless remitted to the ~~debtor;~~
3 ~~and debtor.~~

4 (3) ~~May~~ The secured party may create a security interest in the collateral.

5 (d) ~~Buyer of certain rights to payment.~~ Certain Rights to Payment. – If the secured party
6 is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a
7 ~~consignor; consignor, both of the following apply:~~

8 (1) Subsection (a) of this section does not apply unless the secured party is entitled
9 under an ~~agreement;~~ agreement to either of the following:

10 a. To charge back uncollected ~~collateral;~~ or collateral.

11 b. Otherwise to full or limited recourse against the debtor or a secondary
12 obligor based on the nonpayment or other default of an account debtor
13 or other obligor on the ~~collateral;~~ and collateral.

14 (2) Subsections (b) and (c) of this section do not apply."

15 **SECTION 11.** G.S. 25-9-208 reads as rewritten:

16 "**§ 25-9-208. Additional duties of secured party having control of collateral.**

17 (a) ~~Applicability of section.~~ Section. – This section applies to cases in which there is
18 no outstanding secured obligation and the secured party is not committed to make advances, incur
19 obligations, or otherwise give value.

20 (b) ~~Duties of secured party after receiving demand from debtor.~~ Secured Party After
21 Receiving Demand from Debtor. – Within 10 days after receiving an ~~authenticated~~ a signed
22 demand by the ~~debtor;~~ debtor, all of the following apply:

23 (1) A secured party having control of a deposit account under G.S. 25-9-104(a)(2)
24 shall send to the bank with which the deposit account is maintained an
25 ~~authenticated statement~~ a signed record that releases the bank from any further
26 obligation to comply with instructions originated by the secured ~~party;~~ party.

27 (2) A secured party having control of a deposit account under G.S. 25-9-104(a)(3)
28 ~~shall;~~ shall do either of the following:

29 a. Pay the debtor the balance on deposit in the deposit ~~account;~~
30 ~~or account.~~

31 b. Transfer the balance on deposit into a deposit account in the debtor's
32 ~~name;~~ name.

33 (3) ~~A secured party, other than a buyer, having control of electronic chattel paper~~
34 ~~under G.S. 25-9-105 shall:~~

35 a. ~~Communicate the authoritative copy of the electronic chattel paper to~~
36 ~~the debtor or its designated custodian;~~

37 b. ~~If the debtor designates a custodian that is the designated custodian~~
38 ~~with which the authoritative copy of the electronic chattel paper is~~
39 ~~maintained for the secured party, communicate to the custodian an~~
40 ~~authenticated record releasing the designated custodian from any~~
41 ~~further obligation to comply with instructions originated by the~~
42 ~~secured party and instructing the custodian to comply with instructions~~
43 ~~originated by the debtor; and~~

44 e. ~~Take appropriate action to enable the debtor or its designated~~
45 ~~custodian to make copies of or revisions to the authoritative copy~~
46 ~~which add or change an identified assignee of the authoritative copy~~
47 ~~without the consent of the secured party;~~

48 A secured party, other than a buyer, having control under G.S. 25-9-105 of an
49 authoritative electronic copy of a record evidencing chattel paper shall transfer
50 control of the electronic copy to the debtor or a person designated by the
51 debtor.

- 1 (4) A secured party having control of investment property under
 2 G.S. 25-8-106(d)(2) or G.S. 25-9-106(b) shall send to the securities
 3 intermediary or commodity intermediary with which the security entitlement
 4 or commodity contract is maintained ~~an authenticated~~ a signed record that
 5 releases the securities intermediary or commodity intermediary from any
 6 further obligation to comply with entitlement orders or directions originated
 7 by the secured ~~party;~~ party.
- 8 (5) A secured party having control of a letter-of-credit right under G.S. 25-9-107
 9 shall send to each person having an unfulfilled obligation to pay or deliver
 10 proceeds of the letter of credit to the secured party ~~an authenticated~~ a signed
 11 release from any further obligation to pay or deliver proceeds of the letter of
 12 credit to the secured ~~party;~~ and party.
- 13 (6) ~~A secured party having control of an electronic document shall:~~
 14 a. ~~Give control of the electronic document to the debtor or its designated~~
 15 ~~eustodian;~~
 16 b. ~~If the debtor designates a custodian that is the designated custodian~~
 17 ~~with which the authoritative copy of the electronic document is~~
 18 ~~maintained for the secured party, communicate to the custodian an~~
 19 ~~authenticated record releasing the designated custodian from any~~
 20 ~~further obligation to comply with instructions originated by the~~
 21 ~~secured party and instructing the custodian to comply with instructions~~
 22 ~~originated by the debtor; and~~
 23 e. ~~Take appropriate action to enable the debtor or its designated~~
 24 ~~eustodian to make copies of or revisions to the authoritative copy~~
 25 ~~which add or change an identified assignee of the authoritative copy~~
 26 ~~without the consent of the secured party.~~
- 27 A secured party having control under G.S. 25-7-106 of an authoritative
 28 electronic copy of an electronic document shall transfer control of the
 29 electronic copy to the debtor or a person designated by the debtor.
- 30 (7) A secured party having control under G.S. 25-9-105.1 of electronic money
 31 shall transfer control of the electronic money to the debtor or a person
 32 designated by the debtor.
- 33 (8) A secured party having control under G.S. 25-12-105 of a controllable
 34 electronic record, other than a buyer of a controllable account or controllable
 35 payment intangible evidenced by the controllable electronic record, shall
 36 transfer control of the controllable electronic record to the debtor or a person
 37 designated by the debtor."

38 **SECTION 12.** G.S. 25-9-209 reads as rewritten:

39 **"§ 25-9-209. Duties of secured party if account debtor has been notified of assignment.**

40 (a) ~~Applicability of section.~~ Section. ~~— Except as otherwise provided in subsection (c)~~
 41 ~~of this section, this section applies if:~~ if there

42 (1) ~~There is no outstanding secured obligation;~~ obligation and the

43 (2) ~~The secured party is not committed to make advances, incur obligations, or~~
 44 ~~otherwise give value.~~

45 (b) ~~Duties of secured party after receiving demand from debtor.~~ Secured Party After
 46 Receiving Demand from Debtor. ~~— Within 10 days after receiving an authenticated~~ a signed
 47 demand by the debtor, a secured party shall send to an account debtor that has received
 48 notification under G.S. 25-9-406(a) or G.S. 25-12-106(b) of an assignment to the secured party
 49 as assignee under G.S. 25-9-406(a) an authenticated a signed record that releases the account
 50 debtor from any further obligation to the secured party.

1 (c) Inapplicability to sales.—~~Sales.~~ — This section does not apply to an assignment
2 constituting the sale of an account, chattel paper, or payment intangible."

3 **SECTION 13.** G.S. 25-9-210 reads as rewritten:

4 **"§ 25-9-210. Request for accounting; request regarding list of collateral or statement of**
5 **account.**

6 (a) Definitions. — In this ~~section~~~~section~~, the following definitions apply:

7 (1) ~~"Request" means a Request.~~ — A record of a type described in subdivision (2),
8 (3), or (4) of this subsection.

9 (2) ~~"Request for an accounting" means a Request for an accounting.~~ — A record
10 ~~authenticated signed~~ by a debtor requesting that the recipient provide an
11 accounting of the unpaid obligations secured by collateral and reasonably
12 identifying the transaction or relationship that is the subject of the request.

13 (3) ~~"Request regarding a list of collateral" means a Request regarding a list of~~
14 ~~collateral.~~ — A record ~~authenticated signed~~ by a debtor requesting that the
15 recipient approve or correct a list of what the debtor believes to be the
16 collateral securing an obligation and reasonably identifying the transaction or
17 relationship that is the subject of the request.

18 (4) ~~"Request regarding a statement of account" means a Request regarding a~~
19 ~~statement of account.~~ — A record ~~authenticated signed~~ by a debtor requesting
20 that the recipient approve or correct a statement indicating what the debtor
21 believes to be the aggregate amount of unpaid obligations secured by
22 collateral as of a specified date and reasonably identifying the transaction or
23 relationship that is the subject of the request.

24 (b) Duty to ~~respond to requests.~~—Respond to Requests. — Subject to subsections (c), (d),
25 (e), and (f) of this section, a secured party, other than a buyer of accounts, chattel paper, payment
26 intangibles, or promissory notes or a consignor, shall comply with a request within 14 days after
27 ~~receipt~~~~receipt~~ as follows:

28 (1) In the case of a request for an accounting, by ~~authenticating signing~~ and
29 sending to the debtor an ~~accounting~~~~and accounting~~.

30 (2) In the case of a request regarding a list of collateral or a request regarding a
31 statement of account, by ~~authenticating signing~~ and sending to the debtor an
32 approval or correction.

33 (c) ~~Request regarding list of collateral; statement concerning type of collateral.—~~
34 Regarding List of Collateral; Statement Concerning Type of Collateral. — A secured party that
35 claims a security interest in all of a particular type of collateral owned by the debtor may comply
36 with a request regarding a list of collateral by sending to the debtor ~~an authenticated a signed~~
37 record including a statement to that effect within 14 days after receipt.

38 (d) ~~Request regarding list of collateral; no interest claimed.—~~Regarding List of
39 Collateral; No Interest Claimed. — A person that receives a request regarding a list of collateral,
40 claims no interest in the collateral when it receives the request, and claimed an interest in the
41 collateral at an earlier time shall comply with the request within 14 days after receipt by sending
42 to the debtor ~~an authenticated record~~~~a signed record~~ that does both of the following:

43 (1) ~~Disclaiming Disclaims~~ any interest in the ~~collateral~~~~and collateral~~.

44 (2) If known to the recipient, ~~providing~~~~provides~~ the name and mailing address of
45 any assignee of or successor to the recipient's interest in the collateral.

46 (e) ~~Request for accounting or regarding statement of account; no interest in obligation~~
47 ~~claimed.—~~Accounting or Regarding Statement of Account; No Interest in Obligation Claimed.
48 — A person that receives a request for an accounting or a request regarding a statement of account,
49 claims no interest in the obligations when it receives the request, and claimed an interest in the
50 obligations at an earlier time shall comply with the request within 14 days after receipt by sending
51 to the debtor ~~an authenticated record~~~~a signed record~~ that does both of the following:

- 1 (1) ~~Disclaiming~~ Disclaims any interest in the ~~obligations; and obligations.~~
- 2 (2) If known to the recipient, ~~providing~~ provides the name and mailing address of
- 3 any assignee of or successor to the recipient's interest in the obligations.
- 4 (f) ~~Charges for responses.~~ Responses. – A debtor is entitled without charge to one
- 5 response to a request under this section during any six-month period. The secured party may
- 6 require payment of a charge not exceeding twenty-five dollars (\$25.00) for each additional
- 7 response."

8 **SECTION 14.** G.S. 25-9-301 reads as rewritten:

9 "**§ 25-9-301. Law governing perfection and priority of security interests.**

10 Except as otherwise provided in G.S. 25-9-303 through ~~G.S. 25-9-306~~, G.S. 25-9-306.2, the

11 following rules determine the law governing perfection, the effect of perfection or nonperfection,

12 and the priority of a security interest in collateral:

- 13 (1) Except as otherwise provided in this section, while a debtor is located in a
- 14 jurisdiction, the local law of that jurisdiction governs perfection, the effect of
- 15 perfection or nonperfection, and the priority of a security interest in collateral.
- 16 (2) While collateral is located in a jurisdiction, the local law of that jurisdiction
- 17 governs perfection, the effect of perfection or nonperfection, and the priority
- 18 of a possessory security interest in that collateral.
- 19 (3) Except as otherwise provided in ~~paragraph~~ subdivision (4) of this section,
- 20 while ~~tangible~~ tangible negotiable tangible documents, goods, instruments, ~~money, or~~
- 21 ~~tangible chattel paper or tangible money~~ is located in a jurisdiction, the local
- 22 law of that jurisdiction ~~governs; governs~~ governs all of the following:
- 23 a. Perfection of a security interest in the goods by filing a fixture
- 24 filing; filing.
- 25 b. Perfection of a security interest in timber to be ~~cut; and cut.~~
- 26 c. The effect of perfection or nonperfection and the priority of a
- 27 nonpossessory security interest in the collateral.
- 28 (4) The local law of the jurisdiction in which the wellhead or minehead is located
- 29 governs perfection, the effect of perfection or nonperfection, and the priority
- 30 of a security interest in as-extracted collateral."

31 **SECTION 15.** G.S. 25-9-304 reads as rewritten:

32 "**§ 25-9-304. Law governing perfection and priority of security interests in deposit accounts.**

33 (a) Law of ~~bank's jurisdiction governs.~~ Bank's Jurisdiction Governs. – The local law of

34 a bank's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority

35 of a security interest in a deposit account maintained with that ~~bank.~~ bank even if the transaction

36 does not bear any relation to the bank's jurisdiction.

37 (b) ~~Bank's jurisdiction.~~ Jurisdiction. – The following rules determine a bank's

38 jurisdiction for purposes of this Part:

39 "

40 **SECTION 16.** G.S. 25-9-305 reads as rewritten:

41 "**§ 25-9-305. Law governing perfection and priority of security interests in investment**

42 **property.**

43 (a) ~~Governing law: general rules.~~ General Rules for Governing Law. – Except as

44 otherwise provided in subsection (c) of this section, the following rules apply:

- 45 (1) While a security certificate is located in a jurisdiction, the local law of that
- 46 jurisdiction governs perfection, the effect of perfection or nonperfection, and
- 47 the priority of a security interest in the certificated security represented
- 48 thereby.
- 49 (2) The local law of the issuer's jurisdiction as specified in G.S. 25-8-110(d)
- 50 governs perfection, the effect of perfection or nonperfection, and the priority
- 51 of a security interest in an uncertificated security.

1 (3) The local law of the securities intermediary's jurisdiction as specified in
2 G.S. 25-8-110(e) governs perfection, the effect of perfection or nonperfection,
3 and the priority of a security interest in a security entitlement or securities
4 account.

5 (4) The local law of the commodity intermediary's jurisdiction governs
6 perfection, the effect of perfection or nonperfection, and the priority of a
7 security interest in a commodity contract or commodity account.

8 (5) Subdivisions (2), (3), and (4) of this subsection apply even if the transaction
9 does not bear any relation to the jurisdiction.

10 (b) ~~Commodity intermediary's jurisdiction.~~ Intermediary's Jurisdiction. – The following
11 rules determine a commodity intermediary's jurisdiction for purposes of this Part:

12 ...

13 (c) ~~When perfection governed by law of jurisdiction where debtor located.~~ Perfection
14 Governed by Law of Jurisdiction Where Debtor Located. – The local law of the jurisdiction in
15 which the debtor is located ~~governs;~~ governs all of the following:

16 (1) Perfection of a security interest in investment property by ~~filing;~~ filing.

17 (2) Automatic perfection of a security interest in investment property created by
18 a broker or securities ~~intermediary;~~ intermediary.

19 (3) Automatic perfection of a security interest in a commodity contract or
20 commodity account created by a commodity intermediary."

21 **SECTION 17.** Article 9 of Chapter 25 of the General Statutes is amended by adding
22 a new section to read:

23 **"§ 25-9-306.1. Law governing perfection and priority of security interests in chattel paper.**

24 (a) Chattel Paper Evidenced by Authoritative Electronic Copy. – Except as provided in
25 subsection (d) of this section, if chattel paper is evidenced only by an authoritative electronic
26 copy of the chattel paper or is evidenced by an authoritative electronic copy and an authoritative
27 tangible copy, the local law of the chattel paper's jurisdiction governs perfection, the effect of
28 perfection or nonperfection, and the priority of a security interest in the chattel paper, even if the
29 transaction does not bear any relation to the chattel paper's jurisdiction.

30 (b) Chattel Paper's Jurisdiction. – The following rules determine the chattel paper's
31 jurisdiction under this section:

32 (1) If the authoritative electronic copy of the record evidencing chattel paper, or
33 a record attached to or logically associated with the electronic copy and
34 readily available for review, expressly provides that a particular jurisdiction
35 is the chattel paper's jurisdiction for purposes of this Part, this Article, or this
36 Chapter, that jurisdiction is the chattel paper's jurisdiction.

37 (2) If subdivision (1) of this subsection does not apply and the rules of the system
38 in which the authoritative electronic copy is recorded are readily available for
39 review and expressly provide that a particular jurisdiction is the chattel paper's
40 jurisdiction for purposes of this Part, this Article, or this Chapter, that
41 jurisdiction is the chattel paper's jurisdiction.

42 (3) If subdivisions (1) and (2) of this subsection do not apply and the authoritative
43 electronic copy, or a record attached to or logically associated with the
44 electronic copy and readily available for review, expressly provides that the
45 chattel paper is governed by the law of a particular jurisdiction, that
46 jurisdiction is the chattel paper's jurisdiction.

47 (4) If subdivisions (1), (2), and (3) of this subsection do not apply and the rules
48 of the system in which the authoritative electronic copy is recorded are readily
49 available for review and expressly provide that the chattel paper or the system
50 is governed by the law of a particular jurisdiction, that jurisdiction is the
51 chattel paper's jurisdiction.

(5) If subdivisions (1) through (4) of this subsection do not apply, the chattel paper's jurisdiction is the jurisdiction in which the debtor is located.

(c) Chattel Paper Evidenced by Authoritative Tangible Copy. – If an authoritative tangible copy of a record evidences chattel paper and the chattel paper is not evidenced by an authoritative electronic copy, while the authoritative tangible copy of the record evidencing chattel paper is located in a jurisdiction, the local law of that jurisdiction governs both of the following:

(1) Perfection of a security interest in the chattel paper by possession under G.S. 25-9-314.1.

(2) The effect of perfection or nonperfection and the priority of a security interest in the chattel paper.

(d) When Perfection Governed by Law of Jurisdiction Where Debtor Located. – The local law of the jurisdiction in which the debtor is located governs perfection of a security interest in chattel paper by filing."

SECTION 18. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

"§ 25-9-306.2. Law governing perfection and priority of security interests in controllable accounts, controllable electronic records, and controllable payment intangibles.

(a) General Rules for Governing Law. – Except as provided in subsection (b) of this section, the local law of the controllable electronic record's jurisdiction specified in G.S. 25-12-107(c) and (d) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a controllable electronic record and a security interest in a controllable account or controllable payment intangible evidenced by the controllable electronic record.

(b) When Perfection Governed by Law of Jurisdiction Where Debtor Located. – The local law of the jurisdiction in which the debtor is located governs both of the following:

(1) Perfection of a security interest in a controllable account, controllable electronic record, or controllable payment intangible by filing.

(2) Automatic perfection of a security interest in a controllable payment intangible created by a sale of the controllable payment intangible."

SECTION 19. G.S. 25-9-310 reads as rewritten:

"§ 25-9-310. When filing required to perfect security interest or agricultural lien; security interests and agricultural liens to which filing provisions do not apply.

(a) General rule: perfection by filing. — Rule for Perfection by Filing. – Except as otherwise provided in subsection (b) of this section and G.S. 25-9-312(b), a financing statement must be filed to perfect all security interests and agricultural liens.

(b) Exceptions: filing not necessary. — Exceptions When Filing Not Necessary. – The filing of a financing statement is not necessary to perfect a security interest; any of the following security interests:

(1) ~~That~~ A security interest that is perfected under ~~G.S. 25-9-308(d), (e), (f), or (g);~~ G.S. 25-9-308(d), (e), (f), or (g).

(2) ~~That~~ A security interest that is perfected under G.S. 25-9-309 when it ~~attaches;~~ attaches.

(3) ~~In~~ A security interest in property subject to a statute, regulation, or treaty described in ~~G.S. 25-9-311(a);~~ G.S. 25-9-311(a).

(4) ~~In~~ A security interest in goods in possession of a bailee ~~which~~ that is perfected under ~~G.S. 25-9-312(d)(1) or (2);~~ G.S. 25-9-312(d)(1) or (2).

(5) ~~In~~ A security interest in certificated securities, documents, goods, or instruments ~~which~~ that is perfected without filing, control, or possession under ~~G.S. 25-9-312(e), (f), or (g);~~ G.S. 25-9-312(e), (f), or (g).

- 1 (6) ~~In~~ A security interest in collateral in the secured party's possession under
2 G.S. 25-9-313;G.S. 25-9-313.
- 3 (7) ~~In~~ A security interest in a certificated security which that is perfected by
4 delivery of the security certificate to the secured party under
5 G.S. 25-9-313;G.S. 25-9-313.
- 6 (8) ~~In~~ A security interest in controllable accounts, controllable electronic records,
7 controllable payment intangibles, deposit accounts, electronic chattel paper,
8 electronic documents, investment property, or letter-of-credit rights which
9 that is perfected by control under G.S. 25-9-314;G.S. 25-9-314.
- 10 (8a) A security interest in chattel paper that is perfected by possession and control
11 under G.S. 25-9-314.1.
- 12 (9) ~~In~~ A security interest in proceeds which that is perfected under G.S. 25-9-315;
13 ~~or~~ G.S. 25-9-315.
- 14 (10) ~~That~~ A security interest that is perfected under G.S. 25-9-316.
- 15 (c) Assignment of ~~perfected security interest.~~ Perfected Security Interest. – If a secured
16 party assigns a perfected security interest or agricultural lien, a filing under this Article is not
17 required to continue the perfected status of the security interest against creditors of and
18 transferees from the original debtor."

19 **SECTION 20.** G.S. 25-9-312 reads as rewritten:

20 "**§ 25-9-312. Perfection of security interests in chattel paper, controllable accounts,**
21 **controllable electronic records, controllable payment intangibles, deposit**
22 **accounts, negotiable documents, goods covered by documents, instruments,**
23 **investment property, letter-of-credit rights, and money; perfection by**
24 **permissive filing; temporary perfection without filing or transfer of possession.**

25 (a) Perfection by ~~filing permitted.~~ Filing Permitted. – A security interest in chattel
26 paper, ~~negotiable documents, controllable accounts, controllable electronic records, controllable~~
27 ~~payment intangibles, instruments, or investment property~~ investment property, or negotiable
28 documents may be perfected by filing.

29 (b) Control or ~~possession of certain collateral.~~ Possession of Certain Collateral. –
30 Except as otherwise provided in G.S. 25-9-315(c) and (d) for ~~proceeds;~~ proceeds, all of the
31 following apply:

- 32 (1) A security interest in a deposit account may be perfected only by control under
33 G.S. 25-9-314;G.S. 25-9-314.
- 34 (2) ~~And except~~ Except as otherwise provided in G.S. 25-9-308(d), a security
35 interest in a letter-of-credit right may be perfected only by control under ~~G.S.~~
36 ~~25-9-314; and~~ G.S. 25-9-314.
- 37 (3) A security interest in tangible money may be perfected only by the secured
38 party's taking possession under G.S. 25-9-313.
- 39 (4) A security interest in electronic money may be perfected only by control under
40 G.S. 25-9-314.

41 (c) Goods ~~covered by negotiable document.~~ Covered by Negotiable Document. – While
42 goods are in the possession of a bailee that has issued a negotiable document covering the
43 ~~goods;~~ goods, both of the following apply:

- 44 (1) A security interest in the goods may be perfected by perfecting a security
45 interest in the ~~document; and~~ document.
- 46 (2) A security interest perfected in the document has priority over any security
47 interest that becomes perfected in the goods by another method during that
48 time.

49 (d) Goods ~~covered by nonnegotiable document.~~ Covered by Nonnegotiable Document.
50 While goods are in the possession of a bailee that has issued a nonnegotiable document covering
51 the goods, a security interest in the goods may be perfected by: by any of the following:

- 1 (1) Issuance of a document in the name of the secured ~~party;~~party.
 2 (2) The bailee's receipt of notification of the secured party's ~~interest;~~ or interest.
 3 (3) Filing as to the goods.

4 (e) ~~Temporary perfection: new value.~~ Perfection for New Value. – A security interest
 5 in certificated securities, negotiable documents, or instruments is perfected without filing or the
 6 taking of possession or control for a period of 20 days from the time it attaches to the extent that
 7 it arises for new value given under ~~an authenticated~~ a signed security agreement.

8 (f) ~~Temporary perfection: goods or documents made available to debtor.~~ Perfection for
 9 Goods or Documents Made Available to Debtor. – A perfected security interest in a negotiable
 10 document or goods in possession of a bailee, other than one that has issued a negotiable document
 11 for the goods, remains perfected for 20 days without filing if the secured party makes available
 12 to the debtor the goods or documents representing the goods for the purpose ~~of:~~ of either of the
 13 following:

- 14 (1) Ultimate sale or ~~exchange;~~ or exchange.
 15 (2) Loading, unloading, storing, shipping, transshipping, manufacturing,
 16 processing, or otherwise dealing with them in a manner preliminary to their
 17 sale or exchange.

18 (g) ~~Temporary perfection: delivery of security certificate or instrument to debtor.~~ Perfection for Delivery of Security Certificate or Instrument to Debtor. – A perfected security
 19 interest in a certificated security or instrument remains perfected for 20 days without filing if the
 20 secured party delivers the security certificate or instrument to the debtor for the purpose ~~of:~~ of
 21 either of the following:

- 22 (1) Ultimate sale or ~~exchange;~~ or exchange.
 23 (2) Presentation, collection, enforcement, renewal, or registration of transfer.

24 (h) ~~Expiration of temporary perfection.~~ Temporary Perfection. – After the 20-day
 25 period specified in subsection (e), (f), or (g) of this section expires, perfection depends upon
 26 compliance with this Article."
 27

28 **SECTION 21.** G.S. 25-9-313 reads as rewritten:

29 **"§ 25-9-313. When possession by or delivery to secured party perfects security interest**
 30 **without filing.**

31 (a) ~~Perfection by possession or delivery.~~ Possession or Delivery. – Except as otherwise
 32 provided in subsection (b) of this section, a secured party may perfect a security interest in
 33 ~~tangible negotiable documents, goods, instruments, money, or tangible chattel paper negotiable~~
 34 tangible documents, or tangible money by taking possession of the collateral. A secured party
 35 may perfect a security interest in certificated securities by taking delivery of the certificated
 36 securities under G.S. 25-8-301.

37 (b) ~~Goods covered by certificate of title.~~ Covered by Certificate of Title. – With respect
 38 to goods covered by a certificate of title issued by this State, a secured party may perfect a security
 39 interest in the goods by taking possession of the goods only in the circumstances described in
 40 G.S. 25-9-316(d).

41 (c) ~~Collateral in possession of person other than debtor.~~ Possession of Person Other
 42 Than Debtor. – With respect to collateral other than certificated securities and goods covered by
 43 a document, a secured party takes possession of collateral in the possession of a person other than
 44 the debtor, the secured party, or a lessee of the collateral from the debtor in the ordinary course
 45 of the debtor's business, ~~when:~~ when either of the following applies:

- 46 (1) The person in possession ~~authenticates~~ signs a record acknowledging that it
 47 holds possession of the collateral for the secured party's ~~benefit;~~ or benefit.
 48 (2) The person takes possession of the collateral after having ~~authenticated~~ signed
 49 a record acknowledging that it will hold possession of the collateral for the
 50 secured party's benefit.

1 (d) Time of ~~perfection by possession; continuation of perfection.~~ Perfection by
 2 Possession; Continuation of Perfection. – If perfection of a security interest depends upon
 3 possession of the collateral by a secured party, perfection occurs ~~no~~ not earlier than the time the
 4 secured party takes possession and continues only while the secured party retains possession.

5 (e) Time of ~~perfection by delivery; continuation of perfection.~~ Perfection by Delivery;
 6 Continuation of Perfection. – A security interest in a certificated security in registered form is
 7 perfected by delivery when delivery of the certificated security occurs under G.S. 25-8-301 and
 8 remains perfected by delivery until the debtor obtains possession of the security certificate.

9 (f) Acknowledgment ~~not required.~~ Not Required. – A person in possession of collateral
 10 is not required to acknowledge that it holds possession for a secured party's benefit.

11 (g) Effectiveness of ~~acknowledgment; no duties or confirmation.~~ Acknowledgment; No
 12 Duties or Confirmation. – If a person acknowledges that it holds possession for the secured
 13 party's ~~benefit;~~ benefit, both of the following apply:

14 (1) The acknowledgment is effective under subsection (c) of this section or
 15 G.S. 25-8-301(a), even if the acknowledgment violates the rights of a ~~debtor;~~
 16 and debtor.

17 (2) Unless the person otherwise agrees or law other than this Article otherwise
 18 provides, the person does not owe any duty to the secured party and is not
 19 required to confirm the acknowledgment to another person.

20 (h) Secured party's ~~delivery to person other than debtor.~~ Party's Delivery to Person
 21 Other Than Debtor. – A secured party having possession of collateral does not relinquish
 22 possession by delivering the collateral to a person other than the debtor or a lessee of the collateral
 23 from the debtor in the ordinary course of the debtor's business if the person was instructed before
 24 the delivery or is instructed contemporaneously with the ~~delivery;~~ delivery to do either of the
 25 following:

26 (1) To hold possession of the collateral for the secured party's ~~benefit;~~ or benefit.

27 (2) To redeliver the collateral to the secured party.

28 (i) Effect of ~~delivery under subsection (h); no duties or confirmation.~~ Delivery Under
 29 Subsection (h); No Duties or Confirmation. – A secured party does not relinquish possession,
 30 even if a delivery under subsection (h) of this section violates the rights of a debtor. A person to
 31 which collateral is delivered under subsection (h) of this section does not owe any duty to the
 32 secured party and is not required to confirm the delivery to another person unless the person
 33 otherwise agrees or law other than this Article otherwise provides."

34 **SECTION 22.** G.S. 25-9-314 reads as rewritten:

35 "**§ 25-9-314. Perfection by control.**

36 (a) Perfection by ~~control.~~ Control. – A security interest in ~~investment property, deposit~~
 37 ~~accounts, letter-of-credit rights, electronic chattel paper, or electronic documents~~ controllable
 38 accounts, controllable electronic records, controllable payment intangibles, deposit accounts,
 39 electronic documents, electronic money, investment property, or letter-of-credit rights may be
 40 perfected by control of the collateral under G.S. 25-7-106, 25-9-104, ~~25-9-105,~~ 25-9-105.1,
 41 ~~25-9-106, or 25-9-107.~~ 25-9-107, or 25-9-107.1.

42 (b) Specified collateral: ~~time of perfection by control; continuation of perfection.~~ Collateral; Time of Perfection by Control; Continuation of Perfection. – A security interest in
 43 ~~deposit accounts, electronic chattel paper, letter-of-credit rights, or electronic documents~~
 44 controllable accounts, controllable electronic records, controllable payment intangibles, deposit
 45 accounts, electronic documents, electronic money, or letter-of-credit rights is perfected by
 46 control under G.S. 25-7-106, 25-9-104, ~~25-9-105, or 25-9-107~~ when 25-9-105.1, 25-9-107, or
 47 25-9-107.1 not earlier than the time the secured party obtains control and remains perfected by
 48 control only while the secured party retains control.

49 (c) Investment property: ~~time of perfection by control; continuation of perfection.~~ Property; Time of Perfection by Control; Continuation of Perfection. – A security interest in
 50
 51

1 investment property is perfected by control under G.S. 25-9-106 ~~from not earlier than~~ the time
 2 the secured party obtains control and remains perfected by control ~~until~~ until both of the
 3 following occur:

4 (1) The secured party does not have ~~control~~; and control.

5 (2) One of the following occurs:

6 a. If the collateral is a certificated security, the debtor has or acquires
 7 possession of the security ~~certificate~~; certificate.

8 b. If the collateral is an uncertificated security, the issuer has registered
 9 or registers the debtor as the registered ~~owner~~; or owner.

10 c. If the collateral is a security entitlement, the debtor is or becomes the
 11 entitlement holder."

12 **SECTION 23.** Article 9 of Chapter 25 of the General Statutes is amended by adding
 13 a new section to read:

14 "**§ 25-9-314.1. Perfection by possession and control of chattel paper.**

15 (a) Perfection by Possession and Control. – A secured party may perfect a security
 16 interest in chattel paper by taking possession of each authoritative tangible copy of the record
 17 evidencing the chattel paper and obtaining control of each authoritative electronic copy of the
 18 electronic record evidencing the chattel paper.

19 (b) Time of Perfection; Continuation of Perfection. – A security interest is perfected
 20 under subsection (a) of this section not earlier than the time the secured party takes possession
 21 and obtains control and remains perfected under subsection (a) of this section only while the
 22 secured party retains possession and control.

23 (c) Application of G.S. 25-9-313 to Perfection by Possession of Chattel Paper. –
 24 G.S. 25-9-313(c) and (f) through (i) apply to perfection by possession of an authoritative tangible
 25 copy of a record evidencing chattel paper."

26 **SECTION 24.** G.S. 25-9-316 reads as rewritten:

27 "**§ 25-9-316. Effect of change in governing law.**

28 (a) ~~General rule: effect on perfection of change in governing law.~~ Rule for Effect on
 29 Perfection of Change in Governing Law. – A security interest perfected pursuant to the law of
 30 the jurisdiction designated in ~~G.S. 25-9-301(1) or G.S. 25-9-305(c)~~ G.S. 25-9-301(1),
 31 25-9-305(c), 25-9-306.1(d), or 25-9-306.2(b) remains perfected until the earliest ~~of~~ of the
 32 following:

33 (1) The time perfection would have ceased under the law of that
 34 ~~jurisdiction~~; jurisdiction.

35 (2) The expiration of four months after a change of the debtor's location to another
 36 ~~jurisdiction~~; or jurisdiction.

37 (3) The expiration of one year after a transfer of collateral to a person that thereby
 38 becomes a debtor and is located in another jurisdiction.

39 (b) ~~Security interest perfected or unperfected under law of new jurisdiction.~~ Interest
 40 Perfected or Unperfected Under Law of New Jurisdiction. – If a security interest described in
 41 subsection (a) of this section becomes perfected under the law of the other jurisdiction before the
 42 earliest time or event described in that subsection, it remains perfected thereafter. If the security
 43 interest does not become perfected under the law of the other jurisdiction before the earliest time
 44 or event, it becomes unperfected and is deemed never to have been perfected as against a
 45 purchaser of the collateral for value.

46 (c) ~~Possessory security interest in collateral moved to new jurisdiction.~~ Security Interest
 47 in Collateral Moved to New Jurisdiction. – A possessory security interest in collateral, other than
 48 goods covered by a certificate of title and as-extracted collateral consisting of goods, remains
 49 continuously perfected ~~if~~ if all of the following apply:

50 (1) The collateral is located in one jurisdiction and subject to a security interest
 51 perfected under the law of that ~~jurisdiction~~; jurisdiction.

- 1 (2) Thereafter the collateral is brought into another ~~jurisdiction; and~~ jurisdiction.
 2 (3) Upon entry into the other jurisdiction, the security interest is perfected under
 3 the law of the other jurisdiction.

4 (d) Goods ~~covered by certificate of title from this State.~~ Covered by Certificate of Title
 5 from this State. – Except as otherwise provided in subsection (e) of this section, a security interest
 6 in goods covered by a certificate of title ~~which that~~ is perfected by any method under the law of
 7 another jurisdiction when the goods become covered by a certificate of title from this State
 8 remains perfected until the security interest would have become unperfected under the law of the
 9 other jurisdiction had the goods not become so covered.

10 (e) When ~~subsection (d) security interest becomes unperfected against purchasers.~~ –
 11 Subsection (d) Security Interest Becomes Unperfected Against Purchasers. – A security interest
 12 described in subsection (d) of this section becomes unperfected as against a purchaser of the
 13 goods for value and is deemed never to have been perfected as against a purchaser of the goods
 14 for value if the applicable requirements for perfection under G.S. 25-9-311(b) or G.S. 25-9-313
 15 are not satisfied before the earlier ~~of~~ of the following:

16 (1) The time the security interest would have become unperfected under the law
 17 of the other jurisdiction had the goods not become covered by a certificate of
 18 title from this ~~State; or~~ State.

19 (2) The expiration of four months after the goods had become so covered.

20 (f) Change in ~~jurisdiction of bank, issuer, nominated person, securities intermediary, or~~
 21 ~~commodity intermediary.~~ Jurisdiction of Chattel Paper, Controllable Electronic Record, Bank,
 22 Issuer, Nominated Person, Securities Intermediary, or Commodity Intermediary. – A security
 23 interest in chattel paper, controllable accounts, controllable electronic records, controllable
 24 payment intangibles, deposit accounts, letter-of-credit rights, or investment property ~~which that~~
 25 is perfected under the law of the chattel paper's jurisdiction, the controllable electronic record's
 26 jurisdiction, the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction,
 27 the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as
 28 applicable, remains perfected until the earlier ~~of~~ of the following:

29 (1) The time the security interest would have become unperfected under the law
 30 of that ~~jurisdiction; or~~ jurisdiction.

31 (2) The expiration of four months after a change of the applicable jurisdiction to
 32 another jurisdiction.

33 (g) Subsection (f) ~~security interest perfected or unperfected under law of new jurisdiction.~~
 34 – Security Interest Perfected or Unperfected Under Law of New Jurisdiction. – If a security
 35 interest described in subsection (f) of this section becomes perfected under the law of the other
 36 jurisdiction before the earlier of the time or the end of the period described in that subsection, it
 37 remains perfected thereafter. If the security interest does not become perfected under the law of
 38 the other jurisdiction before the earlier of that time or the end of that period, it becomes
 39 unperfected and is deemed never to have been perfected as against a purchaser of the collateral
 40 for value.

41 ...

42 (i) Effect of Change in Governing Law on Financing Statement Filed Against Original
 43 Debtor. – If a financing statement naming an original debtor is filed pursuant to the law of the
 44 jurisdiction designated in G.S. 25-9-301(1) or G.S. 25-9-305(c) and the new debtor is located in
 45 another jurisdiction, the following rules apply:

46 ...

47 (2) A security interest perfected by the financing statement and ~~which that~~
 48 becomes perfected under the law of the other jurisdiction before the earlier of
 49 the time the financing statement would have become ineffective under the law
 50 of the jurisdiction designated in G.S. 25-9-301(1) or G.S. 25-9-305(c) or the
 51 expiration of the four-month period remains perfected thereafter. A security

1 interest that is perfected by the financing statement but ~~which that~~ does not
 2 become perfected under the law of the other jurisdiction before the earlier time
 3 or event becomes unperfected and is deemed never to have been perfected as
 4 against a purchaser of the collateral for value."

5 **SECTION 25.** G.S. 25-9-317 reads as rewritten:

6 **"§ 25-9-317. Interests that take priority over or take free of security interest or agricultural**
 7 **lien.**

8 (a) ~~Conflicting security interests and rights of lien creditors.~~ Security Interests and
 9 Rights of Lien Creditors. – A security interest or agricultural lien is subordinate to the rights ~~of~~ of
 10 both of the following:

11 (1) A person entitled to priority under ~~G.S. 25-9-322; and~~ G.S. 25-9-322.

12 (2) Except as otherwise provided in subsection (e) of this section, a person that
 13 becomes a lien creditor before the earlier of the ~~time~~ following:

14 a. The security interest or agricultural lien is ~~perfected; or~~ perfected.

15 b. One of the conditions specified in G.S. 25-9-203(b)(3) is met and a
 16 financing statement covering the collateral is filed.

17 (b) ~~Buyers that receive delivery.~~ That Receive Delivery. – Except as otherwise provided
 18 in subsection (e) of this section, a buyer, other than a secured party, of ~~tangible chattel paper,~~
 19 ~~tangible documents,~~ goods, instruments, tangible documents, or a certificated security takes free
 20 of a security interest or agricultural lien if the buyer gives value and receives delivery of the
 21 collateral without knowledge of the security interest or agricultural lien and before it is perfected.

22 (c) ~~Lessees that receive delivery.~~ That Receive Delivery. – Except as otherwise
 23 provided in subsection (e) of this section, a lessee of goods takes free of a security interest or
 24 agricultural lien if the lessee gives value and receives delivery of the collateral without
 25 knowledge of the security interest or agricultural lien and before it is perfected.

26 (d) ~~Licensees and buyers of certain collateral.~~ Buyers of Certain Collateral. – Subject
 27 to subsections (f) through (i) of this section, a licensee of a general intangible or a buyer, other
 28 than a secured party, of collateral other than ~~tangible chattel paper, tangible documents,~~ electronic
 29 money, goods, instruments, tangible documents, or a certificated security takes free of a security
 30 interest if the licensee or buyer gives value without knowledge of the security interest and before
 31 it is perfected.

32 (e) ~~Purchase-money security interest.~~ Purchase-Money Security Interest. – Except as
 33 otherwise provided in G.S. 25-9-320 and G.S. 25-9-321, if a person files a financing statement
 34 with respect to a purchase-money security interest before or within 20 days after the debtor
 35 receives delivery of the collateral, the security interest takes priority over the rights of a buyer,
 36 lessee, or lien creditor ~~which that~~ arise between the time the security interest attaches and the
 37 time of filing.

38 (f) Buyers of Chattel Paper. – A buyer, other than a secured party, of chattel paper takes
 39 free of a security interest if, without knowledge of the security interest and before it is perfected,
 40 the buyer gives value and does both of the following:

41 (1) Receives delivery of each authoritative tangible copy of the record evidencing
 42 the chattel paper.

43 (2) If each authoritative electronic copy of the record evidencing the chattel paper
 44 can be subjected to control under G.S. 25-9-105, obtains control of each
 45 authoritative electronic copy.

46 (g) Buyers of Electronic Documents. – A buyer of an electronic document takes free of a
 47 security interest if, without knowledge of the security interest and before it is perfected, the buyer
 48 gives value and, if each authoritative electronic copy of the document can be subjected to control
 49 under G.S. 25-7-106, obtains control of each authoritative electronic copy.

1 (h) Buyers of Controllable Electronic Records. – A buyer of a controllable electronic
2 record takes free of a security interest if, without knowledge of the security interest and before it
3 is perfected, the buyer gives value and obtains control of the controllable electronic record.

4 (i) Buyers of Controllable Accounts and Controllable Payment Intangibles. – A buyer,
5 other than a secured party, of a controllable account or a controllable payment intangible takes
6 free of a security interest if, without knowledge of the security interest and before it is perfected,
7 the buyer gives value and obtains control of the controllable account or controllable payment
8 intangible."

9 **SECTION 26.** G.S. 25-9-323 reads as rewritten:

10 **"§ 25-9-323. Future advances.**

11 (a) ~~When priority based on time of advance.~~—Priority Based on Time of Advance. –
12 Except as otherwise provided in subsection (c) of this section, for purposes of determining the
13 priority of a perfected security interest under G.S. 25-9-322(a)(1), perfection of the security
14 interest dates from the time an advance is made to the extent that the security interest secures an
15 advance ~~that~~that meets both of the following conditions:

16 (1) ~~Is~~The advance is made while the security interest is perfected ~~only~~only under
17 either of the following:

18 a. Under G.S. 25-9-309 when it ~~attaches~~or attaches.

19 b. Temporarily under ~~G.S. 25-9-312(e), (f), or (g); and~~G.S. 25-9-312(e),
20 (f), or (g).

21 (2) ~~Is~~The advance is not made pursuant to a commitment entered into before or
22 while the security interest is perfected by a method other than under
23 G.S. 25-9-309 or G.S. 25-9-312(e), (f), or (g).

24 (b) ~~Lien creditor.~~—Creditor. – Except as otherwise provided in subsection (c) of this
25 section, a security interest is subordinate to the rights of a person that becomes a lien creditor to
26 the extent that the security interest secures an advance made more than 45 days after the person
27 becomes a lien creditor unless the advance is ~~made~~made under either of the following
28 circumstances:

29 (1) Without knowledge of the ~~lien~~or lien.

30 (2) Pursuant to a commitment entered into without knowledge of the lien.

31 (c) ~~Buyer of receivables.~~—Receivables. – Subsections (a) and (b) of this section do not
32 apply to a security interest held by a secured party that is a buyer of accounts, chattel paper,
33 payment intangibles, or promissory notes or a consignor.

34 (d) ~~Buyer of goods.~~—Goods. – Except as otherwise provided in subsection (e) of this
35 section, a buyer of goods ~~other than a buyer in ordinary course of business~~ takes free of a security
36 interest to the extent that it secures advances made after the earlier ~~of~~of the following:

37 (1) The time the secured party acquires knowledge of the buyer's ~~purchase~~;
38 or purchase.

39 (2) ~~45~~Forty-five days after the purchase.

40 (e) ~~Advances made pursuant to commitment; priority of buyer of goods.~~—Made Pursuant
41 to Commitment; Priority of Buyer of Goods. – Subsection (d) of this section does not apply if
42 the advance is made pursuant to a commitment entered into without knowledge of the buyer's
43 purchase and before the expiration of the 45-day period.

44 (f) ~~Lessee of goods.~~—Goods. – Except as otherwise provided in subsection (g) of this
45 section, a lessee of goods, ~~other than a lessee in ordinary course of business,~~ goods takes the
46 leasehold interest free of a security interest to the extent that it secures advances made after the
47 earlier ~~of~~of the following:

48 (1) The time the secured party acquires knowledge of the ~~lease~~or lease.

49 (2) ~~45~~Forty-five days after the lease contract becomes enforceable.

50 (g) ~~Advances made pursuant to commitment; priority of lessee of goods.~~—Made Pursuant
51 to Commitment; Priority of Lessee of Goods. – Subsection (f) of this section does not apply if

1 the advance is made pursuant to a commitment entered into without knowledge of the lease and
2 before the expiration of the 45-day period."

3 **SECTION 27.** G.S. 25-9-324 reads as rewritten:

4 "**§ 25-9-324. Priority of purchase-money security interests.**

5 (a) ~~General rule: purchase-money priority.~~ Rule for Purchase-Money Priority. – Except
6 as otherwise provided in subsection (g) of this section, a perfected purchase-money security
7 interest in goods other than inventory or livestock has priority over a conflicting security interest
8 in the same goods, and, except as otherwise provided in G.S. 25-9-327, a perfected security
9 interest in its identifiable proceeds also has priority, if the purchase-money security interest is
10 perfected when the debtor receives possession of the collateral or within 20 days thereafter.

11 (b) ~~Inventory purchase-money priority.~~ Purchase-Money Priority. – Subject to
12 subsection (c) of this section and except as otherwise provided in subsection (g) of this section,
13 a perfected purchase-money security interest in inventory has priority over a conflicting security
14 interest in the same inventory, has priority over a conflicting security interest in chattel paper or
15 an instrument constituting proceeds of the inventory and in proceeds of the chattel paper, if so
16 provided in G.S. 25-9-330, and, except as otherwise provided in G.S. 25-9-327, also has priority
17 in identifiable cash proceeds of the inventory to the extent the identifiable cash proceeds are
18 received on or before the delivery of the inventory to a buyer, ~~if~~ if all of the following apply:

- 19 (1) The purchase-money security interest is perfected when the debtor receives
20 possession of the ~~inventory;~~ inventory.
- 21 (2) The purchase-money secured party sends ~~an authenticated~~ a signed
22 notification to the holder of the conflicting security ~~interest;~~ interest.
- 23 (3) The holder of the conflicting security interest receives the notification within
24 five years before the debtor receives possession of the ~~inventory;~~
25 and inventory.
- 26 (4) The notification states that the person sending the notification has or expects
27 to acquire a purchase-money security interest in inventory of the debtor and
28 describes the inventory.

29 (c) ~~Holders of conflicting inventory security interests to be notified.~~ Conflicting
30 Inventory Security Interests to be Notified. – Subdivisions (b)(2) through (b)(4) of this section
31 apply only if the holder of the conflicting security interest had filed a financing statement
32 covering the same types of ~~inventory;~~ inventory as follows:

- 33 (1) If the purchase-money security interest is perfected by filing, before the date
34 of the ~~filing;~~ or filing.
- 35 (2) If the purchase-money security interest is temporarily perfected without filing
36 or possession under G.S. 25-9-312(f), before the beginning of the 20-day
37 period ~~thereunder;~~ under that provision.

38 (d) ~~Livestock purchase-money priority.~~ Purchase-Money Priority. – Subject to
39 subsection (e) of this section and except as otherwise provided in subsection (g) of this section,
40 a perfected purchase-money security interest in livestock that are farm products has priority over
41 a conflicting security interest in the same livestock, and, except as otherwise provided in
42 G.S. 25-9-327, a perfected security interest in their identifiable proceeds and identifiable
43 products in their unmanufactured states also has priority, ~~if~~ if all of the following apply:

- 44 (1) The purchase-money security interest is perfected when the debtor receives
45 possession of the ~~livestock;~~ livestock.
- 46 (2) The purchase-money secured party sends ~~an authenticated~~ a signed
47 notification to the holder of the conflicting security ~~interest;~~ interest.
- 48 (3) The holder of the conflicting security interest receives the notification within
49 six months before the debtor receives possession of the ~~livestock;~~
50 and livestock.

(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) ~~Holders of conflicting livestock security interests to be notified. — Conflicting Livestock Security Interests to be Notified. — Subdivisions (d)(2) through (d)(4) of this section apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of livestock; livestock as follows:~~

(1) If the purchase-money security interest is perfected by filing, before the date of the ~~filing; or~~ filing.

(2) If the purchase-money security interest is temporarily perfected without filing or possession under G.S. 25-9-312(f), before the beginning of the 20-day period ~~thereunder.~~ under that provision.

(f) ~~Software purchase-money priority. — Purchase-Money Priority. — Except as otherwise provided in subsection (g) of this section, 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 G.S. 25-9-327, 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) ~~Conflicting purchase-money security interests. — Purchase-Money Security Interests. — If more than one security interest qualifies for priority in the same collateral under subsection (a), (b), (d), or (f) of this section; section, the following provisions apply:~~

(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~~ collateral.

(2) In all other cases, G.S. 25-9-322(a) applies to the qualifying security interests."

SECTION 28. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

"§ 25-9-326.1. Priority of security interest in controllable account, controllable electronic record, and controllable payment intangible.

A security interest in a controllable account, controllable electronic record, or controllable payment intangible held by a secured party having control of the account, electronic record, or payment intangible has priority over a conflicting security interest held by a secured party that does not have control."

SECTION 29. G.S. 25-9-330 reads as rewritten:

"§ 25-9-330. Priority of purchaser of chattel paper or instrument.

(a) ~~Purchaser's priority: security interest claimed merely as proceeds. — Priority; Security Interest Claimed Merely as Proceeds. — A purchaser of chattel paper has priority over a security interest in the chattel paper which that is claimed merely as proceeds of inventory subject to a security interest if: if both of the following requirements are met:~~

(1) In good faith and in the ordinary course of the purchaser's business, the purchaser gives new ~~value and~~ value, takes possession of each authoritative tangible copy of the record evidencing the chattel paper or paper, and obtains control of the chattel paper under G.S. 25-9-105; and under G.S. 25-9-105 of each authoritative electronic copy of the record evidencing the chattel paper.

(2) ~~The chattel paper does~~ authoritative copies of the record evidencing the chattel paper ~~do not~~ indicate that ~~it~~ the chattel paper has been assigned to an identified assignee other than the purchaser.

1 (b) Purchaser's ~~priority; other security interests.~~ Priority; Other Security Interests. – A
 2 purchaser of chattel paper has priority over a security interest in the chattel paper ~~which that~~ is
 3 claimed other than merely as proceeds of inventory subject to a security interest if the purchaser
 4 gives new ~~value and value,~~ value, takes possession of each authoritative tangible copy of the record
 5 evidencing the chattel paper or paper, and obtains control of ~~under G.S. 25-9-105~~ of each
 6 authoritative electronic copy of the record evidencing the chattel paper under G.S. 25-9-105 in
 7 good faith, in the ordinary course of the purchaser's business, and without knowledge that the
 8 purchase violates the rights of the secured party.

9 (c) ~~Chattel paper purchaser's priority in proceeds.~~ Paper Purchaser's Priority in
 10 Proceeds. – Except as otherwise provided in G.S. 25-9-327, a purchaser having priority in chattel
 11 paper under subsection (a) or (b) of this section also has priority in proceeds of the chattel paper
 12 to the extent ~~that that~~ either of the following applies:

13 (1) G.S. 25-9-322 provides for priority in the ~~proceeds; or~~ proceeds.

14 (2) The proceeds consist of the specific goods covered by the chattel paper or cash
 15 proceeds of the specific goods, even if the purchaser's security interest in the
 16 proceeds is unperfected.

17 (d) ~~Instrument purchaser's priority.~~ Purchaser's Priority. – Except as otherwise provided
 18 in G.S. 25-9-331(a), a purchaser of an instrument has priority over a security interest in the
 19 instrument perfected by a method other than possession if the purchaser gives value and takes
 20 possession of the instrument in good faith and without knowledge that the purchase violates the
 21 rights of the secured party.

22 (e) ~~Holder of purchase-money security interest gives new value.~~ Purchase-Money
 23 Security Interest Gives New Value. – For purposes of subsections (a) and (b) of this section, the
 24 holder of a purchase-money security interest in inventory gives new value for chattel paper
 25 constituting proceeds of the inventory.

26 (f) ~~Indication of assignment gives knowledge.~~ Assignment Gives Knowledge. – For
 27 purposes of subsections (b) and (d) of this section, if the authoritative copies of the record
 28 evidencing chattel paper or an instrument indicates indicate that it the ~~chattel paper or instrument~~
 29 has been assigned to an identified secured party other than the purchaser, a purchaser of the
 30 chattel paper or instrument has knowledge that the purchase violates the rights of the secured
 31 party."

32 **SECTION 30.** G.S. 25-9-331 reads as rewritten:

33 "**§ 25-9-331. Priority of rights of purchasers of instruments, controllable accounts,**
 34 **controllable electronic records, controllable payment intangibles, documents,**
 35 **instruments, and securities under other Articles; priority of interests in financial**
 36 **assets and security entitlements and protection against assertion of claim under**
 37 **Article 8. Articles 8 and 12.**

38 (a) ~~Rights under Articles 3, 7, and 8 not limited.~~ Under Articles 3, 7, 8, and 12 Not
 39 Limited. – This Article does not limit the rights of a holder in due course of a negotiable
 40 instrument, a holder to which a negotiable document of title has been duly negotiated, ~~or~~
 41 a protected purchaser of a ~~security.~~ security, or a qualifying purchaser of a controllable account,
 42 controllable electronic record, or controllable payment intangible. These holders or purchasers
 43 take priority over an earlier security interest, even if perfected, to the extent provided in Articles
 44 3, 7, ~~and 8,~~ and 12 of this Chapter.

45 (b) ~~Protection under Article 8.~~ Under Articles 8 and 12. – This Article does not limit the
 46 rights of or impose liability on a person to the extent that the person is protected against the
 47 assertion of a claim under Article 8 or 12 of this Chapter.

48 (c) ~~Filing not notice.~~ Not Notice. – Filing under this Article does not constitute notice
 49 of a claim or defense to the holders, ~~or~~ purchasers, or persons described in subsections (a) and
 50 (b) of this section."

51 **SECTION 31.** G.S. 25-9-332 reads as rewritten:

1 **"§ 25-9-332. Transfer of money; transfer of funds from deposit account.**

2 (a) Transferee of ~~money.~~ Tangible Money. – A transferee of tangible money takes the
3 money free of a security interest ~~unless the transferee acts if the transferee receives possession~~
4 of the money without acting in collusion with the debtor in violating the rights of the secured
5 party.

6 (b) Transferee of ~~funds.~~ Funds from deposit account. Deposit Account. – A transferee of
7 funds from a deposit account takes the funds free of a security interest in the deposit account
8 ~~unless the transferee acts if the transferee receives the funds without acting~~ in collusion with the
9 debtor in violating the rights of the secured party.

10 (c) Transferee of Electronic Money. – A transferee of electronic money takes the money
11 free of a security interest if the transferee obtains control of the money without acting in collusion
12 with the debtor in violating the rights of the secured party."

13 **SECTION 32.** G.S. 25-9-334 reads as rewritten:

14 **"§ 25-9-334. Priority of security interests in fixtures and crops.**

15 (a) Security ~~interest in fixtures under this Article.~~ Interest in Fixtures Under this Article.
16 –A security interest under this Article may be created in goods that are fixtures or may continue
17 in goods that become fixtures. A security interest does not exist under this Article in ordinary
18 building materials incorporated into an improvement on land.

19 (b) Security ~~interest in fixtures under real property law.~~ Interest in Fixtures Under Real
20 Property Law. – This Article does not prevent creation of an encumbrance upon fixtures under
21 real property law.

22 (c) ~~General rule: subordination of security interest in fixtures.~~ Rule for Subordination
23 of Security Interest in Fixtures. – In cases not governed by subsections (d) through (h) of this
24 section, a security interest in fixtures is subordinate to a conflicting interest of an encumbrancer
25 or owner of the related real property other than the debtor.

26 (d) ~~Fixtures purchase-money priority.~~ Purchase-Money Priority. – Except as otherwise
27 provided in subsection (h) of this section, a perfected security interest in fixtures has priority over
28 a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest
29 of record in or is in possession of the real property ~~and~~ and all of the following apply:

30 (1) The security interest is a purchase-money security ~~interest;~~ interest.

31 (2) The interest of the encumbrancer or owner arises before the goods become
32 ~~fixtures;~~ fixtures.

33 (3) The security interest is perfected by a fixture filing before the goods become
34 fixtures or within 20 days thereafter.

35 (e) ~~Priority of security interest in fixtures over interests in real property.~~ Security
36 Interest in Fixtures over Interests in Real Property. – A perfected security interest in fixtures has
37 priority over a conflicting interest of an encumbrancer or owner of the real property ~~if~~ if any of
38 the following applies:

39 (1) The debtor has an interest of record in the real property or is in possession of
40 the real property and both of the following apply to the security interest:

41 a. ~~Is~~ The security interest is perfected by a fixture filing before the
42 interest of the encumbrancer or owner is of ~~record;~~ and record.

43 b. ~~Has~~ The security interest has priority over any conflicting interest of a
44 predecessor in title of the encumbrancer or ~~owner;~~ owner.

45 (2) Before the goods become fixtures, the security interest is perfected by any
46 method permitted by this Article and the fixtures are any of the following
47 readily removable; removable goods:

48 a. Factory or office ~~machines;~~ machines.

49 b. Equipment that is not primarily used or leased for use in the operation
50 of the real ~~property;~~ property.

51 c. Replacements of domestic appliances that are consumer ~~goods;~~ goods.

1 (3) The conflicting interest is a lien on the real property obtained by legal or
2 equitable proceedings after the security interest was perfected by any method
3 permitted by this ~~Article; or Article.~~

4 (4) The security interest ~~is; is~~ created
5 a. ~~Created~~ in a manufactured home in a manufactured-home ~~transaction;~~
6 ~~and transaction and perfected~~
7 b. ~~Perfected~~ pursuant to a statute described in G.S. 25-9-311(a)(2).

8 (f) Priority ~~based on consent, disclaimer, or right to remove.~~ Based on Consent,
9 Disclaimer, or Right to Remove. – A security interest in fixtures, whether or not perfected, has
10 priority over a conflicting interest of an encumbrancer or owner of the real property ~~if; if either~~
11 of the following applies:

12 (1) The encumbrancer or owner has, in ~~an authenticated a signed~~ record,
13 consented to the security interest or disclaimed an interest in the goods as
14 ~~fixtures; or fixtures.~~

15 (2) The debtor has a right to remove the goods as against the encumbrancer or
16 owner.

17 (g) Continuation of ~~subdivision (f)(2) priority.~~ Subdivision (f)(2) Priority. – The
18 priority of the security interest under subdivision (f)(2) of this section continues for a reasonable
19 time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

20 (h) Priority of ~~construction mortgage.~~ Construction Mortgage. – A mortgage is a
21 construction mortgage to the extent that it secures an obligation incurred for the construction of
22 an improvement on land, including the acquisition cost of the land, if a recorded record of the
23 mortgage so indicates. Except as otherwise provided in subsections (e) and (f) of this section, a
24 security interest in fixtures is subordinate to a construction mortgage if a record of the mortgage
25 is recorded before the goods become fixtures and the goods become fixtures before the
26 completion of the construction. A mortgage has this priority to the same extent as a construction
27 mortgage to the extent that it is given to refinance a construction mortgage.

28 (i) Priority of ~~security interest in crops.~~ Security Interest in Crops. – Except as provided
29 in G.S. 42-15, a perfected security interest in crops growing on real property has priority over a
30 conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest
31 of record in or is in possession of the real property."

32 **SECTION 33.** G.S. 25-9-341 reads as rewritten:

33 "**§ 25-9-341. Bank's rights and duties with respect to deposit account.**

34 Except as otherwise provided in G.S. 25-9-340(c), and unless the bank otherwise agrees in
35 ~~an authenticated a signed~~ record, a bank's rights and duties with respect to a deposit account
36 maintained with the bank are not terminated, suspended, or modified ~~by; by any of the following:~~

37 (1) The creation, attachment, or perfection of a security interest in the deposit
38 ~~account; account.~~

39 (2) The bank's knowledge of the security ~~interest; or interest.~~

40 (3) The bank's receipt of instructions from the secured party."

41 **SECTION 34.** G.S. 25-9-404 reads as rewritten:

42 "**§ 25-9-404. Rights acquired by assignee; claims and defenses against assignee.**

43 (a) Assignee's ~~rights subject to terms, claims, and defenses; exceptions.~~ Rights Subject
44 to Terms, Claims, and Defenses; Exceptions. – Unless an account debtor has made an enforceable
45 agreement not to assert defenses or claims, and subject to subsections (b) through (e) of this
46 section, the rights of an assignee are subject ~~to; to both of the following:~~

47 (1) All terms of the agreement between the account debtor and assignor and any
48 defense or claim in recoupment arising from the transaction that gave rise to
49 the ~~contract; and contract.~~

1 (2) Any other defense or claim of the account debtor against the assignor ~~which~~
2 ~~that~~ accrues before the account debtor receives a notification of the assignment
3 ~~authenticated signed~~ by the assignor or the assignee.

4 (b) ~~Account debtor's claim reduces amount owed to assignee.~~ Debtor's Claim Reduces
5 Amount Owed to Assignee. – Subject to subsection (c) of this section and except as otherwise
6 provided in subsection (d) of this section, the claim of an account debtor against an assignor may
7 be asserted against an assignee under subsection (a) of this section only to reduce the amount the
8 account debtor owes.

9 (c) ~~Rule for individual under other law.~~ Individual Under Other Law. – This section is
10 subject to law other than this Article ~~which that~~ establishes a different rule for an account debtor
11 who is an individual and who incurred the obligation primarily for personal, family, or household
12 purposes.

13 (d) ~~Omission of required statement in consumer transaction.~~ Required Statement in
14 Consumer Transaction. – In a consumer transaction, if a record evidences the account debtor's
15 obligation, law other than this Article requires that the record include a statement to the effect
16 that the account debtor's recovery against an assignee with respect to claims and defenses against
17 the assignor ~~may shall~~ not exceed amounts paid by the account debtor under the record, and the
18 record does not include ~~such a this~~ statement, the extent to which a claim of an account debtor
19 against the assignor may be asserted against an assignee is determined as if the record included
20 ~~such a this~~ statement.

21 (e) ~~Inapplicability to health care insurance receivable.~~ Health-Care-Insurance
22 Receivable. – This section does not apply to an assignment of a health-care-insurance
23 receivable."

24 **SECTION 35.** G.S. 25-9-406 reads as rewritten:

25 "**§ 25-9-406. Discharge of account debtor; notification of assignment; identification and**
26 **proof of assignment; restrictions on assignment of accounts, chattel paper,**
27 **payment intangibles, and promissory notes ineffective.**

28 (a) ~~Discharge of account debtor; effect of notification.~~ Account Debtor; Effect of
29 Notification. – Subject to subsections (b) through (i) ~~and (l)~~ of this section, an account debtor on
30 an account, chattel paper, or a payment intangible may discharge its obligation by paying the
31 assignor until, but not after, the account debtor receives a notification, ~~authenticated signed~~ by
32 the assignor or the assignee, that the amount due or to become due has been assigned and that
33 payment is to be made to the assignee. After receipt of the notification, the account debtor may
34 discharge its obligation by paying the assignee and ~~may shall~~ not discharge the obligation by
35 paying the assignor.

36 (b) ~~When notification ineffective.~~ Notification Ineffective. – Subject to ~~subsection (h)~~
37 ~~subsections (h) and (l)~~ of this section, notification is ineffective under subsection (a) of this
38 ~~section;~~ section under any of the following conditions:

39 (1) If it does not reasonably identify the rights ~~assigned;~~ assigned.

40 (2) To the extent that an agreement between an account debtor and a seller of a
41 payment intangible limits the account debtor's duty to pay a person other than
42 the seller and the limitation is effective under law other than this ~~Article;~~
43 ~~or Article.~~

44 (3) At the option of an account debtor, if the notification notifies the account
45 debtor to make less than the full amount of any installment or other periodic
46 payment to the assignee, even ~~if~~ if any of the following applies:

47 a. Only a portion of the account, chattel paper, or payment intangible has
48 been assigned to that ~~assignee;~~ assignee.

49 b. A portion has been assigned to another ~~assignee;~~ or assignee.

50 c. The account debtor knows that the assignment to that assignee is
51 limited.

1 (c) Proof of ~~assignment.~~—Assignment. — Subject to ~~subsection (h)~~ subsections (h) and
2 (l) of this section, if requested by the account debtor, an assignee shall seasonably furnish
3 reasonable proof that the assignment has been made. Unless the assignee complies, the account
4 debtor may discharge its obligation by paying the assignor, even if the account debtor has
5 received a notification under subsection (a) of this section.

6 (d) Term ~~restricting assignment generally ineffective.~~—Restricting Assignment
7 Generally Ineffective. — In this subsection, "promissory note" includes a negotiable instrument
8 that evidences chattel paper. Except as otherwise provided in subsection (e) of this section and
9 G.S. 25-2A-303 and G.S. 25-9-407, and subject to subsection (h) of this section, a term in an
10 agreement between an account debtor and an assignor or in a promissory note is ineffective to
11 the extent that ~~it~~ it does either of the following:

- 12 (1) Prohibits, restricts, or requires the consent of the account debtor or person
13 obligated on the promissory note to the assignment or transfer of, or the
14 creation, attachment, perfection, or enforcement of a security interest in, the
15 account, chattel paper, payment intangible, or promissory ~~note;~~ or note.
- 16 (2) Provides that the assignment or transfer or the creation, attachment,
17 perfection, or enforcement of the security interest may give rise to a default,
18 breach, right of recoupment, claim, defense, termination, right of termination,
19 or remedy under the account, chattel paper, payment intangible, or promissory
20 note.

21 (e) Inapplicability of ~~subsection (d) to certain sales.~~—Subsection (d) to Certain Sales. —
22 Subsection (d) of this section does not apply to the sale of a payment intangible or promissory
23 note, other than a sale pursuant to a disposition under G.S. 25-9-610 or an acceptance of collateral
24 under G.S. 25-9-620.

25 (f) Legal ~~restrictions on assignment generally ineffective.~~—Restrictions on Assignment
26 Generally Ineffective. — Except as otherwise provided in G.S. 25-2A-303 and G.S. 25-9-407 and
27 subject to subsections (h) and (i) of this section, a rule of ~~law, statute, or regulation~~ law that
28 prohibits, restricts, or requires the consent of a government, governmental body or official, or
29 account debtor to the assignment or transfer of, or creation of a security interest in, an account or
30 chattel paper is ineffective to the extent that the rule of ~~law, statute, or regulation;~~ law does either
31 of the following:

- 32 (1) Prohibits, restricts, or requires the consent of the government, governmental
33 body or official, or account debtor to the assignment or transfer of, or the
34 creation, attachment, perfection, or enforcement of a security interest in the
35 account or chattel ~~paper;~~ paper.
- 36 (2) Provides that the assignment or transfer or the creation, attachment,
37 perfection, or enforcement of the security interest may give rise to a default,
38 breach, right of recoupment, claim, defense, termination, right of termination,
39 or remedy under the account or chattel paper.

40 (g) Subdivision (b)(3) ~~not waivable.~~—Not Waivable. — Subject to ~~subsection (h)~~
41 subsections (h) and (l) of this section, an account debtor ~~may~~ shall not waive or vary its option
42 under subdivision (b)(3) of this section.

43 (h) Rule for ~~individual under other law.~~—Individual Under Other Law. — This section is
44 subject to law other than this Article ~~which~~ that establishes a different rule for an account debtor
45 who is an individual and who incurred the obligation primarily for personal, family, or household
46 purposes.

47 ...

48 (j) Section ~~prevails over inconsistent law.~~—Prevails over Inconsistent Law. — Except to
49 the extent otherwise provided in subsection (i) of this section, this section prevails over any
50 inconsistent provision of an existing or future ~~statute, rule, or regulation;~~ statute or rule of this

1 State unless the provision is contained in a statute of this State, refers expressly to this section,
2 and states that the provision prevails over this section.

3 ~~(k)~~ Reserved for future codification purposes.

4 ~~(l)~~ Inapplicability of Certain Subsections. – Subsections (a), (b), (c), and (g) of this
5 section do not apply to a controllable account or controllable payment intangible."

6 **SECTION 36.** G.S. 25-9-408 reads as rewritten:

7 "**§ 25-9-408. Restrictions on assignment of promissory notes, health-care-insurance**
8 **receivables, and certain general intangibles ineffective.**

9 (a) ~~Term restricting assignment generally ineffective. —~~Restricting Assignment
10 Generally Ineffective. – Except as otherwise provided in subsection (b) of this section, a term in
11 a promissory note or in an agreement between an account debtor and a debtor ~~which that~~ relates
12 to a health-care-insurance receivable or a general intangible, including a contract, permit, license,
13 or franchise, and ~~which term that~~ prohibits, restricts, or requires the consent of the person
14 obligated on the promissory note or the account debtor to, the assignment or transfer of, or
15 creation, attachment, or perfection of a security interest in, the promissory note,
16 health-care-insurance receivable, or general intangible, is ineffective to the extent that the
17 ~~term:term~~ would do or does either of the following:

18 (1) ~~Would impair the creation, attachment, or perfection of a security interest;~~
19 ~~or interest.~~

20 (2) Provides that the assignment or transfer or the creation, attachment, or
21 perfection of the security interest may give rise to a default, breach, right of
22 recoupment, claim, defense, termination, right of termination, or remedy
23 under the promissory note, health-care-insurance receivable, or general
24 intangible.

25 (b) ~~Applicability of subsection (a) to sales of certain rights to payment. —~~Subsection (a)
26 to Sales of Certain Rights to Payment. – Subsection (a) of this section applies to a security interest
27 in a payment intangible or promissory note only if the security interest arises out of a sale of the
28 payment intangible or promissory note, other than a sale pursuant to a disposition under
29 G.S. 25-9-610 or an acceptance of collateral under G.S. 25-9-620.

30 (c) ~~Legal restrictions on assignment generally ineffective. —~~Restrictions on Assignment
31 Generally Ineffective. – A rule of law, statute, or regulation ~~law~~ that prohibits, restricts, or
32 requires the consent of a government, governmental body or official, person obligated on a
33 promissory note, or account debtor to the assignment or transfer of, or creation of a security
34 interest in, a promissory note, health-care-insurance receivable, or general intangible, including
35 a contract, permit, license, or franchise between an account debtor and a debtor, is ineffective to
36 the extent that the rule of law, statute, or regulation ~~law~~ would do or does either of the following:

37 (1) ~~Would impair the creation, attachment, or perfection of a security interest;~~
38 ~~or interest.~~

39 (2) Provides that the assignment or transfer or the creation, attachment, or
40 perfection of the security interest may give rise to a default, breach, right of
41 recoupment, claim, defense, termination, right of termination, or remedy
42 under the promissory note, health-care-insurance receivable, or general
43 intangible.

44 (d) ~~Limitation on ineffectiveness under subsections (a) and (c). —~~Ineffectiveness Under
45 Subsections (a) and (c). – To the extent that a term in a promissory note or in an agreement
46 between an account debtor and a debtor ~~which that~~ relates to a health-care-insurance receivable
47 or general intangible or a rule of law, statute, or regulation ~~law~~ described in subsection (c) of this
48 section would be effective under law other than this Article but is ineffective under subsection
49 (a) or (c) of this section, all of the following apply to the creation, attachment, or perfection of a
50 security interest in the promissory note, health-care-insurance receivable, or general intangible:

- 1 (1) ~~Is~~The security interest is not enforceable against the person obligated on the
2 promissory note or the account ~~debtor;~~debtor.
- 3 (2) ~~Does~~The security interest does not impose a duty or obligation on the person
4 obligated on the promissory note or the account ~~debtor;~~debtor.
- 5 (3) ~~Does~~The security interest does not require the person obligated on the
6 promissory note or the account debtor to recognize the security interest, pay
7 or render performance to the secured party, or accept payment or performance
8 from the secured ~~party;~~party.
- 9 (4) ~~Does~~The security interest does not entitle the secured party to use or assign
10 the debtor's rights under the promissory note, health-care-insurance
11 receivable, or general intangible, including any related information or
12 materials furnished to the debtor in the transaction giving rise to the
13 promissory note, health-care-insurance receivable, or general
14 intangible;intangible.
- 15 (5) ~~Does~~The security interest does not entitle the secured party to use, assign,
16 possess, or have access to any trade secrets or confidential information of the
17 person obligated on the promissory note or the account ~~debtor;~~and debtor.
- 18 (6) ~~Does~~The security interest does not entitle the secured party to enforce the
19 security interest in the promissory note, health-care-insurance receivable, or
20 general intangible.

21 (e) Section ~~prevails over inconsistent law.~~Prevails over Inconsistent Law. – Except to
22 the extent otherwise provided in subsection (f) of this section, this section prevails over any
23 inconsistent provision of an existing or future ~~statute, rule, or regulation of statute or rule of~~ this
24 State unless the provision is contained in a statute of this State, refers expressly to this section,
25 and states that the provision prevails over this section.

26 ...

27 (g) "Promissory Note." – In this section, "promissory note" includes a negotiable
28 instrument that evidences chattel paper."

29 **SECTION 37.** G.S. 25-9-509 reads as rewritten:

30 "**§ 25-9-509. Persons entitled to file a record.**

31 (a) Person ~~entitled to file record.~~Entitled to File Record. – A person may file an initial
32 financing statement, amendment that adds collateral covered by a financing statement, or
33 amendment that adds a debtor to a financing statement only ~~if;~~if either of the following applies:

- 34 (1) The debtor authorizes the filing in ~~an authenticated a signed~~a signed record or pursuant
35 to subsection (b) or (c) of this ~~section;~~section.
- 36 (2) The person holds an agricultural lien that has become effective at the time of
37 filing and the financing statement covers only collateral in which the person
38 holds an agricultural lien.

39 (b) Security ~~agreement as authorization.~~Agreement as
40 Authorization. – By signing or becoming bound as debtor by a security agreement, a debtor or
41 new debtor authorizes the filing of an initial financing statement, and an amendment,
42 ~~covering;~~covering both of the following:

- 43 (1) The collateral described in the security ~~agreement;~~and agreement.
- 44 (2) Property that becomes collateral under G.S. 25-9-315(a)(2), whether or not
45 the security agreement expressly covers proceeds.

46 (c) Acquisition of ~~collateral as authorization.~~Collateral as Authorization. – By
47 acquiring collateral in which a security interest or agricultural lien continues under
48 G.S. 25-9-315(a)(1), a debtor authorizes the filing of an initial financing statement, and an
49 amendment, covering the collateral and property that becomes collateral under
50 G.S. 25-9-315(a)(2).

1 (d) ~~Person entitled to file certain amendments.~~—Entitled to File Certain Amendments.—
2 A person may file an amendment other than an amendment that adds collateral covered by a
3 financing statement or an amendment that adds a debtor to a financing statement only ~~if~~if either
4 of the following applies:

5 (1) The secured party of record authorizes the ~~filing;~~ or filing.

6 (2) The amendment is a termination statement for a financing statement as to
7 which the secured party of record has failed to file or send a termination
8 statement as required by G.S. 25-9-513(a) or (c), the debtor authorizes the
9 filing, and the termination statement indicates that the debtor authorized it to
10 be filed.

11 (e) ~~Multiple secured parties of record.~~—Secured Parties of Record.—If there is more than
12 one secured party of record for a financing statement, each secured party of record may authorize
13 the filing of an amendment under subsection (d) of this section."

14 **SECTION 38.** G.S. 25-9-513 reads as rewritten:

15 "**§ 25-9-513. Termination statement.**

16 (a) ~~Consumer goods.~~—Goods.—A secured party shall cause the secured party of record
17 for a financing statement to file a termination statement for the financing statement if the
18 financing statement covers consumer goods and either of the following applies:

19 (1) There is no obligation secured by the collateral covered by the financing
20 statement and no commitment to make an advance, incur an obligation, or
21 otherwise give ~~value;~~ or value.

22 (2) The debtor did not authorize the filing of the initial financing statement.

23 (b) ~~Time for compliance with subsection (a).~~—Compliance with Subsection (a).—To
24 comply with subsection (a) of this section, a secured party shall cause the secured party of record
25 to file the termination statement;statement by the earlier of the following:

26 (1) Within one month after there is no obligation secured by the collateral covered
27 by the financing statement and no commitment to make an advance, incur an
28 obligation, or otherwise give ~~value;~~ or value.

29 (2) ~~If earlier, within~~ Within 20 days after the secured party receives ~~an~~
30 ~~authenticated a signed~~ demand from a debtor.

31 (c) ~~Other collateral.~~—Collateral.—In cases not governed by subsection (a) of this section,
32 within 20 days after a secured party receives an authenticated a signed demand from a debtor,
33 the secured party shall cause the secured party of record for a financing statement to send to the
34 debtor a termination statement for the financing statement or file the termination statement in the
35 filing office ~~if~~if any of the following applies:

36 (1) Except in the case of a financing statement covering accounts or chattel paper
37 that has been sold or goods that are the subject of a consignment, there is no
38 obligation secured by the collateral covered by the financing statement and no
39 commitment to make an advance, incur an obligation, or otherwise give
40 ~~value;~~ value.

41 (2) The financing statement covers accounts or chattel paper that has been sold
42 but as to which the account debtor or other person obligated has discharged
43 its ~~obligation;~~ obligation.

44 (3) The financing statement covers goods that were the subject of a consignment
45 to the debtor but are not in the debtor's ~~possession;~~ or possession.

46 (4) The debtor did not authorize the filing of the initial financing statement.

47 (d) ~~Effect of filing termination statement.~~—Filing Termination Statement.—Except as
48 otherwise provided in G.S. 25-9-510, upon the filing of a termination statement with the filing
49 office, the financing statement to which the termination statement relates ceases to be effective.
50 Except as otherwise provided in G.S. 25-9-510, for purposes of G.S. 25-9-519(g), 25-9-522(a),
51 and 25-9-523(c), the filing with the filing office of a termination statement relating to a financing

1 statement that indicates that the debtor is a transmitting utility also causes the effectiveness of
2 the financing statement to lapse."

3 **SECTION 39.** G.S. 25-9-601 reads as rewritten:

4 "**§ 25-9-601. Rights after default; judicial enforcement; consignor or buyer of accounts,
5 chattel paper, payment intangibles, or promissory notes.**

6 (a) ~~Rights of secured party after default.~~ Secured Party After Default. – After default,
7 a secured party has the rights provided in this Part and, except as otherwise provided in
8 G.S. 25-9-602, those provided by agreement of the parties. A secured ~~party;~~ party may do both of
9 the following:

10 (1) May reduce a claim to judgment, foreclose, or otherwise enforce the claim,
11 security interest, or agricultural lien by any available judicial ~~procedure;~~
12 ~~and procedure.~~

13 (2) If the collateral is documents, may proceed either as to the documents or as to
14 the goods they cover.

15 (b) ~~Rights and duties of secured party in possession or control.~~ Duties of Secured Party
16 in Possession or Control. – A secured party in possession of collateral or control of collateral
17 under G.S. 25-7-106, 25-9-104, 25-9-105, 25-9-105.1, 25-9-106, or 25-9-107–25-9-107, or
18 25-9-107.1 has the rights and duties provided in G.S. 25-9-207.

19 (c) ~~Rights eumulative; simultaneous exercise.~~ Cumulative; Simultaneous Exercise. –
20 The rights under subsections (a) and (b) of this section are cumulative and may be exercised
21 simultaneously.

22 (d) ~~Rights of debtor and obligor.~~ Debtor and Obligor. – Except as otherwise provided
23 in subsection (g) of this section and G.S. 25-9-605, after default, a debtor and an obligor have the
24 rights provided in this Part and by agreement of the parties.

25 (e) ~~Lien of levy after judgment.~~ Levy After Judgment. – If a secured party has reduced
26 its claim to judgment, the lien of any levy that may be made upon the collateral by virtue of an
27 execution based upon the judgment relates back to the earliest ~~of~~ of the following:

28 (1) The date of perfection of the security interest or agricultural lien in the
29 ~~collateral;~~ collateral.

30 (2) The date of filing a financing statement covering the ~~collateral;~~ or collateral.

31 (3) Any date specified in a statute under which the agricultural lien was created.

32 (f) ~~Execution sale.~~ Sale. – A sale pursuant to an execution is a foreclosure of the
33 security interest or agricultural lien by judicial procedure within the meaning of this section. A
34 secured party may purchase at the sale and thereafter hold the collateral free of any other
35 requirements of this Article.

36 (g) ~~Consignor or buyer of certain rights to payment.~~ Buyer of Certain Rights to
37 Payment. – Except as otherwise provided in G.S. 25-9-607(c), this Part imposes no duties upon
38 a secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles,
39 or promissory notes."

40 **SECTION 40.** G.S. 25-9-605 reads as rewritten:

41 "**§ 25-9-605. Unknown debtor or secondary obligor.**

42 (a) ~~A No Duty Generally Owed by Secured Party.~~ A No Duty Generally Owed by Secured Party. – Except as provided in subsection (b)
43 of this section, a secured party does not owe a duty based on its status as secured ~~party;~~ party to
44 either of the following:

45 (1) To a person that is a debtor or obligor, unless the secured party ~~knows;~~ knows
46 all of the following:

47 a. That the person is a debtor or ~~obligor;~~ obligor.

48 b. The identity of the ~~person;~~ and person.

49 c. How to communicate with the ~~person;~~ or person.

50 (2) To a secured party or lienholder that has filed a financing statement against a
51 person, unless the secured party ~~knows;~~ knows both of the following:

1 a. That the person is a ~~debtor; and~~debtor.
 2 b. The identity of the person.
 3 (b) Exception When Secured Party Owes Duty to Debtor or Obligor. – A secured party
 4 owes a duty based on its status as a secured party to a person if, at the time the secured party
 5 obtains control of collateral that is a controllable account, controllable electronic record, or
 6 controllable payment intangible or at the time the security interest attaches to the collateral,
 7 whichever is later, both of the following apply:

- 8 (1) The person is a debtor or obligor.
- 9 (2) The secured party knows that the information in sub-subdivision (a)(1)a., b.,
 10 or c. of this section relating to the person is not provided by the collateral, a
 11 record attached to or logically associated with the collateral, or the system in
 12 which the collateral is recorded."

13 **SECTION 41.** G.S. 25-9-608 reads as rewritten:

14 "**§ 25-9-608. Application of proceeds of collection or enforcement; liability for deficiency**
 15 **and right to surplus.**

16 (a) Application of ~~proceeds, surplus, and deficiency if obligation secured.~~—Proceeds,
 17 Surplus, and Deficiency If Obligation Secured. – If a security interest or agricultural lien secures
 18 payment or performance of an obligation, the following rules apply:

- 19 (1) A secured party shall apply or pay over for application the cash proceeds of
 20 collection or enforcement under G.S. 25-9-607 to the following in the
 21 following order to:order:
 - 22 a. The reasonable expenses of collection and enforcement and, to the
 23 extent provided for by agreement and not prohibited by law,
 24 reasonable ~~attorney's~~attorneys' fees and legal expenses incurred by the
 25 secured ~~party;~~party.
 - 26 b. The satisfaction of obligations secured by the security interest or
 27 agricultural lien under which the collection or enforcement is ~~made;~~
 28 ~~and~~made.
 - 29 c. The satisfaction of obligations secured by any subordinate security
 30 interest in or other lien on the collateral subject to the security interest
 31 or agricultural lien under which the collection or enforcement is made
 32 if the secured party receives ~~an authenticated~~a signed demand for
 33 proceeds before distribution of the proceeds is completed.

34 ...

35 (b) ~~No surplus or deficiency in sales of certain rights to payment.~~—Surplus or Deficiency
 36 in Sales of Certain Rights to Payment. – If the underlying transaction is a sale of accounts, chattel
 37 paper, payment intangibles, or promissory notes, the debtor is not entitled to any surplus, and the
 38 obligor is not liable for any deficiency."

39 **SECTION 42.** G.S. 25-9-611 reads as rewritten:

40 "**§ 25-9-611. Notification before disposition of collateral.**

41 (a) "Notification ~~date.~~"—Date." – In this section, "notification date" means ~~the earlier of~~
 42 ~~the date on which:~~the date of the earlier of the following:

- 43 (1) A secured party sends to the debtor and any secondary obligor ~~an~~
 44 ~~authenticated~~a signed notification of ~~disposition;~~disposition.
- 45 (2) The debtor and any secondary obligor waive the right to notification.

46 (b) Notification of ~~disposition required.~~—Disposition Required. – Except as otherwise
 47 provided in subsection (d) of this section, a secured party that disposes of collateral under
 48 G.S. 25-9-610 shall send to the persons specified in subsection (c) of this section a reasonable
 49 authenticated~~signed~~ notification of disposition.

1 (c) Persons to be ~~notified.~~ Notified. – To comply with subsection (b) of this section, the
 2 secured party shall send ~~an authenticated~~ a signed notification of disposition ~~to~~ to all of the
 3 following:

4 (1) The ~~debtor;~~ debtor.

5 (2) Any secondary ~~obligor;~~ and obligor.

6 (3) If the collateral is other than consumer ~~goods;~~ goods, all of the following:

7 a. Any other person from which the secured party has received, before
 8 the notification date, ~~an authenticated~~ a signed notification of a claim
 9 of an interest in the ~~collateral;~~ collateral.

10 b. Any other secured party or lienholder that, 10 days before the
 11 notification date, held a security interest in or other lien on the
 12 collateral perfected by the filing of a financing statement ~~that;~~ that
 13 meets all of the following requirements:

14 1. Identified the ~~collateral;~~ collateral.

15 2. Was indexed under the debtor's name as of that ~~date;~~ and date.

16 3. Was filed in the office in which to file a financing statement
 17 against the debtor covering the collateral as of that ~~date;~~
 18 and date.

19 c. Any other secured party that, 10 days before the notification date, held
 20 a security interest in the collateral perfected by compliance with a
 21 statute, regulation, or treaty described in G.S. 25-9-311(a).

22 (d) Subsection (b) ~~inapplicable: perishable collateral; recognized market.~~ Inapplicable
 23 to Perishable Collateral or Recognized Market. – Subsection (b) of this section does not apply if
 24 the collateral is perishable or threatens to decline speedily in value or is of a type customarily
 25 sold on a recognized market.

26 (e) Compliance with ~~sub-subdivision~~ Sub-Subdivision (c)(3)b. – A secured party
 27 complies with the requirement for notification prescribed by sub-subdivision (c)(3)b. of this
 28 section ~~if;~~ if both of the following apply:

29 (1) Not later than 20 days or earlier than 30 days before the notification date, the
 30 secured party requests, in a commercially reasonable manner, information
 31 concerning financing statements indexed under the debtor's name in the office
 32 indicated in sub-subdivision (c)(3)b. of this ~~section;~~ and section.

33 (2) Before the notification date, ~~the secured party;~~ either of the following applied:

34 a. ~~Did~~ The secured party did not receive a response to the request for
 35 ~~information;~~ information.

36 b. ~~Received~~ The secured party received a response to the request for
 37 information and sent ~~an authenticated~~ a signed notification of
 38 disposition to each secured party or other lienholder named in that
 39 response whose financing statement covered the collateral."

40 **SECTION 43.** G.S. 25-9-613 reads as rewritten:

41 "**§ 25-9-613. Contents and form of notification before disposition of collateral: general.**

42 (a) Contents and Form of Notification. – Except in a consumer-goods transaction, the
 43 following rules apply:

44 (1) The contents of a notification of disposition are sufficient if the
 45 ~~notification;~~ notification does all of the following:

46 a. Describes the debtor and the secured ~~party;~~ party.

47 b. Describes the collateral that is the subject of the intended
 48 ~~disposition;~~ disposition.

49 c. States the method of intended ~~disposition;~~ 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 accounting.

e. States the time and place of a public disposition or the time after which any other disposition is to be made.

(2) Whether the contents of a notification that lacks any of the information specified in subdivision (1) of this ~~section~~ subsection are nevertheless sufficient is a question of fact.

(3) The contents of a notification providing substantially the information specified in subdivision (1) of this ~~section~~ subsection are sufficient, even if the notification ~~includes~~ includes either of the following:

a. Information not specified by that ~~subdivision~~ subdivision.

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 G.S. 25-9-614(3), when completed, G.S. 25-9-614(a)(3), when completed in accordance with the instructions in subsection (b) of this section and G.S. 25-9-614(b), 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) is/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]~~

"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)

{1} (Name of each debtor that is not an addressee)

{2} We will sell (describe collateral) (to the highest qualified bidder) at public sale. A sale could include a lease or license.

The sale will be held as follows:

(Date)

(Time)

(Place)

{3} We will sell (describe collateral) at private sale sometime after (date). A sale could include a lease or license.

- 1 {4} You are entitled to an accounting of the unpaid indebtedness
- 2 secured by the property that we intend to sell or, as applicable,
- 3 lease or license.
- 4 {5} If you request an accounting, you must pay a charge of \$
- 5 (amount).
- 6 {6} You may request an accounting by calling us at (telephone
- 7 number)."

8 (b) Instructions for Form of Notification. – The following instructions apply to the form
9 of notification in subdivision (a)(5) of this section:

- 10 (1) The instructions in this subsection refer to the numbers in braces before items
- 11 in the form of notification in subdivision (a)(5) of this section. Do not include
- 12 the numbers or braces in the notification. The numbers and braces are used
- 13 only for the purpose of these instructions.
- 14 (2) Include and complete item {1} only if there is a debtor that is not an addressee
- 15 of the notification and list the name or names.
- 16 (3) Include and complete either item {2}, if the notification relates to a public
- 17 disposition of the collateral, or item {3}, if the notification relates to a private
- 18 disposition of the collateral. If item {2} is included, include the words "to the
- 19 highest qualified bidder" only if applicable.
- 20 (4) Include and complete items {4} and {6}.
- 21 (5) Include and complete item {5} only if the sender will charge the recipient for
- 22 an accounting."

23 **SECTION 44.** G.S. 25-9-614 reads as rewritten:
24 "**§ 25-9-614. Contents and form of notification before disposition of collateral:**
25 **consumer-goods transaction.**

26 (a) Contents and Form of Notification. – In a consumer-goods transaction, the following
27 rules apply:

- 28 (1) A notification of disposition must provide all of the following information:
 - 29 a. The information specified in ~~G.S. 25-9-613(1);~~ G.S. 25-9-613(a)(1).
 - 30 b. A description of any liability for a deficiency of the person to which
 - 31 the notification is ~~sent;~~ sent.
 - 32 c. A telephone number from which the amount that must be paid to the
 - 33 secured party to redeem the collateral under G.S. 25-9-623 is
 - 34 ~~available;~~ and available.
 - 35 d. A telephone number or mailing address from which additional
 - 36 information concerning the disposition and the obligation secured is
 - 37 available.
- 38 (2) A particular phrasing of the notification is not required.
- 39 (3) The following form of notification, when ~~completed,~~ completed in accordance
- 40 with the instructions in subsection (b) of this section, provides sufficient
- 41 information:

42 ~~{Name and address of secured party}~~
43 ~~{Date}~~

44 NOTICE OF OUR PLAN TO SELL PROPERTY

45 ~~{Name and address of any obligor who is also a debtor}~~
46 ~~Subject: {Identification of Transaction}~~
47

48 We have your ~~{describe collateral},~~ because you broke promises in our agreement.
49

50 ~~{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 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]~~

~~_____
(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: (Identify transaction)

We have your (describe collateral), because you broke promises in our agreement.

{1} 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.

{2} We will sell (describe collateral) at private sale sometime after (date). A sale could include a lease or license.

{3} 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

- 1 more money than you owe, you will get the extra money, unless we
 2 must pay it to someone else.
- 3 {4} You can get the property back at any time before we sell it by paying
 4 us the full amount you owe, not just the past due payments, including
 5 our expenses. To learn the exact amount you must pay, call us at
 6 (telephone number).
- 7 {5} If you want us to explain to you in (writing) (writing or in (description
 8 of electronic record)) (description of electronic record) how we have
 9 figured the amount that you owe us, {6} call us at (telephone number)
 10 (or) (write us at (secured party's address)) (or contact us by
 11 (description of electronic communication method)) {7} and request (a
 12 written explanation) (a written explanation or an explanation in
 13 (description of electronic record)) (an explanation in (description of
 14 electronic record)).
- 15 {8} We will charge you \$ (amount) for the explanation if we sent you
 16 another written explanation of the amount you owe us within the last
 17 six months.
- 18 {9} If you need more information about the sale (call us at (telephone
 19 number)) (or) (write us at (secured party's address)) (or contact us by
 20 (description of electronic communication method)).
- 21 {10} We are sending this notice to the following other people who have an
 22 interest in (describe collateral) or who owe money under your
 23 agreement: (Names of all other debtors and obligors, if any)."
- 24 (4) A notification in the form of subdivision (3) of this ~~section~~-subsection is
 25 sufficient, even if additional information appears at the end of the form.
- 26 (5) A notification in the form of subdivision (3) of this ~~section~~-subsection is
 27 sufficient, even if it includes errors in information not required by subdivision
 28 (1) of this ~~section~~-subsection, unless the error is misleading with respect to
 29 rights arising under this Article.
- 30 (6) If a notification under this section is not in the form of subdivision (3) of this
 31 ~~section~~-subsection, law other than this Article determines the effect of
 32 including information not required by subdivision (1) of this
 33 ~~section~~-subsection.
- 34 (b) Instructions for Form of Notification. – The following instructions apply to the form
 35 of notification in subdivision (a)(3) of this section:
- 36 (1) The instructions in this subsection refer to the numbers in braces before items
 37 in the form of notification in subdivision (a)(3) of this section. Do not include
 38 the numbers or braces in the notification. The numbers and braces are used
 39 only for the purpose of these instructions.
- 40 (2) Include and complete either item {1}, if the notification relates to a public
 41 disposition of the collateral, or item {2}, if the notification relates to a private
 42 disposition of the collateral.
- 43 (3) Include and complete items {3}, {4}, {5}, {6}, and {7}.
- 44 (4) In item {5}, include and complete any one of the three alternative methods for
 45 the explanation – writing, writing or electronic record, or electronic record.
- 46 (5) In item {6}, include the telephone number. In addition, the sender may include
 47 and complete either or both of the two additional alternative methods of
 48 communication – writing or electronic communication – for the recipient of
 49 the notification to communicate with the sender. Neither of the two additional
 50 methods of communication is required to be included.

- 1 (6) In item {7}, include and complete the method or methods for the explanation
2 – writing, writing or electronic record, or electronic record – included in item
3 {5}.
- 4 (7) Include and complete item {8} only if a written explanation is included in item
5 {5} as a method for communicating the explanation and the sender will charge
6 the recipient for another written explanation.
- 7 (8) In item {9}, include either the telephone number or the address or both the
8 telephone number and the address. In addition, the sender may include and
9 complete the additional method of communication – electronic
10 communication – for the recipient of the notification to communicate with the
11 sender. The additional method of electronic communication is not required to
12 be included.
- 13 (9) If item {10} does not apply, insert "None" after "agreement:".

14 **SECTION 45.** G.S. 25-9-615 reads as rewritten:

15 **"§ 25-9-615. Application of proceeds of disposition; liability for deficiency and right to**
16 **surplus.**

17 (a) Application of ~~proceeds.~~—Proceeds. – A secured party shall apply or pay over for
18 application the cash proceeds of disposition under G.S. 25-9-610 to the following in the
19 following ~~order to:~~order:

- 20 (1) The reasonable expenses of retaking, holding, preparing for disposition,
21 processing, and disposing, and, to the extent provided for by agreement and
22 not prohibited by law, reasonable ~~attorney's~~attorneys' fees and legal expenses
23 incurred by the secured ~~party;~~party.
- 24 (2) The satisfaction of obligations secured by the security interest or agricultural
25 lien under which the disposition is ~~made;~~made.
- 26 (3) The satisfaction of obligations secured by any subordinate security interest in
27 or other subordinate lien on the collateral ~~if;~~if both of the following apply:
 - 28 a. The secured party receives from the holder of the subordinate security
29 interest or other lien ~~an authenticated~~a signed demand for proceeds
30 before distribution of the proceeds is ~~completed;~~and completed.
 - 31 b. In a case in which a consignor has an interest in the collateral, the
32 subordinate security interest or other lien is senior to the interest of the
33 ~~consignor;~~and consignor.
- 34 (4) A secured party that is a consignor of the collateral if the secured party
35 receives from the consignor ~~an authenticated~~a signed demand for proceeds
36 before distribution of the proceeds is completed.

37 (b) Proof of ~~subordinate interest.~~—Subordinate Interest. – If requested by a secured party,
38 a holder of a subordinate security interest or other lien shall furnish reasonable proof of the
39 interest or lien within a reasonable time. Unless the holder does so, the secured party need not
40 comply with the holder's demand under subdivision (a)(3) of this section.

41 (c) Application of ~~noncash proceeds.~~—Noncash Proceeds. – A secured party need not
42 apply or pay over for application noncash proceeds of disposition under G.S. 25-9-610 unless the
43 failure to do so would be commercially unreasonable. A secured party that applies or pays over
44 for application noncash proceeds shall do so in a commercially reasonable manner.

45 (d) Surplus or ~~deficiency if obligation secured.~~—Deficiency If Obligation Secured. – If
46 the security interest under which a disposition is made secures payment or performance of an
47 obligation, after making the payments and applications required by subsection (a) of this section
48 and permitted by subsection (c) of this ~~section;~~section, both of the following apply:

- 49 (1) Unless subdivision (a)(4) of this section requires the secured party to apply or
50 pay over cash proceeds to a consignor, the secured party shall account to and
51 pay a debtor for any ~~surplus;~~and surplus.

1 (2) The obligor is liable for any deficiency.
 2 (e) ~~No surplus or deficiency in sales of certain rights to payment.~~ Surplus or Deficiency
 3 in Sales of Certain Rights to Payment. – If the underlying transaction is a sale of accounts, chattel
 4 paper, payment intangibles, or promissory ~~notes;~~ notes, both of the following apply:

5 (1) The debtor is not entitled to any ~~surplus;~~ and surplus.

6 (2) The obligor is not liable for any deficiency.

7 (f) ~~Calculation of surplus or deficiency in disposition to person related to secured party.~~
 8 – Surplus or Deficiency in Disposition to Person Related to Secured Party. – The surplus or
 9 deficiency following a disposition is calculated based on the amount of proceeds that would have
 10 been realized in a disposition complying with this Part to a transferee other than the secured
 11 party, a person related to the secured party, or a secondary obligor ~~if;~~ if both of the following
 12 apply:

13 (1) The transferee in the disposition is the secured party, a person related to the
 14 secured party, or a secondary ~~obligor;~~ and obligor.

15 (2) The amount of proceeds of the disposition is significantly below the range of
 16 proceeds that a complying disposition to a person other than the secured party,
 17 a person related to the secured party, or a secondary obligor would have
 18 brought.

19 (g) ~~Cash proceeds received by junior secured party.~~ A Proceeds Received by Junior
 20 Secured Party. – All of the following apply to a secured party that receives cash proceeds of a
 21 disposition in good faith and without knowledge that the receipt violates the rights of the holder
 22 of a security interest or other lien that is not subordinate to the security interest or agricultural
 23 lien under which the disposition is made:

24 (1) ~~Takes~~ The secured party takes the cash proceeds free of the security interest
 25 or other ~~lien;~~ lien.

26 (2) ~~Is~~ The secured party is not obligated to apply the proceeds of the disposition
 27 to the satisfaction of obligations secured by the security interest or other ~~lien;~~
 28 and lien.

29 (3) ~~Is~~ The secured party is not obligated to account to or pay the holder of the
 30 security interest or other lien for any surplus."

31 **SECTION 46.** G.S. 25-9-616 reads as rewritten:

32 **"§ 25-9-616. Explanation of calculation of surplus or deficiency.**

33 (a) Definitions. – In this ~~section;~~ section, the following definitions apply:

34 (1) ~~"Explanation" means a writing that;~~ Explanation. – A record that does all of
 35 the following:

36 a. States the amount of the surplus or ~~deficiency;~~ deficiency.

37 b. Provides ~~an explanation in~~ an explanation in accordance with subsection (c)
 38 of this section ~~of explaining~~ of explaining how the secured party calculated the
 39 surplus or ~~deficiency;~~ deficiency.

40 c. States, if applicable, that future debits, credits, charges, including
 41 additional credit service charges or interest, rebates, and expenses may
 42 affect the amount of the surplus or ~~deficiency;~~ and deficiency.

43 d. Provides a telephone number or mailing address from which additional
 44 information concerning the transaction is available.

45 (2) ~~"Request" means a record;~~ Request. – A record to which all of the following
 46 apply:

47 a. ~~Authenticated~~ It is signed by a debtor or consumer ~~obligor;~~ obligor.

48 b. ~~Requesting~~ It requests that the recipient provide an ~~explanation;~~
 49 and explanation.

50 c. ~~Sent~~ It is sent after disposition of the collateral under G.S. 25-9-610.

1 (b) Explanation of ~~calculation.~~ Calculation. – In a consumer-goods transaction in which
 2 the debtor is entitled to a surplus or a consumer obligor is liable for a deficiency under
 3 G.S. 25-9-615, the secured party ~~shall~~ shall do either of the following:

4 (1) Send an explanation to the debtor or consumer obligor, as applicable, after the
 5 disposition ~~and~~ and in accordance with both of the following:

6 a. Before or when the secured party accounts to the debtor and pays any
 7 surplus or first makes ~~written~~ demand in a record on the consumer
 8 obligor after the disposition for payment of the ~~deficiency;~~
 9 ~~and~~ deficiency.

10 b. Within 14 days after receipt of a ~~request;~~ request.

11 (2) In the case of a consumer obligor who is liable for a deficiency, within 14 days
 12 after receipt of a request, send to the consumer obligor a record waiving the
 13 secured party's right to a deficiency.

14 (c) Required ~~information.~~ Information. – To comply with sub-subdivision (a)(1)b. of
 15 this section, a ~~writing must~~ an explanation shall provide the following information in the
 16 following order:

17 (1) The aggregate amount of obligations secured by the security interest under
 18 which the disposition was made, and, if the amount reflects a rebate of
 19 unearned interest or credit service charge, an indication of that fact, calculated
 20 as of a specified ~~date;~~ date as follows:

21 a. If the secured party takes or receives possession of the collateral after
 22 default, not more than 35 days before the secured party takes or
 23 receives ~~possession;~~ possession.

24 b. If the secured party takes or receives possession of the collateral before
 25 default or does not take possession of the collateral, not more than 35
 26 days before the ~~disposition;~~ disposition.

27 (2) The amount of proceeds of the ~~disposition;~~ disposition.

28 (3) The aggregate amount of the obligations after deducting the amount of
 29 ~~proceeds;~~ proceeds.

30 (4) The amount, in the aggregate or by type, and types of expenses, including
 31 expenses of retaking, holding, preparing for disposition, processing, and
 32 disposing of the collateral, and ~~attorney's~~ attorneys' fees secured by the
 33 collateral ~~which~~ that are known to the secured party and relate to the current
 34 ~~disposition;~~ disposition.

35 (5) The amount, in the aggregate or by type, and types of credits, including rebates
 36 of interest or credit service charges, to which the obligor is known to be
 37 entitled and ~~which~~ that are not reflected in the amount in subdivision (1) of
 38 this ~~subsection;~~ and ~~subsection.~~

39 (6) The amount of the surplus or deficiency.

40 (d) Substantial ~~compliance.~~ Compliance. – A particular phrasing of the explanation is
 41 not required. An explanation complying substantially with the requirements of subsection (a) of
 42 this section is sufficient, even if it includes minor errors that are not seriously misleading.

43 (e) Charges for ~~responses.~~ Responses. – A debtor or consumer obligor is entitled
 44 without charge to one response to a request under this section during any six-month period in
 45 which the secured party did not send to the debtor or consumer obligor an explanation pursuant
 46 to subdivision (b)(1) of this section. The secured party may require payment of a charge not
 47 exceeding twenty-five dollars (\$25.00) for each additional response."

48 **SECTION 47.** G.S. 25-9-619 reads as rewritten:

49 "**§ 25-9-619. Transfer of record or legal title.**

50 (a) "Transfer ~~statement.~~ Statement." – In this section, "transfer statement" means a
 51 record ~~authenticated~~ signed by a secured party ~~stating;~~ stating all of the following:

1 (1) That the debtor has defaulted in connection with an obligation secured by
2 specified ~~collateral~~; collateral.

3 (2) That the secured party has exercised its postdefault remedies with respect to
4 the ~~collateral~~; collateral.

5 (3) That, by reason of the exercise, a transferee has acquired the rights of the
6 debtor in the ~~collateral~~; and collateral.

7 (4) The name and mailing address of the secured party, debtor, and transferee.

8 (b) ~~Effect of transfer statement.~~ Transfer Statement. – A transfer statement entitles the
9 transferee to the transfer of record of all rights of the debtor in the collateral specified in the
10 statement in any official filing, recording, registration, or certificate-of-title system covering the
11 collateral. If a transfer statement is presented with the applicable fee and request form to the
12 official or office responsible for maintaining the system, the official or office ~~shall~~; shall do all of
13 the following:

14 (1) Accept the ~~transfer statement~~; statement.

15 (2) Promptly amend its records to reflect the ~~transfer~~; and transfer.

16 (3) If applicable, issue a new appropriate certificate of title in the name of the
17 transferee.

18 (c) ~~Transfer not a disposition; no relief of secured party's duties.~~ Not a Disposition; No
19 Relief of Secured Party's Duties. – A transfer of the record or legal title to collateral to a secured
20 party under subsection (b) of this section or otherwise is not of itself a disposition of collateral
21 under this Article and does not of itself relieve the secured party of its duties under this Article."

22 **SECTION 48.** G.S. 25-9-620 reads as rewritten:

23 "**§ 25-9-620. Acceptance of collateral in full or partial satisfaction of obligation; compulsory**
24 **disposition of collateral.**

25 (a) ~~Conditions to acceptance in satisfaction.~~ Acceptance in Satisfaction. – Except as
26 otherwise provided in subsection (g) of this section, a secured party may accept collateral in full
27 or partial satisfaction of the obligation it secures only ~~if~~; if all of the following apply:

28 (1) The debtor consents to the acceptance under subsection (c) of this
29 ~~section~~; section.

30 (2) The secured party does not receive, within the time set forth in subsection (d)
31 of this section, a notification of objection to the proposal ~~authenticated~~
32 ~~by~~; signed by either of the following:

33 a. A person to which the secured party was required to send a proposal
34 under ~~G.S. 25-9-624~~; or G.S. 25-9-621.

35 b. Any other person, other than the debtor, holding an interest in the
36 collateral subordinate to the security interest that is the subject of the
37 ~~proposal~~; proposal.

38 (3) If the collateral is consumer goods, the collateral is not in the possession of
39 the debtor when the debtor consents to the ~~acceptance~~; and acceptance.

40 (4) Subsection (e) of this section does not require the secured party to dispose of
41 the collateral or the debtor waives the requirement pursuant to G.S. 25-9-624.

42 (b) ~~Purported acceptance ineffective.~~ Acceptance Ineffective. – A purported or apparent
43 acceptance of collateral under this section is ineffective ~~unless~~; unless both of the following apply:

44 (1) The secured party consents to the acceptance in ~~an authenticated~~ a signed
45 record or sends a proposal to the ~~debtor~~; and debtor.

46 (2) The conditions of subsection (a) of this section are met.

47 (c) ~~Debtor's consent.~~ Consent. – For purposes of this ~~section~~; section, both of the
48 following apply:

49 (1) A debtor consents to an acceptance of collateral in partial satisfaction of the
50 obligation it secures only if the debtor agrees to the terms of the acceptance in
51 a record ~~authenticated~~ signed after ~~default~~; and default.

- 1 (2) A debtor consents to an acceptance of collateral in full satisfaction of the
 2 obligation it secures only if the debtor agrees to the terms of the acceptance in
 3 a record ~~authenticated signed~~ after default or ~~the secured party~~ all of the
 4 following apply:
- 5 a. ~~Sends~~ The secured party sends to the debtor after default a proposal
 6 that is unconditional or subject only to a condition that collateral not
 7 in the possession of the secured party be preserved or
 8 ~~maintained~~; maintained.
- 9 b. In the proposal, the secured party proposes to accept collateral in full
 10 satisfaction of the obligation it ~~secures~~; and secures.
- 11 c. ~~Does~~ The secured party does not receive a notification of objection
 12 ~~authenticated signed~~ by the debtor within 20 days after the proposal is
 13 sent.
- 14 (d) Effectiveness of ~~notification~~. — Notification. — To be effective under subdivision
 15 (a)(2) of this section, a notification of objection ~~must~~ shall be received by the secured ~~party~~; party
 16 as follows:
- 17 (1) In the case of a person to which the proposal was sent pursuant to
 18 G.S. 25-9-621, within 20 days after notification was sent to that ~~person~~;
 19 ~~and person~~.
- 20 (2) In other ~~cases~~; cases as follows:
- 21 a. Within 20 days after the last notification was sent pursuant to
 22 ~~G.S. 25-9-621~~; or G.S. 25-9-621.
- 23 b. If a notification was not sent, before the debtor consents to the
 24 acceptance under subsection (c) of this section.
- 25 (e) Mandatory ~~disposition of consumer goods~~. — Disposition of Consumer Goods. — A
 26 secured party that has taken possession of collateral shall dispose of the collateral pursuant to
 27 G.S. 25-9-610 within the time specified in subsection (f) of this section ~~if~~; if either of the
 28 following applies:
- 29 (1) Sixty percent (60%) of the cash price has been paid in the case of a
 30 purchase-money security interest in consumer ~~goods~~; or goods.
- 31 (2) Sixty percent (60%) of the principal amount of the obligation secured has been
 32 paid in the case of a non-purchase-money security interest in consumer goods.
- 33 (f) Compliance with ~~mandatory disposition requirement~~. — Mandatory Disposition
 34 Requirement. — To comply with subsection (e) of this section, the secured party shall dispose of
 35 the ~~collateral~~; collateral within either of the following time periods:
- 36 (1) Within 90 days after taking ~~possession~~; or possession.
- 37 (2) Within any longer period to which the debtor and all secondary obligors have
 38 agreed in an agreement to that effect entered into and ~~authenticated signed~~
 39 after default.
- 40 (g) No ~~partial satisfaction in consumer transaction~~. — Partial Satisfaction in Consumer
 41 Transaction. — In a consumer transaction, a secured party ~~may~~ shall not accept collateral in partial
 42 satisfaction of the obligation it secures."
- 43 **SECTION 49.** G.S. 25-9-621 reads as rewritten:
 44 "**§ 25-9-621. Notification of proposal to accept collateral.**
 45 (a) Persons to ~~which proposal to be sent~~. — Which Proposal to be Sent. — A secured party
 46 that desires to accept collateral in full or partial satisfaction of the obligation it secures shall send
 47 its proposal ~~to~~; to all of the following:
- 48 (1) Any person from which the secured party has received, before the debtor
 49 consented to the acceptance, ~~an authenticated~~ a signed notification of a claim
 50 of an interest in the ~~collateral~~; collateral.

1 (2) Any other secured party or lienholder that, 10 days before the debtor
2 consented to the acceptance, held a security interest in or other lien on the
3 collateral perfected by the filing of a financing statement ~~that~~that meets all of
4 the following requirements:

- 5 a. Identified the ~~collateral;~~collateral.
6 b. Was indexed under the debtor's name as of that ~~date;~~and date.
7 c. Was filed in the office or offices in which to file a financing statement
8 against the debtor covering the collateral as of that ~~date;~~and date.

9 (3) Any other secured party that, 10 days before the debtor consented to the
10 acceptance, held a security interest in the collateral perfected by compliance
11 with a statute, regulation, or treaty described in G.S. 25-9-311(a).

12 (b) Proposal to be ~~sent to secondary obligor in partial satisfaction.~~—Sent to Secondary
13 Obligor in Partial Satisfaction. – A secured party that desires to accept collateral in partial
14 satisfaction of the obligation it secures shall send its proposal to any secondary obligor in addition
15 to the persons described in subsection (a) of this section."

16 **SECTION 50.** G.S. 25-9-624 reads as rewritten:

17 "**§ 25-9-624. Waiver.**

18 (a) Waiver of ~~disposition notification.~~—Disposition Notification. – A debtor or
19 secondary obligor may waive the right to notification of disposition of collateral under
20 G.S. 25-9-611 only by an agreement to that effect entered into and ~~authenticated~~signed after
21 default.

22 (b) Waiver of ~~mandatory disposition.~~—Mandatory Disposition. – A debtor may waive
23 the right to require disposition of collateral under G.S. 25-9-620(e) only by an agreement to that
24 effect entered into and ~~authenticated~~signed after default.

25 (c) Waiver of ~~redemption right.~~—Redemption Right. – Except in a consumer-goods
26 transaction, a debtor or secondary obligor may waive the right to redeem collateral under
27 G.S. 25-9-623 only by an agreement to that effect entered into and ~~authenticated~~signed after
28 default."

29 **SECTION 51.** G.S. 25-9-628 reads as rewritten:

30 "**§ 25-9-628. Nonliability and limitation on liability of secured party; liability of secondary**
31 **obligor.**

32 (a) Limitation of ~~liability of secured party for noncompliance with Article.~~—Unless
33 Liability of Secured Party for Noncompliance with Article. – Subject to subsection (f) of this
34 section, unless a secured party knows that a person is a debtor or obligor, knows the identity of
35 the person, and knows how to communicate with the ~~person;~~person, both of the following apply:

- 36 (1) The secured party is not liable to the person, or to a secured party or lienholder
37 that has filed a financing statement against the person, for failure to comply
38 with this ~~Article;~~and Article.
39 (2) The secured party's failure to comply with this Article does not affect the
40 liability of the person for a deficiency.

41 (b) Limitation of ~~liability based on status as secured party.~~—A Liability Based on Status
42 as Secured Party. – Subject to subsection (f) of this section, a secured party is not liable because
43 of its status as secured ~~party;~~party to either of the following:

- 44 (1) To a person that is a debtor or obligor, unless the secured party ~~knows;~~knows
45 all of the following:
46 a. That the person is a debtor or ~~obligor;~~obligor.
47 b. The identity of the ~~person;~~and person.
48 c. How to communicate with the ~~person;~~or person.
49 (2) To a secured party or lienholder that has filed a financing statement against a
50 person, unless the secured party ~~knows;~~knows both of the following:
51 a. That the person is a ~~debtor;~~and debtor.

1 b. The identity of the person.
 2 (c) Limitation of ~~liability if reasonable belief that transaction not a consumer goods~~
 3 ~~transaction or consumer transaction.—~~Liability If Reasonable Belief That Transaction Not a
 4 Consumer-Goods Transaction or Consumer Transaction. – A secured party is not liable to any
 5 person, and a person's liability for a deficiency is not affected, because of any act or omission
 6 arising out of the secured party's reasonable belief that a transaction is not a consumer-goods
 7 transaction or a consumer transaction or that goods are not consumer goods, if the secured party's
 8 belief is based on its reasonable reliance ~~on~~on either of the following:

- 9 (1) A debtor's representation concerning the purpose for which collateral was to
 10 be used, acquired, or ~~held; or~~held.
 11 (2) An obligor's representation concerning the purpose for which a secured
 12 obligation was incurred.

13 (d) Limitation of ~~liability for statutory damages.—~~Liability for Statutory Damages. – A
 14 secured party is not liable to any person under G.S. 25-9-625(c)(2) for its failure to comply with
 15 G.S. 25-9-616.

16 (e) Limitation of ~~multiple liability for statutory damages.—~~Multiple Liability for
 17 Statutory Damages. – A secured party is not liable under G.S. 25-9-625(c)(2) more than once
 18 with respect to any one secured obligation.

19 (f) Exception to Limitation of Liability Under Subsections (a) and (b). – Subsections (a)
 20 and (b) of this section do not apply to limit the liability of a secured party to a person if, at the
 21 time the secured party obtains control of collateral that is a controllable account, controllable
 22 electronic record, or controllable payment intangible or at the time the security interest attaches
 23 to the collateral, whichever is later, both of the following apply:

- 24 (1) The person is a debtor or obligor.
 25 (2) The secured party knows that the information in sub-subdivision (b)(1)a., b.,
 26 or c. of this section relating to the person is not provided by the collateral, a
 27 record attached to or logically associated with the collateral, or the system in
 28 which the collateral is recorded."
 29

30 **PART III. CONFORMING CHANGES AND OTHER AMENDMENTS TO OTHER UCC** 31 **ARTICLES**

32 **SECTION 52.** G.S. 25-1-201 reads as rewritten:

33 **"§ 25-1-201. General definitions.**

34 (a) Unless the context otherwise requires, words or phrases defined in this section, or in
 35 the additional definitions contained in other ~~Articles~~articles of this Chapter that apply to
 36 particular ~~Articles or Parts thereof,~~articles or parts of this Chapter, have the meanings stated.

37 (b) Subject to definitions contained in other articles of this Chapter that apply to particular
 38 articles or parts ~~thereof;~~of this Chapter, the following definitions apply in this Chapter:

- 39 (1) ~~"Action," in~~Action. – In the sense of a judicial proceeding, includes
 40 recoupment, counterclaim, setoff, suit in equity, and any other proceeding in
 41 which rights are determined.
 42 (2) ~~"Aggrieved party" means a~~Aggrieved party. – A party entitled to pursue a
 43 remedy.
 44 (3) ~~"Agreement," as~~Agreement. – As distinguished from "contract," means the
 45 bargain of the parties in fact, as found in their language or inferred from other
 46 circumstances, including course of performance, course of dealing, or usage
 47 of trade as provided in G.S. 25-1-303.
 48 (4) ~~"Bank" means a~~Bank. – A person engaged in the business of ~~banking and~~
 49 banking. The term includes a savings bank, savings and loan association,
 50 credit union, and trust company.

- 1 (5) ~~"Bearer" means a Bearer.~~ – A person in control of a negotiable electronic
2 document of title or a person in possession of a negotiable instrument,
3 negotiable tangible document of title, or certificated security that is payable
4 to bearer or indorsed in blank.
- 5 (6) ~~"Bill of lading" means a Bill of lading.~~ – A document of title evidencing the
6 receipt of goods for shipment issued by a person engaged in the business of
7 directly or indirectly transporting or forwarding goods. The term does not
8 include a warehouse receipt.
- 9 (7) ~~"Branch" includes Branch.~~ – Includes a separately incorporated foreign
10 branch of a bank.
- 11 (8) ~~"Burden of establishing" a fact means the Burden of establishing.~~ – The
12 burden of persuading the trier of fact that the existence of ~~the~~ a fact is more
13 probable than its nonexistence.
- 14 (9) ~~"Buyer in ordinary course of business" means a Buyer in ordinary course of~~
15 business. – A person that buys goods in good faith, without knowledge that
16 the sale violates the rights of another person in the goods, and in the ordinary
17 course from a person, other than a pawnbroker, in the business of selling goods
18 of that kind. A person buys goods in the ordinary course if the sale to the
19 person comports with the usual or customary practices in the kind of business
20 in which the seller is engaged or with the seller's own usual or customary
21 practices. A person that sells oil, gas, or other minerals at the wellhead or
22 minehead is a person in the business of selling goods of that kind. A buyer in
23 ordinary course of business may buy for cash, by exchange of other property,
24 or on secured or unsecured credit, and may acquire goods or documents of
25 title under a preexisting contract for sale. Only a buyer that takes possession
26 of the goods or has a right to recover the goods from the seller under Article
27 2 of this Chapter may be a buyer in ordinary course of business. ~~"Buyer in~~
28 ~~ordinary course of business"~~ The term does not include a person that acquires
29 goods in a transfer in bulk or as security for or in total or partial satisfaction
30 of a money debt.
- 31 (10) ~~"Conspicuous," with Conspicuous.~~ – With reference to a term, means so
32 written, displayed, or presented that that, based on the totality of the
33 circumstances, a reasonable person against which it is to operate ought to have
34 noticed it. Whether a term is "conspicuous" or not is a decision for the court.
35 Conspicuous terms include the following:
- 36 a. ~~A heading in capitals equal to or greater in size than the surrounding~~
37 ~~text, or in contrasting type, font, or color to the surrounding text of the~~
38 ~~same or lesser size; and~~
- 39 b. ~~Language in the body of a record or display in larger type than the~~
40 ~~surrounding text, or in contrasting type, font, or color to the~~
41 ~~surrounding text of the same size, or set off from surrounding text of~~
42 ~~the same size by symbols or other marks that call attention to the~~
43 ~~language.~~
- 44 (11) ~~"Consumer" means an Consumer.~~ – An individual who enters into a
45 transaction primarily for personal, family, or household purposes.
- 46 (12) ~~"Contract," as Contract.~~ – As distinguished from "agreement," means the total
47 legal obligation that results from the parties' agreement as determined by this
48 Chapter as supplemented by any other applicable laws.
- 49 (13) ~~"Creditor" includes Creditor.~~ – Includes a general creditor, a secured creditor,
50 a lien creditor, and any representative of creditors, including an assignee for

- 1 the benefit of creditors, a trustee in bankruptcy, a receiver in equity, and an
 2 executor or administrator of an insolvent debtor's or assignor's estate.
- 3 (14) ~~"Defendant" includes Defendant.~~ – Includes a person in the position of
 4 defendant in a counterclaim, cross-claim, or third-party claim.
- 5 (15) ~~"Delivery", with Delivery.~~ – With respect to an electronic document of ~~title~~
 6 title, means voluntary transfer of ~~control and with control.~~ With respect to an
 7 instrument, a tangible document of title, or an authoritative tangible copy of a
 8 record evidencing chattel paper, the term means voluntary transfer of
 9 possession.
- 10 (16) ~~"Document of title" means a Document of title.~~ – A record (i) that in the
 11 regular course of business or financing is treated as adequately evidencing that
 12 the person in possession or control of the record is entitled to receive, control,
 13 hold, and dispose of the record and the goods the record covers and (ii) that
 14 purports to be issued by or addressed to a bailee and to cover goods in the
 15 bailee's possession ~~which that~~ are either identified or are fungible portions of
 16 an identified mass. The term includes a bill of lading, transport document,
 17 dock warrant, dock receipt, warehouse receipt, and order for delivery of
 18 goods. An electronic document of title means a document of title evidenced
 19 by a record consisting of information stored in an electronic medium. A
 20 tangible document of title means a document of title evidenced by a record
 21 consisting of information that is inscribed on a tangible medium.
- 22 (16a) Electronic. – Relating to technology having electrical, digital, magnetic,
 23 wireless, optical, electromagnetic, or similar capabilities.
- 24 (17) ~~"Fault" means a Fault.~~ – A default, breach, or wrongful act or omission.
- 25 (18) ~~"Fungible goods" means Fungible goods.~~ – Either of the following:
 26 a. Goods of which any unit, by nature or usage of trade, are the equivalent
 27 of any other like ~~unit; or unit.~~
- 28 b. Goods that by agreement are treated as equivalent.
- 29 (19) ~~"Genuine" means free Genuine.~~ – Free of forgery or counterfeiting.
- 30 (20) ~~"Good faith," except Good faith.~~ – Except as otherwise provided in Article 5
 31 of this Chapter, means honesty in fact and the observance of reasonable
 32 commercial standards of fair dealing.
- 33 (21) ~~"Holder" means Holder.~~ – Any of the following:
 34 a. The person in possession of a negotiable instrument that is payable
 35 either to bearer or to an identified person that is the person in
 36 ~~possession; possession.~~
- 37 b. The person in possession of a negotiable tangible document of title if
 38 the goods are deliverable either to bearer or to the order of the person
 39 in ~~possession; or possession.~~
- 40 c. The person in ~~control~~ control, other than pursuant to G.S. 25-7-106(g),
 41 of a negotiable electronic document of title.
- 42 (22) ~~"Insolvency proceeding" includes Insolvency proceeding.~~ – Includes an
 43 assignment for the benefit of creditors or other proceeding intended to
 44 liquidate or rehabilitate the estate of the person involved.
- 45 (23) ~~"Insolvent" means Insolvent.~~ – Any of the following:
 46 a. Having generally ceased to pay debts in the ordinary course of
 47 business other than as a result of bona fide ~~dispute; dispute.~~
- 48 b. Being unable to pay debts as they become ~~due; or due.~~
- 49 c. Being insolvent within the meaning of federal bankruptcy law.
- 50 (24) ~~"Money" means a Money.~~ – A medium of exchange that is currently
 51 authorized or adopted by a domestic or foreign government. The term includes

1 a monetary unit of account established by an intergovernmental organization
2 or by agreement between two or more countries. The term does not include an
3 electronic record that is a medium of exchange recorded and transferable in a
4 system that existed and operated for the medium of exchange before the
5 medium of exchange was authorized or adopted by the government.

6 (25) ~~"Organization" means a Organization.~~ – A person other than an individual.

7 (26) ~~"Party," as Party.~~ – As distinguished from "third party," means a person that
8 has engaged in a transaction or made an agreement subject to this Chapter.

9 (27) ~~"Person" means an Person.~~ – An individual, corporation, business trust, estate,
10 trust, partnership, limited liability company, association, joint venture,
11 government, governmental subdivision, agency, or instrumentality, ~~public~~
12 ~~corporation,~~ or any other legal or commercial entity. The term includes a
13 protected series, however denominated, of an entity if the protected series is
14 established under law other than this Chapter that limits, or limits if conditions
15 specified under the law are satisfied, the ability of a creditor of the entity or of
16 any other protected series of the entity to satisfy a claim from assets of the
17 protected series.

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

24 (29) ~~"Purchase" means taking Purchase.~~ – Taking by sale, lease, discount,
25 negotiation, mortgage, pledge, lien, security interest, issue or reissue, gift, or
26 any other voluntary transaction creating an interest in property.

27 (30) ~~"Purchaser" means a Purchaser.~~ – A person that takes by purchase.

28 (31) ~~"Record" means information Record.~~ – Information that is inscribed on a
29 tangible medium or that is stored in an electronic or other medium and is
30 retrievable in perceivable form.

31 (32) ~~"Remedy" means any Remedy.~~ – Any remedial right to which an aggrieved
32 party is entitled with or without resort to a tribunal.

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

36 (34) ~~"Right" includes Right.~~ – Includes remedy.

37 (35) ~~"Security interest" means an Security interest.~~ – An interest in personal
38 property or fixtures ~~which~~ that secures payment or performance of an
39 obligation. ~~"Security interest"~~ The term includes any interest of a consignor
40 and a buyer of accounts, chattel paper, a payment intangible, or a promissory
41 note in a transaction that is subject to Article 9 of this Chapter. ~~"Security~~
42 ~~interest"~~ The term does not include the special property interest of a buyer of
43 goods on identification of those goods to a contract for sale under
44 G.S. 25-2-401, but a buyer may also acquire a "security interest" by
45 complying with Article 9 of this Chapter. Except as otherwise provided in
46 G.S. 25-2-505, the right of a seller or lessor of goods under Article 2 or 2A of
47 this Chapter to retain or acquire possession of the goods is not a "security
48 interest," but a seller or lessor may also acquire a "security interest" by
49 complying with Article 9 of this Chapter. The retention or reservation of title
50 by a seller of goods notwithstanding shipment or delivery to the buyer under
51 G.S. 25-2-401 is limited in effect to a reservation of a "security interest."

Whether a transaction in the form of a lease creates a "security interest" is determined pursuant to G.S. 25-1-203.

(36) ~~"Send" in connection with a writing, record, or notice means:~~Send. – In connection with a record or notification, means either of the following:

a. ~~To deposit in the mail or mail, deliver for transmission~~transmission, or transmit by any other usual means of ~~communication~~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 for,~~addressed to any address reasonable under the circumstances;
~~or circumstances.~~

b. ~~In any other way to cause to be received any record or notice within the time it would have arrived if properly sent.~~To cause the record or notification to be received within the time it would have been received if properly sent under sub-subdivision a. of this subdivision.

(37) ~~"Signed" includes using any symbol executed or adopted with present intention to adopt or accept a writing.~~Sign. – With present intent to authenticate or adopt a record, means either of the following:

a. Execute or adopt a tangible symbol.

b. Attach to or logically associate with the record an electronic symbol, sound, or process.

"Signed," "signing," and "signature" have corresponding meanings.

(38) ~~"State" means a State~~State. – 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.

(39) ~~"Surety" includes~~Surety. – Includes a guarantor or other secondary obligor.

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

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

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

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

SECTION 53. G.S. 25-1-204 reads as rewritten:

"§ 25-1-204. Value.

Except as otherwise provided in Articles 3, 4, ~~and 5-5, and 12,~~ of this Chapter, a person gives value for rights if the person acquires ~~them;~~them in any of the following ways:

(1) 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 charge-back is provided for in the event of difficulties in ~~collection;~~collection.

(2) As security for, or in total or partial satisfaction of, a preexisting ~~claim;~~claim.

(3) By accepting delivery under a preexisting contract for ~~purchase;~~or purchase.

(4) In return for any consideration sufficient to support a simple contract."

SECTION 54. G.S. 25-1-301 reads as rewritten:

"§ 25-1-301. Territorial applicability; parties' power to choose applicable law.

(a) Except as otherwise 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

1 of this State or of the other state or nation ~~shall govern~~ governs their rights and duties. Except as
2 otherwise provided in subsection (c) of this section, the parties to a business contract as defined
3 in G.S. 1G-2(1) may agree in the business contract that North Carolina law ~~shall govern~~ governs
4 their rights and duties in whole or in part, pursuant to G.S. 1G-3.

5 (b) In the absence of an agreement effective under subsection (a) of this section, and
6 except as provided in subsection (c) of this section, this Chapter applies to transactions bearing
7 an appropriate relation to this State.

8 (c) If one of the following provisions of this Chapter specifies the applicable law, that
9 provision governs and a contrary agreement is effective only to the extent permitted by the
10 specified law:

- 11 (1) ~~G.S. 25-2-402~~; G.S. 25-2-402.
- 12 (2) ~~G.S. 25-2A-105 and G.S. 25-2A-106~~; G.S. 25-2A-106.
- 13 (3) ~~G.S. 25-4-102~~; G.S. 25-4-102.
- 14 (4) ~~G.S. 25-4A-507~~; G.S. 25-4A-507.
- 15 (5) ~~G.S. 25-5-116~~; G.S. 25-5-116.
- 16 (6) ~~G.S. 25-8-110~~; G.S. 25-8-110.
- 17 (7) G.S. 25-9-301 through G.S. 25-9-307.
- 18 (8) G.S. 25-12-107."

19 **SECTION 55.** G.S. 25-1-306 reads as rewritten:

20 **"§ 25-1-306. Waiver or renunciation of claim or right after breach.**

21 A claim or right arising out of an alleged breach may be discharged in whole or in part without
22 consideration by agreement of the aggrieved party in ~~an authenticated~~ a signed record."

23 **SECTION 56.** In all sections of Articles 2 and 2A of Chapter 25 of the General
24 Statutes that are not amended by this act, the Revisor of Statutes shall redesignate subunits in
25 accordance with the General Statutes numbering system and shall make any necessary
26 conforming changes.

27 **SECTION 57.** G.S. 25-2-102 reads as rewritten:

28 **"§ 25-2-102. Scope; certain security and other transactions excluded from this**
29 **article.**~~Article.~~

30 ~~Unless the context otherwise requires, this article applies to transactions in goods; it does not~~
31 ~~apply to any transaction which although in the form of an unconditional contract to sell or present~~
32 ~~sale is intended to operate only as a security transaction nor does this article impair or repeal any~~
33 ~~statute regulating sales to consumers, farmers or other specified classes of buyers.~~

34 (a) Unless the context otherwise requires, and except as provided in subsection (c) of this
35 section, this Article applies to transactions in goods and, in the case of a hybrid transaction, it
36 applies to the extent provided in subsection (b) of this section.

37 (b) In a hybrid transaction, both of the following apply:

- 38 (1) If the sale-of-goods aspects do not predominate, only the provisions of this
39 Article that relate primarily to the sale-of-goods aspects of the transaction
40 apply, and the provisions that relate primarily to the transaction as a whole do
41 not apply.
- 42 (2) If the sale-of-goods aspects predominate, this Article applies to the transaction
43 but does not preclude application in appropriate circumstances of other law to
44 aspects of the transaction that do not relate to the sale of goods.

45 (c) This Article does not do either of the following:

- 46 (1) Apply to a transaction that, even though in the form of an unconditional
47 contract to sell or present sale, operates only to create a security interest.
- 48 (2) Impair or repeal a statute regulating sales to consumers, farmers, or other
49 specified classes of buyers."

50 **SECTION 58.** G.S. 25-2-103 reads as rewritten:

51 **"§ 25-2-103. Definitions and index of definitions.**

(1)(a) In this article unless the context otherwise requires Article, the following definitions apply:

- (1) Acceptance. – Defined in G.S. 25-2-606.
- (2) Banker's credit. – Defined in G.S. 25-2-325.
- (3) Between merchants. – Defined in G.S. 25-2-104.
- ~~(a)(4) "Buyer" means a Buyer.~~ – A person who that buys or contracts to buy goods.
- ~~(b) Repealed by Session Laws 2006-112, s. 2, effective October 1, 2006.~~
- (5) Cancellation. – Defined in G.S. 25-2-106.
- (6) Check. – Defined in G.S. 25-3-104.
- (7) Commercial unit. – Defined in G.S. 25-2-105.
- (8) Confirmed credit. – Defined in G.S. 25-2-325.
- (9) Conforming to contract. – Defined in G.S. 25-2-106.
- (10) Consignee. – Defined in G.S. 25-7-102.
- (11) Consignor. – Defined in G.S. 25-7-102.
- (12) Consumer goods. – Defined in G.S. 25-9-102.
- (13) Contract for sale. – Defined in G.S. 25-2-106.
- (14) Control. – Defined in G.S. 25-7-106.
- (15) Cover. – Defined in G.S. 25-2-712.
- (16) Dishonor. – Defined in G.S. 25-3-502.
- (17) Draft. – Defined in G.S. 25-3-104.
- (18) Entrusting. – Defined in G.S. 25-2-403.
- (19) Financing agency. – Defined in G.S. 25-2-104.
- (20) Future goods. – Defined in G.S. 25-2-105.
- (21) Goods. – Defined in G.S. 25-2-105.
- (22) Identification. – Defined in G.S. 25-2-501.
- (23) Installment contract. – Defined in G.S. 25-2-612.
- (24) Letter of credit. – Defined in G.S. 25-2-325.
- (25) Lot. – Defined in G.S. 25-2-105.
- (26) Merchant. – Defined in G.S. 25-2-104.
- (27) Overseas. – Defined in G.S. 25-2-323.
- (28) Person in position of seller. – Defined in G.S. 25-2-707.
- (29) Present sale. – Defined in G.S. 25-2-106.
- ~~(e)(30) "Receipt" of goods means taking Receipt.~~ – With respect to goods, means taking physical possession of them the goods.
- (31) Sale. – Defined in G.S. 25-2-106.
- (32) Sale on approval. – Defined in G.S. 25-2-326.
- (33) Sale or return. – Defined in G.S. 25-2-326.
- ~~(d)(34) "Seller" means a Seller.~~ – A person who that sells or contracts to sell goods. Any manufacturer of self-propelled motor vehicles, as defined in G.S. 20-4.01, is also a "seller" with respect to buyers of its product to whom which it makes an express warranty, notwithstanding any lack of privity between them, for purposes of all rights and remedies available to buyers under this Article.
- (35) Termination. – Defined in G.S. 25-2-106.

(2) Other definitions applying to this article or to specified parts thereof, and the sections in which they appear are:

- "Acceptance." G.S. 25-2-606.
- "Banker's credit." G.S. 25-2-325.
- "Between merchants." G.S. 25-2-104.
- "Cancellation." G.S. 25-2-106 (4).
- "Commercial unit." G.S. 25-2-105.

1	"Confirmed credit."	G.S. 25-2-325.
2	"Conforming to contract."	G.S. 25-2-106.
3	"Contract for sale."	G.S. 25-2-106.
4	"Cover."	G.S. 25-2-712.
5	"Entrusting."	G.S. 25-2-403.
6	"Financing agency."	G.S. 25-2-104.
7	"Future goods."	G.S. 25-2-105.
8	"Goods."	G.S. 25-2-105.
9	"Identification."	G.S. 25-2-501.
10	"Installment contract."	G.S. 25-2-612.
11	"Letter of credit."	G.S. 25-2-325.
12	"Lot."	G.S. 25-2-105.
13	"Merchant."	G.S. 25-2-104.
14	"Overseas."	G.S. 25-2-323.
15	"Person in position of seller."	G.S. 25-2-707.
16	"Present sale."	G.S. 25-2-106.
17	"Sale."	G.S. 25-2-106.
18	"Sale on approval."	G.S. 25-2-326.
19	"Sale or return."	G.S. 25-2-326.
20	"Termination."	G.S. 25-2-106.

21 (3) "Control" as provided in G.S. 25-7-106 and the following definitions in other Articles
22 apply to this Article:

23	"Check"	G.S. 25-3-104.
24	"Consignee"	G.S. 25-7-102.
25	"Consignor"	G.S. 25-7-102.
26	"Consumer Goods"	G.S. 25-9-102.
27	"Dishonor"	G.S. 25-3-502.
28	"Draft"	G.S. 25-3-104.

29 (4)(b) ~~In addition article 1~~ In addition, Article 1 of this Chapter contains general definitions
30 and principles of construction and interpretation applicable throughout this ~~article.~~Article."

31 SECTION 59. G.S. 25-2-106 reads as rewritten:

32 "§ 25-2-106. Definitions: "Contract"; "agreement"; "contract for sale"; "sale"; "present
33 sale"; "layaway contract"; "conforming" to contract; "termination";
34 "~~cancellation.~~"cancellation"; "hybrid transaction."

35 (1)(a) In this ~~article unless the context otherwise requires~~ Article, "contract" and
36 "agreement" are limited to those relating to the present or future sale of goods, including layaway
37 contracts. "Contract for sale" includes both a present sale of goods and a contract to sell goods at
38 a future time. A "sale" consists in the passing of title from the seller to the buyer for a price
39 (G.S. 25-2-401). A "present sale" means a sale ~~which~~that is accomplished by the making of the
40 contract. A "layaway contract" means any contract for the sale of goods in which the seller agrees
41 with the purchaser, in consideration for the purchaser's payment of a deposit, down payment, or
42 similar initial payment, to hold identified goods for future delivery upon the purchaser's payment
43 of a specified additional amount, whether in installments or otherwise.

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

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

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

4 (e) "Hybrid transaction" means a single transaction involving a sale of goods and any of
5 the following:

6 (1) The provision of services.

7 (2) A lease of other goods.

8 (3) A sale, lease, or license of property other than goods."

9 **SECTION 60.** G.S. 25-2-201 reads as rewritten:

10 **"§ 25-2-201. Formal requirements; statute of frauds.**

11 ~~(1)~~(a) Except as otherwise provided in this ~~section~~section, a contract for the sale of goods
12 for the price of five hundred dollars (\$500.00) or more is not enforceable by way of action or
13 defense unless there is ~~some writing a record~~ sufficient to indicate that a contract for sale has
14 been made between the parties and signed by the party against whom enforcement is sought or
15 by ~~his~~the party's authorized agent or broker. A ~~writing record~~ is not insufficient because it omits
16 or incorrectly states a term agreed upon but the contract is not enforceable under this ~~paragraph~~
17 subsection beyond the quantity of goods shown in ~~such writing the record~~.

18 ~~(2)~~(b) Between ~~merchants~~merchants, if within a reasonable time a ~~writing record~~ in
19 confirmation of the contract and sufficient against the sender is received and the party receiving
20 it has reason to know its contents, ~~it the record~~ satisfies the requirements of subsection ~~(1)~~(a) of
21 this section against ~~such the party~~ unless ~~written notice in a record~~ of objection to its contents is
22 given within ~~ten~~ 10 days after it is received.

23 ~~(3)~~(c) ~~All of the following apply to a contract which that~~ does not satisfy the requirements
24 of subsection ~~(1)~~(a) of this section but ~~which that~~ is valid in other ~~respects is enforceable~~ respects:

25 ~~(a)~~(1) The contract is enforceable if the goods are to be specially manufactured for
26 the buyer and are not suitable for sale to others in the ordinary course of the
27 seller's business and the seller, before notice of repudiation is received and
28 under circumstances ~~which that~~ reasonably indicate that the goods are for the
29 buyer, has made either a substantial beginning of their manufacture or
30 commitments for their ~~procurement; or procurement~~.

31 ~~(b)~~(2) The contract is enforceable if the party against ~~whom~~which enforcement is
32 sought admits in ~~his the party's~~ pleading, ~~testimony~~testimony, or otherwise in
33 court that a contract for sale was made, but the contract is not enforceable
34 under this ~~provision~~subdivision beyond the quantity of goods ~~admitted;~~
35 ~~or admitted~~.

36 ~~(c)~~(3) The contract is enforceable with respect to goods for which payment has been
37 made and accepted or ~~which that~~ have been received and accepted
38 (G.S. 25-2-606)."

39 **SECTION 61.** G.S. 25-2-202 reads as rewritten:

40 **"§ 25-2-202. Final ~~written expression; parol or extrinsic evidence.~~**

41 Terms with respect to which the confirmatory memoranda of the parties agree or ~~which that~~
42 are otherwise set forth in a ~~writing record~~ intended by the parties as a final expression of their
43 agreement with respect to ~~such terms as are included therein may the terms included in it shall~~
44 not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement
45 but may be explained or ~~supplemented~~supplemented by the following:

46 ~~(a)~~(1) ~~by~~By course of dealing or usage of trade (G.S. 25-1-205) or by course of
47 performance (~~G.S. 25-2-208~~); ~~and~~(G.S. 25-2-208).

48 ~~(b)~~(2) ~~by~~By evidence of consistent additional terms unless the court finds the
49 ~~writing record~~ to have been intended also as a complete and exclusive
50 statement of the terms of the agreement."

51 **SECTION 62.** G.S. 25-2-203 reads as rewritten:

1 **"§ 25-2-203. Seals inoperative.**

2 The affixing of a seal to a ~~writing record~~ evidencing a contract for sale or an offer to buy or
3 sell goods does not ~~constitute the writing~~ render the record a sealed instrument-instrument, and
4 the law with respect to sealed instruments does not apply to ~~such a~~ the contract or offer."

5 **SECTION 63.** G.S. 25-2-205 reads as rewritten:

6 **"§ 25-2-205. Firm offers.**

7 An offer by a merchant to buy or sell goods in a signed ~~writing which record that~~ by its terms
8 gives assurance that it will be held open is not revocable, for lack of consideration, during the
9 time stated or if no time is stated for a reasonable time, but in no event ~~may such~~ shall the period
10 of irrevocability exceed three months; but ~~any such the~~ term of assurance on a form supplied by
11 the offeree ~~must~~ shall be separately signed by the offeror."

12 **SECTION 64.** G.S. 25-2-209 reads as rewritten:

13 **"§ 25-2-209. Modification, ~~reseission~~ rescission, and waiver.**

14 ~~(1)(a)~~ An agreement modifying a contract within this ~~article~~ Article needs no consideration
15 to be binding.

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

20 ~~(3)(c)~~ The requirements of the statute of frauds section of this ~~article~~ Article (G.S. 25-2-201)
21 must be satisfied if the contract as modified is within its provisions.

22 ~~(4)(d)~~ Although an attempt at modification or rescission does not satisfy the requirements
23 of subsection ~~(2) or (3)~~ (b) or (c) of this section, it can operate as a waiver.

24 ~~(5)(e)~~ A party ~~who that~~ has made a waiver affecting an executory portion of the contract
25 may retract the waiver by reasonable notification received by the other party that strict
26 performance will be required of any term waived, unless the retraction would be unjust in view
27 of a material change of position in reliance on the waiver."

28 **SECTION 65.** G.S. 25-2A-102 reads as rewritten:

29 **"§ 25-2A-102. Scope.**

30 (a) This Article applies to any transaction, regardless of form, that creates a lease-lease
31 and, in the case of a hybrid lease, it applies to the extent provided in subsection (b) of this section.

32 (b) In a hybrid lease, both of the following apply:

33 (1) If the lease-of-goods aspects do not predominate, all of the following apply:

34 a. Only the provisions of this Article that relate primarily to the
35 lease-of-goods aspects of the transaction apply, and the provisions of
36 this Article that relate primarily to the transaction as a whole do not
37 apply.

38 b. G.S. 25-2A-209 applies if the lease is a finance lease.

39 c. G.S. 25-2A-407 applies to the promises of the lessee in a finance lease
40 to the extent the promises are consideration for the right to possession
41 and use of the leased goods.

42 (2) If the lease-of-goods aspects predominate, this Article applies to the
43 transaction but does not preclude application in appropriate circumstances of
44 other law to aspects of the lease that do not relate to the lease of goods."

45 **SECTION 66.** G.S. 25-2A-103 reads as rewritten:

46 **"§ 25-2A-103. Definitions and index of definitions.**

47 ~~(1)(a)~~ In this ~~Article unless the context otherwise requires:~~ Article, the following definitions
48 apply:

49 (1) Accessions. – Defined in G.S. 25-2A-310.

50 (2) Account. – Defined in G.S. 25-9-102.

51 (3) Between merchants. – Defined in G.S. 25-2-104.

- 1 (4) Buyer. – Defined in G.S. 25-2-103.
- 2 ~~(a)~~(5) "Buyer in ordinary course of business" means a Buyer in ordinary course of
3 business. – A person ~~who, that,~~ in good faith and without knowledge that the
4 sale to ~~him~~ the person is in violation of the ownership rights or security interest
5 or leasehold interest of a third party in the goods, buys in ordinary course from
6 a ~~person~~ person, other than a pawnbroker, in the business of selling goods of
7 that kind ~~but does not include a pawnbroker-kind.~~ "Buying" may be for cash
8 or by exchange of other property or on secured or unsecured credit and
9 includes acquiring goods or documents of title under a preexisting contract for
10 sale but does not include a transfer in bulk or as security for or in total or
11 partial satisfaction of a money debt.
- 12 ~~(b)~~(6) "Cancellation" ~~occurs~~ Cancellation. – Occurs when either party puts an end to
13 the lease contract for default by the other party.
- 14 (7) Chattel paper. – Defined in G.S. 25-9-102.
- 15 ~~(e)~~(8) "Commercial unit" means such a Commercial unit. – A unit of goods ~~as that~~
16 by commercial usage is a single whole for purposes of lease and the division
17 of which materially impairs its character or value on the market or in use. A
18 commercial unit may be a single article, as a machine, or a set of articles, as a
19 suite of furniture or a line of machinery, or a quantity, as a gross or carload,
20 or any other unit treated in use or in the relevant market as a single whole.
- 21 ~~(d)~~(9) "Conforming" goods or performance under a lease contract Conforming. –
22 With respect to goods or performance under a lease contract, means goods or
23 performance that are in accordance with the obligations under the lease
24 contract.
- 25 (10) Construction mortgage. – Defined in G.S. 25-2A-309.
- 26 (11) Consumer goods. – Defined in G.S. 25-9-102.
- 27 ~~(e)~~(12) "Consumer lease" means a Consumer lease. – A lease that a lessor regularly
28 engaged in the business of leasing or selling makes to a lessee who is an
29 individual and who takes under the lease primarily for a personal, family, or
30 household purpose, if the total payments to be made under the lease contract,
31 excluding payments for options to renew or buy, do not exceed twenty-five
32 thousand dollars (\$25,000).
- 33 (13) Document. – Defined in G.S. 25-9-102.
- 34 (14) Encumbrance. – Defined in G.S. 25-2A-309.
- 35 (15) Entrusting. – Defined in G.S. 25-2-403.
- 36 ~~(f)~~(16) "Fault" means ~~wrongful~~ Fault. – Wrongful act, omission, breach, or default.
- 37 ~~(g)~~(17) "Finance lease" means a Finance lease. – A lease with respect to ~~which:~~ which
38 (i) the lessor does not select, manufacture, or supply the goods; (ii) the lessor
39 acquires the goods or the right to possession and use of the goods in
40 connection with the lease; and (iii) one of the following occurs:
41 ~~(A)~~a. ~~the~~ The lessee receives a copy of the contract by which the lessor
42 acquired the goods or the right to possession and use of the goods
43 before signing the lease ~~contract;~~ contract.
44 ~~(B)~~b. ~~the~~ The lessee's approval of the contract by which the lessor acquired
45 the goods or the right to possession and use of the goods is a condition
46 to effectiveness of the lease ~~contract;~~ contract.
47 ~~(C)~~c. ~~the~~ The lessee, before signing the lease contract, receives an accurate
48 and complete statement designating the promises and warranties, and
49 any disclaimers of warranties, limitations or modifications of
50 remedies, or liquidated damages, including those of a third party, such
51 as the manufacturer of the goods, provided to the lessor by the person

1 supplying the goods in connection with or as part of the contract by
 2 which the lessor acquired the goods or the right to possession and use
 3 of the ~~goods~~; ~~or goods~~.
 4 ~~(D)~~d. ~~if~~ If the lease is not a consumer lease, the lessor, before the lessee signs
 5 the lease contract, informs the lessee in writing ~~(a)~~ (i) of the identity
 6 of the person supplying the goods to the lessor, unless the lessee has
 7 selected that person and directed the lessor to acquire the goods or the
 8 right to possession and use of the goods from that person, ~~(b)~~ (ii) that
 9 the lessee is entitled under this Article to the promises and warranties,
 10 including those of any third party, provided to the lessor by the person
 11 supplying the goods in connection with or as part of the contract by
 12 which the lessor acquired the goods or the right to possession and use
 13 of the goods, and ~~(c)~~ (iii) that the lessee may communicate with the
 14 person supplying the goods to the lessor and receive an accurate and
 15 complete statement of those promises and warranties, including any
 16 disclaimers and limitations of them or of remedies.

17 (18) Fixture filing. – Defined in G.S. 25-2A-309.

18 (19) Fixtures. – Defined in G.S. 25-2A-309.

19 (20) General intangible. – Defined in G.S. 25-9-102.

20 ~~(h)~~(21) "Goods" means all Goods. – All things that are movable at the time of
 21 identification to the lease contract, or are fixtures (G.S. 25-2A-309), but the
 22 term does not include money, documents, instruments, accounts, chattel
 23 paper, general intangibles, or minerals or the like, including oil and gas, before
 24 extraction. The term also includes the unborn young of animals.

25 (22) Hybrid lease. – A single transaction involving a lease of goods and any of the
 26 following:

27 a. The provision of services.

28 b. A sale of other goods.

29 c. A sale, lease, or license of property other than goods.

30 ~~(i)~~(23) "Installment lease contract" means a Installment lease contract. – A lease
 31 contract that authorizes or requires the delivery of goods in separate lots to be
 32 separately accepted, even though the lease contract contains a clause "each
 33 delivery is a separate lease" or its equivalent.

34 (24) Instrument. – Defined in G.S. 25-9-102.

35 ~~(j)~~(25) "Lease" means a Lease. – A transfer of the right to possession and use of goods
 36 for a term in return for consideration, but a sale, including a sale on approval
 37 or a sale or return, or retention or creation of a security interest is not a lease.
 38 Unless the context clearly indicates otherwise, the term includes a sublease.
 39 The term includes a motor vehicle operating agreement that is considered a
 40 lease under § section 7701(h) of the Internal Revenue Code.

41 ~~(k)~~(26) "Lease agreement" means the Lease agreement. – The bargain, with respect
 42 to the lease, of the lessor and the lessee in fact as found in their language or
 43 by implication from other circumstances including course of dealing or usage
 44 of trade or course of performance as provided in this Article. Unless the
 45 context clearly indicates otherwise, the term includes a sublease agreement.

46 ~~(l)~~(27) "Lease contract" means the Lease contract. – The total legal obligation that
 47 results from the lease agreement as affected by this Article and any other
 48 applicable rules of law. Unless the context clearly indicates otherwise, the
 49 term includes a sublease contract.

50 ~~(m)~~(28) "Leasehold interest" means the Leasehold interest. – The interest of the
 51 lessor or the lessee under a lease contract.

- 1 ~~(n)~~(29) "Lessee" means a Lessee. – A person ~~who~~ that acquires the right to possession
2 and use of goods under a lease. Unless the context clearly indicates otherwise,
3 the term includes a sublessee.
- 4 ~~(o)~~(30) "Lessee in ordinary course of business" means a Lessee in ordinary course of
5 business. – A person ~~who~~, that, in good faith and without knowledge that the
6 lease to ~~him~~ the person is in violation of the ownership rights or security
7 interest or leasehold interest of a third party in the goods, leases in ordinary
8 course from a ~~person~~ person, other than a pawnbroker, in the business of
9 selling or leasing goods of that ~~kind but does not include a pawnbroker~~ kind.
10 "Leasing" may be for cash or by exchange of other property or on secured or
11 unsecured credit and includes acquiring goods or documents of title under a
12 preexisting lease contract but does not include a transfer in bulk or as security
13 for or in total or partial satisfaction of a money debt.
- 14 ~~(p)~~(31) "Lessor" means a Lessor. – A person ~~who~~ that transfers the right to possession
15 and use of goods under a lease. Unless the context clearly indicates otherwise,
16 the term includes a sublessor.
- 17 ~~(q)~~(32) "Lessor's residual interest" means ~~the~~ Lessor's residual interest. – The lessor's
18 interest in the goods after expiration, termination, or cancellation of the lease
19 contract.
- 20 ~~(r)~~(33) "Lien" means a Lien. – A charge against or interest in goods to secure payment
21 of a debt or performance of an obligation, but the term does not include a
22 security interest.
- 23 ~~(s)~~(34) "Lot" means a Lot. – A parcel or a single article that is the subject matter of a
24 separate lease or delivery, whether or not it is sufficient to perform the lease
25 contract.
- 26 (35) Merchant. – Defined in G.S. 25-2-104.
- 27 ~~(t)~~(36) "Merchant lessee" means a Merchant lessee. – A lessee that is a merchant with
28 respect to goods of the kind subject to the lease.
- 29 (37) Mortgage. – Defined in G.S. 25-9-102.
- 30 ~~(u)~~(38) "Present value" means ~~the~~ Present value. – The amount as of a date certain of
31 one or more sums payable in the future, discounted to the date certain. The
32 discount is determined by the interest rate specified by the parties if the rate
33 was not manifestly unreasonable at the time the transaction was entered into;
34 otherwise, the discount is determined by a commercially reasonable rate that
35 takes into account the facts and circumstances of each case at the time the
36 transaction was entered into.
- 37 ~~(v)~~(39) "Purchase" ~~includes~~ Purchase. – Includes taking by sale, lease, mortgage,
38 security interest, pledge, gift, or any other voluntary transaction creating an
39 interest in goods.
- 40 (40) Purchase money lease. – Defined in G.S. 25-2A-309.
- 41 (41) Pursuant to commitment. – Defined in G.S. 25-9-102.
- 42 (42) Receipt. – Defined in G.S. 25-2-103.
- 43 (43) Sale. – Defined in G.S. 25-2-106.
- 44 (44) Sale on approval. – Defined in G.S. 25-2-326.
- 45 (45) Sale or return. – Defined in G.S. 25-2-326.
- 46 (46) Seller. – Defined in G.S. 25-2-103.
- 47 ~~(w)~~(47) "Sublease" means a Sublease. – A lease of goods the right to possession
48 and use of which was acquired by the lessor as a lessee under an existing lease.
- 49 ~~(x)~~(48) "Supplier" means a Supplier. – A person from ~~whom~~ which a lessor buys or
50 leases goods to be leased under a finance lease.

1 ~~(y)(49) "Supply contract" means a Supply contract. – A contract under which a lessor~~
 2 buys or leases goods to be leased.
 3 ~~(z)(50) "Termination" occurs Termination. – Occurs when either party pursuant to a~~
 4 power created by agreement or law puts an end to the lease contract otherwise
 5 than for default.

6 (2) ~~Other definitions applying to this Article and the sections in which they appear are:~~
 7 "Accessions". G.S. 25-2A-310(1).
 8 "Construction mortgage". G.S. 25-2A-309(1)(d).
 9 "Encumbrance". G.S. 25-2A-309(1)(e).
 10 "Fixtures". G.S. 25-2A-309(1)(a).
 11 "Fixture filing". G.S. 25-2A-309(1)(b).
 12 "Purchase money lease". G.S. 25-2A-309(1)(c).

13 (3) ~~The following definitions in other Articles apply to this Article:~~
 14 "Account" G.S. 25-9-102(a)(2).
 15 "Between merchants" G.S. 25-2-104(3).
 16 "Buyer" G.S. 25-2-103(1)(a).
 17 "Chattel paper" G.S. 25-9-102(a)(11).
 18 "Consumer goods" G.S. 25-9-102(a)(23).
 19 "Document" G.S. 25-9-102(a)(30).
 20 "Entrusting" G.S. 25-2-403(3).
 21 "General intangible" G.S. 25-9-102(a)(42).
 22 "Instrument" G.S. 25-9-102(a)(47).
 23 "Merchant" G.S. 25-2-104(1).
 24 "Mortgage" G.S. 25-9-102(a)(55).
 25 "Pursuant to commitment" G.S. 25-9-102(a)(68).
 26 "Receipt" G.S. 25-2-103(1)(c).
 27 "Sale" G.S. 25-2-106(1).
 28 "Sale on approval" G.S. 25-2-326.
 29 "Sale or return" G.S. 25-2-326.
 30 "Seller" G.S. 25-2-103(1)(d).

31 (4)(b) ~~In addition, Article 1 of this Chapter contains general definitions and principles of~~
 32 construction and interpretation applicable throughout this Article."

33 **SECTION 67.** G.S. 25-2A-107 reads as rewritten:

34 **"§ 25-2A-107. Waiver or renunciation of claim or right after default.**

35 Any claim or right arising out of an alleged default or breach of warranty may be discharged
 36 in whole or in part without consideration by a ~~written~~-waiver or renunciation in a signed and
 37 record delivered by the aggrieved party."

38 **SECTION 68.** G.S. 25-2A-201 reads as rewritten:

39 **"§ 25-2A-201. Statute of frauds.**

40 (1)(a) ~~A lease contract is not enforceable by way of action or defense unless~~:unless either of
 41 the following applies:

42 (a)(1) ~~the~~-The total payments to be made under the lease contract, excluding
 43 payments for options to renew or buy, are less than one thousand dollars
 44 ~~(\$1,000); or (\$1,000).~~

45 (b)(2) ~~there~~-There is a writing, record, signed by the party against ~~whom~~-which
 46 enforcement is sought or by that party's authorized agent, sufficient to indicate
 47 that a lease contract has been made between the parties and to describe the
 48 goods leased and the lease term.

49 (2)(b) Any description of leased goods or of the lease term is sufficient and satisfies
 50 ~~subsection (1)(b)~~-subdivision (a)(2) of this section, whether or not it is specific, if it reasonably
 51 identifies what is described.

1 ~~(3)(c)~~ A writing record is not insufficient because it omits or incorrectly states a term agreed
2 upon, but the lease contract is not enforceable under ~~subsection (1)(b) subdivision (a)(2)~~ of this
3 section beyond the lease term and the quantity of goods shown in the writing record.

4 ~~(4)(d)~~ All of the following apply to a lease contract that does not satisfy the requirements
5 of subsection (4) ~~(a)~~ of this section, but ~~which that is~~ valid in other respects, ~~is~~
6 enforceable; respects:

7 ~~(a)(1)~~ The contract is enforceable if the goods are to be specially manufactured or
8 obtained for the lessee and are not suitable for lease or sale to others in the
9 ordinary course of the lessor's business, and the lessor, before notice of
10 repudiation is received and under circumstances that reasonably indicate that
11 the goods are for the lessee, has made either a substantial beginning of their
12 manufacture or commitments for their ~~procurement; procurement~~.

13 ~~(b)(2)~~ The contract is enforceable if the party against ~~whom which~~ enforcement is
14 sought admits in that party's pleading, testimony, or otherwise in court that a
15 lease contract was made, but the lease contract is not enforceable under this
16 ~~provision subdivision~~ beyond the quantity of goods ~~admitted; or admitted~~.

17 ~~(e)(3)~~ The contract is enforceable with respect to goods that have been received and
18 accepted by the lessee.

19 ~~(5)(e)~~ The lease term under a lease contract referred to in subsection (4) ~~(d)~~ of this section
20 is; is as follows:

21 ~~(a)(1)~~ if ~~If~~ there is a writing record signed by the party against ~~whom which~~
22 enforcement is sought or by that party's authorized agent specifying the lease
23 term, the term so ~~specified; specified~~.

24 ~~(b)(2)~~ if ~~If~~ the party against ~~whom which~~ enforcement is sought admits in that party's
25 pleading, testimony, or otherwise in court a lease term, the term so
26 ~~admitted; admitted~~.

27 ~~(e)(3)~~ if ~~If~~ there is other evidence of the parties' intent with regard to the lease term,
28 the term so ~~intended; or intended~~.

29 ~~(d)(4)~~ in ~~In~~ the absence of evidence of the parties' intent, a reasonable lease term."

30 **SECTION 69.** G.S. 25-2A-202 reads as rewritten:

31 "**§ 25-2A-202. Final ~~written expression: parol or extrinsic evidence.~~**

32 Terms with respect to which the confirmatory memoranda of the parties agree or which are
33 otherwise set forth in a writing record intended by the parties as a final expression of their
34 agreement with respect to ~~such terms as are included therein may~~ the terms included in it shall
35 not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement
36 but may be explained or ~~supplemented; supplemented by the following:~~

37 ~~(a)(1)~~ by ~~By~~ course of dealing or usage of trade or by course of ~~performance;~~
38 ~~and performance.~~

39 ~~(b)(2)~~ by ~~By~~ evidence of consistent additional terms unless the court finds the
40 writing record to have been intended also as a complete and exclusive
41 statement of the terms of the agreement."

42 **SECTION 70.** G.S. 25-2A-203 reads as rewritten:

43 "**§ 25-2A-203. Seals inoperative.**

44 The affixing of a seal to a writing record evidencing a lease contract or an offer to enter into
45 a lease contract does not render the writing record a sealed ~~instrument instrument~~, and the law
46 with respect to sealed instruments does not apply to the lease contract or offer."

47 **SECTION 71.** G.S. 25-2A-205 reads as rewritten:

48 "**§ 25-2A-205. Firm offers.**

49 An offer by a merchant to lease goods to or from another person in a signed writing record
50 that by its terms gives assurance it will be held open is not revocable, for lack of consideration,
51 during the time stated or, if no time is stated, for a reasonable time, but in no event ~~may shall~~ the

1 period of irrevocability exceed three months. ~~Any such~~ The term of assurance on a form supplied
2 by the offeree ~~must shall~~ be separately signed by the offeror."

3 **SECTION 72.** G.S. 25-2A-208 reads as rewritten:

4 "**§ 25-2A-208. Modification, ~~recession~~ rescission, and waiver.**

5 ~~(1)~~(a) An agreement modifying a lease contract needs no consideration to be binding.

6 ~~(2)~~(b) A signed lease agreement that excludes modification or rescission except by a signed
7 ~~writing may record shall~~ not be otherwise modified or rescinded, but, except as between
8 merchants, ~~such a this~~ requirement on a form supplied by a merchant ~~must shall~~ be separately
9 signed by the other party.

10 ~~(3)~~(c) Although an attempt at modification or rescission does not satisfy the requirements
11 of subsection ~~(2)~~(b) of this section, it may operate as a waiver.

12 ~~(4)~~(d) A party ~~who that~~ has made a waiver affecting an executory portion of a lease contract
13 may retract the waiver by reasonable notification received by the other party that strict
14 performance will be required of any term waived, unless the retraction would be unjust in view
15 of a material change of position in reliance on the waiver."

16 **SECTION 73.** G.S. 25-3-104 reads as rewritten:

17 "**§ 25-3-104. Negotiable instrument.**

18 (a) Except as provided in subsections (c) and (d) of this section, "negotiable instrument"
19 means an unconditional promise or order to pay a fixed amount of money, with or without interest
20 or other charges described in the promise or order, if ~~it~~ all of the following apply:

21 (1) ~~Is The promise or order is~~ payable to bearer or to order at the time it is issued
22 or first comes into possession of a ~~holder~~ holder.

23 (2) ~~Is The promise or order is~~ payable on demand or at a definite ~~time~~ and time.

24 (3) ~~Does The promise or order does~~ not state any other undertaking or instruction
25 by the person promising or ordering payment to do any act in addition to the
26 payment of money, but the promise or order may contain (i) an undertaking
27 or power to give, maintain, or protect collateral to secure payment, (ii) an
28 authorization or power to the holder to confess judgment or realize on or
29 dispose of collateral, ~~or~~ (iii) a waiver of the benefit of any law intended for
30 the advantage or protection of an ~~obligor~~ obligor, (iv) a term that specifies the
31 law that governs the promise or order, or (v) an undertaking to resolve in a
32 specified forum a dispute concerning the promise or order.

33 (b) "Instrument" means a negotiable instrument.

34 (c) An order that meets all of the requirements of subsection (a) of this section, except
35 subdivision ~~(4)~~ (1) of that subsection, and otherwise falls within the definition of "check" in
36 subsection (f) of this section is a negotiable instrument and a check.

37 (d) A promise or order other than a check is not an instrument if, at the time it is issued
38 or first comes into possession of a holder, it contains a conspicuous statement, however
39 expressed, to the effect that the promise or order is not negotiable or is not an instrument governed
40 by this Article.

41 (e) An instrument is a "note" if it is a promise and is a "draft" if it is an order. If an
42 instrument falls within the definition of both "note" and "~~draft~~", "draft," a person entitled to
43 enforce the instrument may treat it as either.

44 (f) "Check" means (i) a draft, other than a documentary draft, payable on demand and
45 drawn on a bank or (ii) a cashier's check or teller's check. An instrument may be a check even
46 though it is described on its face by another term, such as "money ~~order~~" order."

47"

48 **SECTION 74.** G.S. 25-3-105 reads as rewritten:

49 "**§ 25-3-105. Issue of instrument.**

50 (a) "Issue" ~~means~~ means either of the following:

1 (1) ~~the~~ The first delivery of an instrument by the maker or drawer, whether to a
2 holder or nonholder, for the purpose of giving rights on the instrument to any
3 person.

4 (2) If agreed by the payee, the first transmission by the drawer to the payee of an
5 image of an item and information derived from the item that enables the
6 depository bank to collect the item by transferring or presenting under federal
7 law an electronic check.

8 (b) An unissued instrument, or an unissued incomplete instrument that is completed, is
9 binding on the maker or drawer, but nonissuance is a defense. An instrument that is conditionally
10 issued or is issued for a special purpose is binding on the maker or drawer, but failure of the
11 condition or special purpose to be fulfilled is a defense.

12 (c) "Issuer" applies to issued and unissued instruments and means a maker or drawer of
13 an instrument."

14 **SECTION 75.** G.S. 25-3-401 reads as rewritten:

15 "**§ 25-3-401. Signature.**~~Signature necessary for liability on instrument.~~

16 (a) A person is not liable on an instrument unless (i) the person signed the instrument, or
17 (ii) the person is represented by an agent or representative who signed the instrument and the
18 signature is binding on the represented person under G.S. 25-3-402.

19 ~~(b) A signature may be made (i) manually or by means of a device or machine, and (ii)~~
20 ~~by the use of any name, including a trade or assumed name, or by a word, mark, or symbol~~
21 ~~executed or adopted by a person with present intention to authenticate a writing."~~

22 **SECTION 76.** G.S. 25-3-604 reads as rewritten:

23 "**§ 25-3-604. Discharge by cancellation or renunciation.**

24 (a) A person entitled to enforce an instrument, with or without consideration, may
25 discharge the obligation of a party to pay the instrument (i) by an intentional voluntary act, such
26 as surrender of the instrument to the party, destruction, mutilation, or cancellation of the
27 instrument, cancellation or striking out of the party's signature, or the addition of words to the
28 instrument indicating discharge, or (ii) by agreeing not to sue or otherwise renouncing rights
29 against the party by a signed writing. The obligation of a party to pay a check is not discharged
30 solely by destruction of the check in connection with a process in which information is extracted
31 from the check and an image of the check is made and, subsequently, the information and image
32 are transmitted for payment.

33 (b) Cancellation or striking out of an ~~endorsement~~ indorsement pursuant to subsection (a)
34 of this section does not affect the status and rights of a party derived from the indorsement."

35 **SECTION 77.(a)** Subdivision (a)(1) of G.S. 25-4A-103 is recodified as subdivision
36 (a)(3a) of that section.

37 **SECTION 77.(b)** G.S. 25-4A-103, as amended by subsection (a) of this section,
38 reads as rewritten:

39 "**§ 25-4A-103. Payment order – definitions.**

40 (a) In this ~~Article~~ Article, the following definitions apply:

41 (1) Recodified.

42 (2) ~~"Beneficiary" means the~~ Beneficiary. – The person to be paid by the
43 beneficiary's bank.

44 (3) ~~"Beneficiary's bank" means the~~ Beneficiary's bank. – The bank identified in a
45 payment order in which an account of the beneficiary is to be credited pursuant
46 to the order or ~~which that~~ otherwise is to make payment to the beneficiary if
47 the order does not provide for payment to an account.

48 (3a) ~~"Payment order" means an~~ Payment order. – An instruction of a sender to a
49 receiving bank, transmitted ~~orally, electronically, or in writing,~~ orally or in a
50 record, to pay, or to cause another bank to pay, a fixed or determinable amount
51 of money to a beneficiary if: if all of the following apply:

- 1 (i)a. The instruction does not state a condition of payment to the beneficiary
2 other than time of ~~payment, payment.~~
- 3 (ii)b. The receiving bank is to be reimbursed by debiting an account of, or
4 otherwise receiving payment from, the ~~sender, and sender.~~
- 5 (iii)c. The instruction is transmitted by the sender directly to the receiving
6 bank or to an agent, funds-transfer system, or communication system
7 for transmittal to the receiving bank.

8 (4) "~~Receiving bank~~" means the Receiving bank. – The bank to which the sender's
9 instruction is addressed.

10 (5) "~~Sender~~" means the Sender. – The person giving the instruction to the
11 receiving bank.

12 (b) If an instruction complying with ~~subsection (a)(1)~~ subdivision (a)(3a) of this section
13 is to make more than one payment to a beneficiary, the instruction is a separate payment order
14 with respect to each payment.

15 (c) A payment order is issued when it is sent to the receiving bank."

16 **SECTION 78.** G.S. 25-4A-201 reads as rewritten:

17 "**§ 25-4A-201. Security procedure.**

18 "Security procedure" means a procedure established by agreement of a customer and a
19 receiving bank for the purpose of (i) verifying that a payment order or communication amending
20 or cancelling a payment order is that of the customer, or (ii) detecting error in the transmission
21 or the content of the payment order or communication. A security procedure may impose an
22 obligation on the receiving bank or the customer and may require the use of algorithms or other
23 codes, identifying ~~words or words,~~ numbers, symbols, sounds, biometrics, encryption, call-back
24 procedures, or similar security devices. Comparison of a signature on a payment order or
25 communication with an authorized specimen signature of the customer or requiring a payment
26 order to be sent from a known email address, IP address, or telephone number is not by itself a
27 security procedure."

28 **SECTION 79.** G.S. 25-4A-202 reads as rewritten:

29 "**§ 25-4A-202. Authorized and verified payment orders.**

30 (a) A payment order received by the receiving bank is the authorized order of the person
31 identified as sender if that person authorized the order or is otherwise bound by it under the law
32 of agency.

33 (b) If a bank and its customer have agreed that the authenticity of payment orders issued
34 to the bank in the name of the customer as sender will be verified pursuant to a security procedure,
35 a payment order received by the receiving bank is effective as the order of the customer, whether
36 or not authorized, if (i) the security procedure is a commercially reasonable method of providing
37 security against unauthorized payment orders, and (ii) the bank proves that it accepted the
38 payment order in good faith and in compliance with the bank's obligations under the security
39 procedure and any ~~written~~ agreement or instruction of the ~~customer~~ customer, evidenced by a
40 record, restricting acceptance of payment orders issued in the name of the customer. The bank is
41 not required to follow an instruction that violates a ~~written~~ an agreement with the ~~customer~~
42 customer, evidenced by a record, or notice of which is not received at a time and in a manner
43 affording the bank a reasonable opportunity to act on it before the payment order is accepted.

44 (c) Commercial reasonableness of a security procedure is a question of law to be
45 determined by considering the wishes of the customer expressed to the bank, the circumstances
46 of the customer known to the bank, including the size, type, and frequency of payment orders
47 normally issued by the customer to the bank, alternative security procedures offered to the
48 customer, and security procedures in general use by customers and receiving banks similarly
49 situated. A security procedure is deemed to be commercially reasonable if (i) the security
50 procedure was chosen by the customer after the bank offered, and the customer refused, a security
51 procedure that was commercially reasonable for that customer, and (ii) the customer expressly

1 agreed in ~~writing~~ a record to be bound by any payment order, whether or not authorized, issued
2 in its name and accepted by the bank in compliance with the bank's obligations under the security
3 procedure chosen by the customer.

4 (d) The term "sender" in this Article includes the customer in whose name a payment
5 order is issued if the order is the authorized order of the customer under ~~subsection (a), or it~~
6 subsection (a) of this section or if the order is effective as the order of the customer under
7 subsection ~~(b)-(b)~~ of this section.

8 (e) This section applies to amendments and cancellations of payment orders to the same
9 extent it applies to payment orders.

10 (f) Except as provided in this section and in G.S. 25-4A-203(a)(1), rights and obligations
11 arising under this section or G.S. 25-4A-203 ~~may~~ shall not be varied by agreement."

12 **SECTION 80.** G.S. 25-4A-203 reads as rewritten:

13 **"§ 25-4A-203. Unenforceability of certain verified payment orders.**

14 (a) If an accepted payment order is not, under G.S. 25-4A-202(a), an authorized order of
15 a customer identified as ~~sender, sender~~ but is effective as an order of the customer pursuant to
16 G.S. 25-4A-202(b), the following rules apply:

17 (1) By express ~~written agreement, agreement evidenced by a record,~~ the receiving
18 bank may limit the extent to which it is entitled to enforce or retain payment
19 of the payment order.

20 (2) The receiving bank is not entitled to enforce or retain payment of the payment
21 order if the customer proves that the order was not caused, directly or
22 indirectly, by a person (i) entrusted at any time with duties to act for the
23 customer with respect to payment orders or the security procedure, or (ii) ~~who~~
24 that obtained access to transmitting facilities of the customer or who that
25 obtained, from a source controlled by the customer and without authority of
26 the receiving bank, information facilitating breach of the security procedure,
27 regardless of how the information was obtained or whether the customer was
28 at fault. Information includes any access device, computer software, or the
29 like.

30 (b) This section applies to amendments of payment orders to the same extent it applies to
31 payment orders."

32 **SECTION 81.** G.S. 25-4A-207 reads as rewritten:

33 **"§ 25-4A-207. Misdescription of beneficiary.**

34 (a) Subject to subsection ~~(b)-(b)~~ of this section, if, in a payment order received by the
35 beneficiary's bank, the name, bank account number, or other identification of the beneficiary
36 refers to a nonexistent or unidentifiable person or account, no person has rights as a beneficiary
37 of the order and acceptance of the order cannot occur.

38 (b) If a payment order received by the beneficiary's bank identifies the beneficiary both
39 by name and by an identifying or bank account number and the name and number identify
40 different persons, the following rules apply:

41 (1) Except as otherwise provided in subsection ~~(e)-(c)~~ of this section, if the
42 beneficiary's bank does not know that the name and number refer to different
43 persons, it may rely on the number as the proper identification of the
44 beneficiary of the order. The beneficiary's bank need not determine whether
45 the name and number refer to the same person.

46 (2) If the beneficiary's bank pays the person identified by name or knows that the
47 name and number identify different persons, no person has rights as
48 beneficiary except the person paid by the beneficiary's bank if that person was
49 entitled to receive payment from the originator of the funds transfer. If no
50 person has rights as beneficiary, acceptance of the order cannot occur.

1 (c) If (i) a payment order described in subsection (b) of this section is accepted, (ii) the
 2 originator's payment order described the beneficiary inconsistently by name and number, and
 3 (iii) the beneficiary's bank pays the person identified by number as permitted by ~~subsection~~
 4 ~~(b)(1)~~, subdivision (b)(1) of this section, the following rules apply:

- 5 (1) If the originator is a bank, the originator is obliged to pay its order.
 6 (2) If the originator is not a bank and proves that the person identified by number
 7 was not entitled to receive payment from the originator, the originator is not
 8 obliged to pay its order unless the originator's bank proves that the originator,
 9 before acceptance of the originator's order, had notice that payment of a
 10 payment order issued by the originator might be made by the beneficiary's
 11 bank on the basis of an identifying or bank account number even if it identifies
 12 a person different from the named beneficiary. Proof of notice may be made
 13 by any admissible evidence. The originator's bank satisfies the burden of proof
 14 if it proves that the originator, before the payment order was accepted, signed
 15 a writing record stating the information to which the notice relates.

16 (d) In a case governed by ~~subsection (b)(1)~~, subdivision (b)(1) of this section, if the
 17 beneficiary's bank rightfully pays the person identified by number and that person was not
 18 entitled to receive payment from the originator, the amount paid may be recovered from that
 19 person to the extent allowed by the law governing mistake and restitution as follows:

- 20 (1) If the originator is obliged to pay its payment order as stated in subsection ~~(e)~~,
 21 (c) of this section, the originator has the right to recover.
 22 (2) If the originator is not a bank and is not obliged to pay its payment order, the
 23 originator's bank has the right to recover."

24 **SECTION 82.** G.S. 25-4A-208 reads as rewritten:

25 "**§ 25-4A-208. Misdescription of intermediary bank or beneficiary's bank.**

26 (a) ~~This subsection applies~~ Both of the following apply to a payment order identifying an
 27 intermediary bank or the beneficiary's bank only by an identifying ~~number~~ number:

- 28 (1) The receiving bank may rely on the number as the proper identification of the
 29 intermediary or beneficiary's bank and need not determine whether the
 30 number identifies a bank.
 31 (2) The sender is obliged to compensate the receiving bank for any loss and
 32 expenses incurred by the receiving bank as a result of its reliance on the
 33 number in executing or attempting to execute the order.

34 (b) ~~This subsection applies~~ All of the following apply to a payment order identifying an
 35 intermediary bank or the beneficiary's bank both by name and an identifying number if the name
 36 and number identify different ~~persons~~ persons:

- 37 (1) If the sender is a bank, the receiving bank may rely on the number as the
 38 proper identification of the intermediary or beneficiary's bank if the receiving
 39 bank, when it executes the sender's order, does not know that the name and
 40 number identify different persons. The receiving bank need not determine
 41 whether the name and number refer to the same person or whether the number
 42 refers to a bank. The sender is obliged to compensate the receiving bank for
 43 any loss and expenses incurred by the receiving bank as a result of its reliance
 44 on the number in executing or attempting to execute the order.
 45 (2) If the sender is not a bank and the receiving bank proves that the sender, before
 46 the payment order was accepted, had notice that the receiving bank might rely
 47 on the number as the proper identification of the intermediary or beneficiary's
 48 bank even if it identifies a person different from the bank identified by name,
 49 the rights and obligations of the sender and the receiving bank are governed
 50 by ~~subsection (b)(1)~~, subdivision (b)(1) of this section, as though the sender
 51 were a bank. Proof of notice may be made by any admissible evidence. The

1 receiving bank satisfies the burden of proof if it proves that the sender, before
2 the payment order was accepted, signed a ~~writing~~ record stating the
3 information to which the notice relates.

4 (3) Regardless of whether the sender is a bank, the receiving bank may rely on
5 the name as the proper identification of the intermediary or beneficiary's bank
6 if the receiving bank, at the time it executes the sender's order, does not know
7 that the name and number identify different persons. The receiving bank need
8 not determine whether the name and number refer to the same person.

9 (4) If the receiving bank knows that the name and number identify different
10 persons, reliance on either the name or the number in executing the sender's
11 payment order is a breach of the obligation stated in G.S. 25-4A-302(a)(1)."

12 **SECTION 83.** G.S. 25-4A-210 reads as rewritten:

13 **"§ 25-4A-210. Rejection of payment order.**

14 (a) A payment order is rejected by the receiving bank by a notice of rejection transmitted
15 to the sender ~~orally, electronically, or in writing~~ orally or in a record. A notice of rejection need
16 not use any particular words and is sufficient if it indicates that the receiving bank is rejecting
17 the order or will not execute or pay the order. Rejection is effective when the notice is given if
18 transmission is by a means that is reasonable in the circumstances. If notice of rejection is given
19 by a means that is not reasonable, rejection is effective when the notice is received. If an
20 agreement of the sender and receiving bank establishes the means to be used to reject a payment
21 order, (i) any means complying with the agreement is reasonable and (ii) any means not
22 complying is not reasonable unless no significant delay in receipt of the notice resulted from the
23 use of the noncomplying means.

24"

25 **SECTION 84.** G.S. 25-4A-211 reads as rewritten:

26 **"§ 25-4A-211. Cancellation and amendment of payment order.**

27 (a) A communication of the sender of a payment order cancelling or amending the order
28 may be transmitted to the receiving bank ~~orally, electronically, or in writing~~ orally or in a record.
29 If a security procedure is in effect between the sender and the receiving bank, the communication
30 is not effective to cancel or amend the order unless the communication is verified pursuant to the
31 security procedure or the bank agrees to the cancellation or amendment.

32 (b) Subject to subsection ~~(a)~~ (a) of this section, a communication by the sender cancelling
33 or amending a payment order is effective to cancel or amend the order if notice of the
34 communication is received at a time and in a manner affording the receiving bank a reasonable
35 opportunity to act on the communication before the bank accepts the payment order.

36 (c) After a payment order has been accepted, cancellation or amendment of the order is
37 not effective unless the receiving bank agrees or a funds-transfer system rule allows cancellation
38 or amendment without agreement of the bank. The following provisions apply:

39 (1) With respect to a payment order accepted by a receiving bank other than the
40 beneficiary's bank, cancellation or amendment is not effective unless a
41 conforming cancellation or amendment of the payment order issued by the
42 receiving bank is also made.

43 (2) With respect to a payment order accepted by the beneficiary's bank,
44 cancellation or amendment is not effective unless the order was issued in
45 execution of an unauthorized payment order, or because of a mistake by a
46 sender in the funds transfer ~~which that~~ resulted in the issuance of a payment
47 order (i) that is a duplicate of a payment order previously issued by the sender,
48 (ii) that orders payment to a beneficiary not entitled to receive payment from
49 the originator, or (iii) that orders payment in an amount greater than the
50 amount the beneficiary was entitled to receive from the originator. If the
51 payment order is cancelled or amended, the beneficiary's bank is entitled to

1 recover from the beneficiary any amount paid to the beneficiary to the extent
2 allowed by the law governing mistake and restitution.

3 ...
4 (h) A funds-transfer system rule is not effective to the extent it conflicts with ~~subsection~~
5 ~~(e)(2)~~subdivision (c)(2) of this section."

6 **SECTION 85.** G.S. 25-4A-305 reads as rewritten:

7 "**§ 25-4A-305. Liability for late or improper execution or failure to execute payment order.**

8 (a) If a funds transfer is completed but execution of a payment order by the receiving
9 bank in breach of G.S. 25-4A-302 results in delay in payment to the beneficiary, the bank is
10 obliged to pay interest to either the originator or the beneficiary of the funds transfer for the
11 period of delay caused by the improper execution. Except as provided in subsection ~~(e)~~, (c) of
12 this section, additional damages are not recoverable.

13 (b) If execution of a payment order by a receiving bank in breach of G.S. 25-4A-302
14 results in (i) noncompletion of the funds transfer, (ii) failure to use an intermediary bank
15 designated by the originator, or (iii) issuance of a payment order that does not comply with the
16 terms of the payment order of the originator, the bank is liable to the originator for its expenses
17 in the funds transfer and for incidental expenses and interest losses, to the extent not covered by
18 subsection ~~(a)~~, (a) of this section, resulting from the improper execution. Except as provided in
19 subsection ~~(e)~~, (c) of this section, additional damages are not recoverable.

20 (c) In addition to the amounts payable under subsections (a) and ~~(b)~~, (b) of this section,
21 damages, including consequential damages, are recoverable to the extent provided in an express
22 ~~written~~ agreement of the receiving bank, bank, evidenced by a record.

23 (d) If a receiving bank fails to execute a payment order it was obliged by express
24 agreement to execute, the receiving bank is liable to the sender for its expenses in the transaction
25 and for incidental expenses and interest losses resulting from the failure to execute. Additional
26 damages, including consequential damages, are recoverable to the extent provided in an express
27 ~~written~~ agreement of the receiving bank, evidenced by a record, but are not otherwise
28 recoverable.

29 (e) Reasonable attorneys' fees are recoverable if demand for compensation under
30 subsection (a) or (b) of this section is made and refused before an action is brought on the claim.
31 If a claim is made for breach of an agreement under subsection (d) of this section and the
32 agreement does not provide for damages, reasonable attorneys' fees are recoverable if demand
33 for compensation under subsection (d) of this section is made and refused before an action is
34 brought on the claim.

35 (f) Except as stated in this section, the liability of a receiving bank under subsections (a)
36 and (b) ~~may of this section shall not~~ be varied by agreement."

37 **SECTION 86.** G.S. 25-5-104 reads as rewritten:

38 "**§ 25-5-104. Formal requirements.**

39 A letter of credit, confirmation, advice, transfer, amendment, or cancellation may be issued
40 in any form that is a record and is authenticated ~~(i) by a signature or (ii) in accordance with the~~
41 ~~agreement of the parties or the standard practice referred to in G.S. 25-5-108(e)~~ signed record."

42 **SECTION 87.** G.S. 25-5-116 reads as rewritten:

43 "**§ 25-5-116. Choice of law and forum.**

44 (a) The liability of an issuer, nominated person, or adviser for action or omission is
45 governed by the law of the jurisdiction chosen by an agreement in the form of a record signed ~~or~~
46 ~~otherwise authenticated~~ by the affected parties ~~in the manner provided in G.S. 25-5-104~~ or by a
47 provision in the person's letter of credit, confirmation, or other undertaking. The jurisdiction
48 whose law is chosen need not bear any relation to the transaction.

49 (b) Unless subsection (a) of this section applies, the liability of an issuer, nominated
50 person, or adviser for action or omission is governed by the law of the jurisdiction in which the
51 person is located. The person is considered to be located at the address indicated in the person's

1 undertaking. If more than one address is indicated, the person is considered to be located at the
 2 address from which the person's undertaking was issued.

3 (b1) For the purpose of jurisdiction, choice of law, and recognition of interbranch letters
 4 of credit, but not enforcement of a judgment, all branches of a bank are considered separate
 5 juridical entities and a bank is considered to be located at the place where its relevant branch is
 6 considered to be located under ~~this subsection~~ subsection (b2) of this section.

7 (b2) A branch of a bank is considered to be located at the address indicated in the branch's
 8 undertaking. If more than one address is indicated, the branch is considered to be located at the
 9 address from which the undertaking was issued.

10"

11 **SECTION 88.** G.S. 25-7-102 reads as rewritten:

12 **"§ 25-7-102. Definitions and index of definitions.**

13 (a) In this Article, ~~unless the context otherwise requires~~ the following definitions apply:

14 (1) ~~"Bailee" means a Bailee.~~ – A person that by a warehouse receipt, bill of lading,
 15 or other document of title acknowledges possession of goods and contracts to
 16 deliver them.

17 (2) ~~"Carrier" means a Carrier.~~ – A person that issues a bill of lading.

18 (3) ~~"Consignee" means a Consignee.~~ – A person named in a bill of lading to ~~whom~~
 19 ~~which~~ or to whose order the bill promises delivery.

20 (4) ~~"Consignor" means a Consignor.~~ – A person named in a bill of lading as the
 21 person from ~~whom~~ ~~which~~ the goods have been received for shipment.

22 (4a) Contract for sale. – Defined in G.S. 25-2-106.

23 (5) ~~"Delivery order" means a Delivery order.~~ – A record that contains an order to
 24 deliver goods directed to a warehouse, carrier, or other person that in the
 25 ordinary course of business issues warehouse receipts or bills of lading.

26 (6) Reserved for future codification purposes.

27 (7) ~~"Goods" means all Goods.~~ – All things that are treated as movable for the
 28 purposes of a contract for storage or transportation.

29 (8) ~~"Issuer" means a Issuer.~~ – A bailee that issues a document of title or, in the
 30 case of an unaccepted delivery order, the person that orders the possessor of
 31 goods to deliver. The term includes a person for ~~whom~~ ~~which~~ an agent or
 32 employee purports to act in issuing a document if the agent or employee has
 33 real or apparent authority to issue documents, even if the issuer did not receive
 34 any goods, the goods were misdescribed, or in any other respect the agent or
 35 employee violated the issuer's instructions.

36 (8a) Lessee in ordinary course of business. – Defined in G.S. 25-2A-103.

37 (9) ~~"Person entitled under the document" means the Person entitled under the~~
 38 ~~document.~~ – The holder, in the case of a negotiable document of title, or the
 39 person to ~~whom~~ ~~which~~ delivery of the goods is to be made by the terms of, or
 40 pursuant to instructions in a record under, a nonnegotiable document of title.

41 (10) "Receipt" of goods. – Defined in G.S. 25-2-103.

42 (11) ~~"Sign" means, with present intent to authenticate or adopt a record:~~

43 a. ~~To execute or adopt a tangible symbol; or~~

44 b. ~~To attach to or logically associate with the record an electronic sound,~~
 45 ~~symbol, or process.~~

46 (12) ~~"Shipper" means a Shipper.~~ – A person that enters into a contract of
 47 transportation with a carrier.

48 (13) ~~"Warehouse" means a Warehouse.~~ – A person engaged in the business of
 49 storing goods for hire.

50 (b) ~~Definitions in other Articles applying to this Article and the sections in which they~~
 51 ~~appear are:~~

- 1 (1) ~~"Contract for sale," G.S. 25-2-106.~~
 2 (2) ~~"Lessee in the ordinary course of business," G.S. 25-2A-103.~~
 3 (3) ~~"Receipt" of goods, G.S. 25-2-103.~~
 4 (c) In addition, Article 1 of this Chapter contains general definitions and principles of
 5 construction and interpretation applicable throughout this Article."

6 **SECTION 89.** G.S. 25-7-106 reads as rewritten:

7 **"§ 25-7-106. Control of electronic document of title.**

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

11 (b) A system satisfies subsection (a) of this section, and a person ~~is deemed to have~~ has
 12 control of an electronic document of title, if the document is created, stored, and ~~assigned~~
 13 transferred in such a manner that where all of the following apply:

- 14 (1) A single authoritative copy of the document exists ~~which~~ that is unique,
 15 identifiable, and, except as otherwise provided in subdivisions (4), (5), and (6)
 16 of this subsection, ~~unalterable;~~ unalterable.
 17 (2) The authoritative copy identifies the person asserting control ~~as~~ as either of
 18 the following:
 19 a. The person to ~~whom~~ which the document was ~~issued;~~ issued.
 20 b. If the authoritative copy indicates that the document has been
 21 transferred, the person to ~~whom~~ which the document was most
 22 recently ~~transferred;~~ transferred.
 23 (3) The authoritative copy is communicated to and maintained by the person
 24 asserting control or its designated ~~eustodian;~~ custodian.
 25 (4) Copies or amendments that add or change an identified ~~assignee~~ transferee
 26 of the authoritative copy can be made only with the consent of the person
 27 asserting ~~control;~~ control.
 28 (5) Each copy of the authoritative copy and any copy of a copy is readily
 29 identifiable as a copy that is not the authoritative ~~copy;~~ and copy.
 30 (6) Any amendment of the authoritative copy is readily identifiable as authorized
 31 or unauthorized.

32 (c) A system satisfies subsection (a) of this section, and a person has control of an
 33 electronic document of title, if an authoritative electronic copy of the document, a record attached
 34 to or logically associated with the electronic copy, or a system in which the electronic copy is
 35 recorded does all of the following:

- 36 (1) Enables the person readily to identify each electronic copy as either an
 37 authoritative copy or a nonauthoritative copy.
 38 (2) Enables the person readily to identify itself in any way, including by name,
 39 identifying number, cryptographic key, office, or account number, as the
 40 person to which each authoritative electronic copy was issued or transferred.
 41 (3) Gives the person exclusive power, subject to subsection (d) of this section, to
 42 do both of the following:
 43 a. Prevent others from adding or changing the person to which each
 44 authoritative electronic copy has been issued or transferred.
 45 b. Transfer control of each authoritative electronic copy.

46 (d) Subject to subsection (e) of this section, a power is exclusive under subdivision (c)(3)
 47 of this section even if either of the following applies:

- 48 (1) The authoritative electronic copy, a record attached to or logically associated
 49 with the authoritative electronic copy, or a system in which the authoritative
 50 electronic copy is recorded limits the use of the document of title or has a

- 1 protocol that is programmed to cause a change, including a transfer or loss of
 2 control.
- 3 (2) The power is shared with another person.
- 4 (e) A power of a person is not shared with another person under subdivision (d)(2) of this
 5 section and the person's power is not exclusive if both of the following apply:
- 6 (1) The person can exercise the power only if the power also is exercised by the
 7 other person.
- 8 (2) Either of the following applies to the other person:
- 9 a. The other person can exercise the power without exercise of the power
 10 by the person.
- 11 b. The other person is the transferor to the person of an interest in the
 12 document of title.
- 13 (f) If a person has the powers specified in subdivision (c)(3) of this section, the powers
 14 are presumed to be exclusive.
- 15 (g) A person has control of an electronic document of title if either of the following
 16 applies to another person, other than the transferor to the person of an interest in the document:
- 17 (1) The other person has control of the document and acknowledges that it has
 18 control on behalf of the person.
- 19 (2) The other person obtains control of the document after having acknowledged
 20 that it will obtain control of the document on behalf of the person.
- 21 (h) A person that has control under this section is not required to acknowledge that it has
 22 control on behalf of another person.
- 23 (i) If a person acknowledges that it has or will obtain control on behalf of another person,
 24 unless the person otherwise agrees or law other than this Article or Article 9 of this Chapter
 25 otherwise provides, the person does not owe any duty to the other person and is not required to
 26 confirm the acknowledgment to any other person."

27 **SECTION 90.** G.S. 25-8-102 reads as rewritten:

28 **"§ 25-8-102. Definitions.**

- 29 ~~In this Article:~~ Article, the following definitions apply:
- 30 ~~(1) "Adverse claim" means a~~ (1) "Adverse claim." – A claim that a claimant has a
 31 property interest in a financial asset and that it is a violation of the rights of
 32 the claimant for another person to hold, transfer, or deal with the financial
 33 asset.
- 34 ~~(1a) Appropriate person. – Defined in G.S. 25-8-107.~~
- 35 ~~(2) "Bearer form", as~~ (2) "Bearer form." – As applied to a certificated security, means
 36 a form in which the security is payable to the bearer of the security certificate
 37 according to its terms but not by reason of an indorsement.
- 38 ~~(3) "Broker" means a~~ (3) "Broker." – A person defined as a broker or dealer under the
 39 federal securities laws, but without excluding a bank acting in that capacity.
- 40 ~~(4) "Certificated security" means a~~ (4) "Certificated security." – A security that is
 41 represented by a certificate.
- 42 ~~(5) "Clearing corporation" means:~~ (5) "Clearing corporation." – Any of the following:
- 43 ~~(i)a.~~ (i)a. A person that is registered as a "clearing agency" under the federal
 44 securities laws;laws.
- 45 ~~(ii)b.~~ (ii)b. A federal reserve bank; orbank.
- 46 ~~(iii)c.~~ (iii)c. Any other person that provides clearance or settlement services with
 47 respect to financial assets that would require it to register as a clearing
 48 agency under the federal securities laws but for an exclusion or
 49 exemption from the registration requirement, if its activities as a
 50 clearing corporation, including promulgation of rules, are subject to
 51 regulation by a federal or state governmental authority.

- 1 (6) ~~"Communicate" means to:~~Communicate. – Either of the following:
- 2 (i)a. Send a signed ~~writing;~~ ~~or~~record.
- 3 (ii)b. Transmit information by any mechanism agreed upon by the persons
- 4 transmitting and receiving the information.
- 5 (6a) Control. – Defined in G.S. 25-8-106.
- 6 (6b) Controllable account. – Defined in G.S. 25-9-102.
- 7 (6c) Controllable electronic record. – Defined in G.S. 25-12-102.
- 8 (6d) Controllable payment intangible. – Defined in G.S. 25-9-102.
- 9 (6e) Delivery. – Defined in G.S. 25-8-301.
- 10 (7) ~~"Entitlement holder" means a~~Entitlement holder. – A person identified in the
- 11 records of a securities intermediary as the person having a security entitlement
- 12 against the securities intermediary. If a person acquires a security entitlement
- 13 by virtue of G.S. 25-8-501(b)(2) or (3), that person is the entitlement holder.
- 14 (8) ~~"Entitlement order" means a~~Entitlement order. – A notification
- 15 communicated to a securities intermediary directing transfer or redemption of
- 16 a financial asset to which the entitlement holder has a security entitlement.
- 17 (9) ~~"Financial asset", except~~Financial asset. – ~~Except~~ as otherwise provided in
- 18 G.S. 25-8-103, ~~means;~~means any of the following:
- 19 (i)a. A ~~security;~~security.
- 20 (ii)b. An obligation of a person or a share, participation, or other interest in
- 21 a person or in property or an enterprise of a person, ~~which that~~ is, or is
- 22 of a type, dealt in or traded on financial markets, or ~~which that~~ is
- 23 recognized in any area in which it is issued or dealt in as a medium for
- 24 ~~investment;~~ or investment.
- 25 (iii)c. Any property that is held by a securities intermediary for another
- 26 person in a securities account if the securities intermediary has
- 27 expressly agreed with the other person that the property is to be treated
- 28 as a financial asset under this Article.
- 29 As context requires, the term means either the interest itself or the means by
- 30 which a person's claim to it is evidenced, including a certificated or
- 31 uncertificated security, a security certificate, or a security entitlement.
- 32 (10) Repealed by Session Laws 2006-112, s. 20, effective October 1, 2006.
- 33 (11) ~~"Indorsement" means a~~Indorsement. – A signature that alone or accompanied
- 34 by other words is made on a security certificate in registered form or on a
- 35 separate document for the purpose of assigning, transferring, or redeeming the
- 36 security or granting a power to assign, transfer, or redeem it.
- 37 (12) ~~"Instruction" means a~~Instruction. – A notification communicated to the issuer
- 38 of an uncertificated security ~~which that~~ directs that the transfer of the security
- 39 be registered or that the security be redeemed.
- 40 (12a) Investment company security. – Defined in G.S. 25-8-103.
- 41 (12b) Issuer. – Defined in G.S. 25-8-201.
- 42 (12c) Overissue. – Defined in G.S. 25-8-210.
- 43 (12d) Protected purchaser. – Defined in G.S. 25-8-303.
- 44 (13) ~~"Registered form", as~~Registered form. – As applied to a certificated security,
- 45 means a form in ~~which;~~which both of the following apply:
- 46 (i)a. The security certificate specifies a person entitled to the ~~security;~~
- 47 and security.
- 48 (ii)b. A transfer of the security may be registered upon books maintained for
- 49 that purpose by or on behalf of the issuer, or the security certificate so
- 50 states.
- 51 (13a) Securities account. – Defined in G.S. 25-8-501.

- 1 (14) ~~"Securities intermediary" means:~~Securities intermediary. – Either of the
 2 following:
 3 ~~(i)a. A clearing corporation; or~~corporation.
 4 ~~(ii)b. A person, including a bank or broker, that in the ordinary course of its~~
 5 ~~business maintains securities accounts for others and is acting in that~~
 6 ~~capacity.~~
 7 (15) ~~"Security", except~~Security. – Except as otherwise provided in G.S. 25-8-103,
 8 means an obligation of an issuer or a share, participation, or other interest in
 9 an issuer or in property or an enterprise of an ~~issuer;~~issuer that satisfies all of
 10 the following requirements:
 11 ~~(i)a. Which~~It is represented by a security certificate in bearer or registered
 12 ~~form, or the~~its transfer ~~of which~~may be registered upon books
 13 maintained for that purpose by or on behalf of the ~~issuer;~~issuer.
 14 ~~(ii)b. Which~~It is one of a class or series or by its terms is divisible into a
 15 class or series of shares, participations, interests, or ~~obligations;~~
 16 ~~and~~obligations.
 17 ~~(iii)c. Which;~~It satisfies either of the following:
 18 ~~(A)1. Is,~~It is, or is of a type, dealt in or traded on securities exchanges
 19 or securities ~~markets;~~ markets.
 20 ~~(B)2. Is~~It is a medium for investment and by its terms expressly
 21 provides that it is a security governed by this Article.
 22 (16) ~~"Security certificate" means a~~Security certificate. – A certificate representing
 23 a security.
 24 (17) ~~"Security entitlement" means the~~Security entitlement. – The rights and
 25 property interest of an entitlement holder with respect to a financial asset
 26 specified in Part 5 of this Article.
 27 (18) ~~"Uncertificated security" means a~~Uncertificated security. – A security that is
 28 not represented by a certificate.
 29 (b) ~~Other definitions applying to this Article and the sections in which they appear are:~~
 30 ~~"Appropriate person" G.S. 25-8-107.~~
 31 ~~"Control" G.S. 25-8-106.~~
 32 ~~"Delivery" G.S. 25-8-301.~~
 33 ~~"Investment company security" G.S. 25-8-103.~~
 34 ~~"Issuer" G.S. 25-8-201.~~
 35 ~~"Overissue" G.S. 25-8-210.~~
 36 ~~"Protected purchaser" G.S. 25-8-303.~~
 37 ~~"Securities account" G.S. 25-8-501.~~
 38 (c) In addition, Article 1 of this Chapter contains general definitions and principles of
 39 construction and interpretation applicable throughout this Article.
 40 (d) The characterization of a person, business, or transaction for purposes of this Article
 41 does not determine the characterization of the person, business, or transaction for purposes of
 42 any other ~~law, regulation, or rule.~~law."
 43 **SECTION 91.** G.S. 25-8-103 reads as rewritten:
 44 **"§ 25-8-103. Rules for determining whether certain obligations and interests are securities**
 45 **or financial assets.**
 46 ...
 47 (d) A writing that is a security certificate is governed by this Article and not by Article 3
 48 of this Chapter, even though it also meets the requirements of that Article. However, a negotiable
 49 instrument governed by Article 3 of this Chapter is a financial asset if it is held in a securities
 50 account.

1 (e) An option or similar obligation issued by a clearing corporation to its participants is
2 not a ~~security~~, security but is a financial asset.

3 (f) A commodity contract, as defined in ~~G.S. 25-9-102(a)(15)~~, G.S. 25-9-102, is not a
4 security or financial asset.

5 (g) A document of title is not a financial asset unless ~~G.S. 25-8-102(a)(9)(iii)~~
6 G.S. 25-8-102(a)(9)c. applies.

7 (h) A controllable account, controllable electronic record, or controllable payment
8 intangible is not a financial asset unless G.S. 25-8-102(a)(9)c. applies."

9 **SECTION 92.** G.S. 25-8-106 reads as rewritten:

10 "**§ 25-8-106. Control.**

11 (a) A purchaser has "control" of a certificated security in bearer form if the certificated
12 security is delivered to the purchaser.

13 (b) A purchaser has "control" of a certificated security in registered form if the
14 certificated security is delivered to the purchaser, ~~and~~ and either of the following applies:

15 (1) The certificate is ~~endorsed~~ indorsed to the purchaser or in blank by an effective
16 ~~endorsement~~; or indorsement.

17 (2) The certificate is registered in the name of the purchaser, upon original issue
18 or registration of transfer by the issuer.

19 (c) A purchaser has "control" of an uncertificated security ~~if~~ if either of the following
20 applies:

21 (1) The uncertificated security is delivered to the ~~purchaser~~; or purchaser.

22 (2) The issuer has agreed that it will comply with instructions originated by the
23 purchaser without further consent by the registered owner.

24 (d) A purchaser has "control" of a security entitlement ~~if~~ if any of the following applies:

25 (1) The purchaser becomes the entitlement ~~holder~~; holder.

26 (2) The securities intermediary has agreed that it will comply with entitlement
27 orders originated by the purchaser without further consent by the entitlement
28 ~~holder~~; or holder.

29 (3) ~~Another person has control of the security entitlement on behalf of the~~
30 ~~purchaser or, having previously acquired control of the security entitlement,~~
31 ~~acknowledges that it has control on behalf of the purchaser. Either of the~~
32 following applies to another person, other than the transferor to the purchaser
33 of an interest in the security entitlement:

34 a. The other person has control of the security entitlement and
35 acknowledges that it has control on behalf of the purchaser.

36 b. The other person obtains control of the security entitlement after
37 having acknowledged that it will obtain control of the security
38 entitlement on behalf of the purchaser.

39 (e) If an interest in a security entitlement is granted by the entitlement holder to the
40 entitlement holder's own securities intermediary, the securities intermediary has control.

41 (f) A purchaser ~~who that~~ has satisfied the requirements of subsection (c) or (d) of this
42 section has control, even if the registered owner in the case of subsection (c) of this section or
43 the entitlement holder in the case of subsection (d) of this section retains the right to make
44 substitutions for the uncertificated security or security entitlement, to originate instructions or
45 entitlement orders to the issuer or securities intermediary, or otherwise to deal with the
46 uncertificated security or security entitlement.

47 (g) An issuer or a securities intermediary ~~may~~ shall not enter into an agreement of the
48 kind described in subdivision (c)(2) or (d)(2) of this section without the consent of the registered
49 owner or entitlement holder, but an issuer or a securities intermediary is not required to enter into
50 ~~such an~~ this kind of agreement even though the registered owner or entitlement holder so directs.
51 An issuer or securities intermediary that has entered into ~~such an~~ this kind of agreement is not

1 required to confirm the existence of the agreement to another party unless requested to do so by
2 the registered owner or entitlement holder.

3 (h) A person that has control under this section is not required to acknowledge that it has
4 control on behalf of a purchaser.

5 (i) If a person acknowledges that it has or will obtain control on behalf of a purchaser,
6 unless the person otherwise agrees or law other than this Article or Article 9 of this Chapter
7 otherwise provides, the person does not owe any duty to the purchaser and is not required to
8 confirm the acknowledgment to any other person."

9 **SECTION 93.** G.S. 25-8-110 reads as rewritten:

10 **"§ 25-8-110. Applicability; choice of law.**

11 (a) The local law of the issuer's jurisdiction, as specified in subsection (d) of this section,
12 ~~governs~~governs all of the following:

13 (1) The validity of a ~~security~~security.

14 (2) The rights and duties of the issuer with respect to registration of
15 ~~transfer~~transfer.

16 (3) The effectiveness of registration of transfer by the ~~issuer~~issuer.

17 (4) Whether the issuer owes any duties to an adverse claimant to a ~~security~~;
18 ~~and~~security.

19 (5) Whether an adverse claim can be asserted against a person to ~~whom~~which
20 transfer of a certificated or uncertificated security is registered or a person
21 ~~who~~that obtains control of an uncertificated security.

22 (b) The local law of the securities intermediary's jurisdiction, as specified in subsection
23 (e) of this section, ~~governs~~governs all of the following:

24 (1) Acquisition of a security entitlement from the securities
25 ~~intermediary~~intermediary.

26 (2) The rights and duties of the securities intermediary and entitlement holder
27 arising out of a security ~~entitlement~~entitlement.

28 (3) Whether the securities intermediary owes any duties to an adverse claimant to
29 a security ~~entitlement~~and~~entitlement~~.

30 (4) Whether an adverse claim can be asserted against a person ~~who~~that acquires
31 a security entitlement from the securities intermediary or a person ~~who~~that
32 purchases a security entitlement or interest therein from an entitlement holder.

33 (c) The local law of the jurisdiction in which a security certificate is located at the time
34 of delivery governs whether an adverse claim can be asserted against a person to ~~whom~~which
35 the security certificate is delivered.

36 (d) "Issuer's jurisdiction" means the jurisdiction under which the issuer of the security is
37 organized or, if permitted by the law of that jurisdiction, the law of another jurisdiction specified
38 by the issuer. An issuer organized under the law of this State may specify the law of another
39 jurisdiction as the law governing the matters specified in subdivisions (a)(2) through (5) of this
40 section.

41 (e) The following rules determine a "securities intermediary's jurisdiction" for purposes
42 of this section:

43 (1) If an agreement between the securities intermediary and its entitlement holder
44 governing the securities account expressly provides that a particular
45 jurisdiction is the securities intermediary's jurisdiction for purposes of this
46 Part, this Article, or this Chapter, that jurisdiction is the securities
47 intermediary's jurisdiction.

48 (2) If subdivision (1) of this subsection does not apply and an agreement between
49 the securities intermediary and its entitlement holder governing the securities
50 account expressly provides that the agreement is governed by the law of a

1 particular jurisdiction, that jurisdiction is the securities intermediary's
2 jurisdiction.

3 (3) If neither subdivision (1) nor subdivision (2) of this ~~section~~ subsection applies
4 and an agreement between the securities intermediary and its entitlement
5 holder governing the securities account expressly provides that the securities
6 account is maintained at an office in a particular jurisdiction, that jurisdiction
7 is the securities intermediary's jurisdiction.

8 (4) If none of the preceding subdivisions of this subsection applies, the securities
9 intermediary's jurisdiction is the jurisdiction in which the office identified in
10 an account statement as the office serving the entitlement holder's account is
11 located.

12 (5) If none of the preceding subdivisions of this subsection applies, the securities
13 intermediary's jurisdiction is the jurisdiction in which the chief executive
14 office of the securities intermediary is located.

15 (f) A securities intermediary's jurisdiction is not determined by the physical location of
16 certificates representing financial assets, or by the jurisdiction in which is organized the issuer of
17 the financial asset with respect to which an entitlement holder has a security entitlement, or by
18 the location of facilities for data processing or other record keeping concerning the account.

19 (g) The local law of the issuer's jurisdiction or the securities intermediary's jurisdiction
20 governs a matter or transaction specified in subsection (a) or (b) of this section even if the matter
21 or transaction does not bear any relation to the jurisdiction."

22 **SECTION 94.** G.S. 25-8-303 reads as rewritten:

23 **"§ 25-8-303. Protected purchaser.**

24 (a) "Protected purchaser" means a purchaser of a certificated or uncertificated security,
25 or of an interest therein, ~~who~~ to which all of the following apply:

- 26 (1) ~~Gives value;~~ The purchaser gives value.
27 (2) ~~Does not have notice of any adverse claim to the security;~~
28 ~~and~~ security.
29 (3) ~~Obtains~~ The purchaser obtains control of the certificated or uncertificated
30 security.

31 (b) ~~In addition to acquiring the rights of a purchaser, a~~ A protected purchaser also
32 acquires its interest in the security free of any adverse claim."
33

34 **PART IV. OTHER CONFORMING CHANGES**

35 **SECTION 95.** G.S. 44A-40 reads as rewritten:

36 **"§ 44A-40. Definitions.**

37 As used in this Article, ~~unless the context clearly requires otherwise;~~ the following definitions
38 apply:

- 39 (1) ~~"E-mail" or "electronic mail" means an~~ Email or electronic mail. – An
40 electronic message or an executable program or computer file that contains an
41 image of a message that is transmitted between two or more computers or
42 electronic terminals. The term includes electronic messages that are
43 transmitted within or between computer networks.

- 44 (1a) ~~"Independent bidder" means a~~ Independent bidder. – A person who ~~that~~ is not
45 related to the lienor, within the meaning of G.S. 25-9-102(62), in the case of
46 a lienor who is an individual, or G.S. 25-9-102(63), in the case of a lienor that
47 is an organization. G.S. 25-9-102(a)(62).

- 48 (1b) ~~"Last known address" means that~~ Last known address. – The mailing address
49 or e-mail ~~email~~ address provided by the occupant in the latest rental agreement
50 or the address provided by the occupant in a subsequent written notice of a
51 change of address.

- 1 (2) ~~"Lienor" means any Lienor.~~ – A person entitled to a lien under this Article.
- 2 (3) ~~"Occupant" means a Occupant.~~ – A person, ~~his or a person's~~ sublessee,
3 successor, or assign, entitled to the use of the storage space at a self-service
4 storage facility under a rental agreement, to the exclusion of others.
- 5 (4) ~~"Owner" means the Owner.~~ – Consists of the following:
- 6 a. ~~The owner, operator, lessor, or sublessor of a self-service storage~~
7 ~~facility, facility.~~
- 8 b. ~~his agent, or The agent of a person described in sub-subdivision a. of~~
9 ~~this subdivision.~~
- 10 c. ~~any other person authorized by him~~ – A person authorized by a person
11 described in sub-subdivision a. of this subdivision to manage the
12 facility or to receive rent from an occupant under a rental agreement.
- 13 (5) ~~"Personal property" means movable~~ Personal property. – Movable property
14 not affixed to ~~land and~~ land. The term includes, but is not limited to, goods,
15 merchandise, household items, and watercraft.
- 16 (6) ~~"Rental agreement" means any~~ Rental agreement. – An agreement or lease,
17 written or oral, that establishes or modifies the terms, conditions, ~~rules~~ rules,
18 or any other provisions concerning the use and occupancy of a self-service
19 storage facility.
- 20 (7) ~~"Self service storage facility" means any real~~ Self-service storage facility. –
21 Real property designed and used for the purpose of renting or leasing
22 individual storage space to occupants ~~who that~~ are to have access ~~to such~~ for
23 the purpose of storing and removing personal property. No occupant shall use
24 a self-service storage facility for residential purposes. A self-service storage
25 facility is not subject to ~~the provisions of Article 7 of General Statutes Chapter~~
26 ~~25. Provided, however, if Article 7 of Chapter 25 of the General Statutes. If,~~
27 ~~however,~~ an owner issues any warehouse receipt, bill of lading, or other
28 document of title for the personal property stored, the owner and the occupant
29 are subject to ~~the provisions of Article 7 of General Statutes Chapter 25 and~~
30 ~~the provisions of this Article do not apply.~~ Article 7 of Chapter 25 of the
31 General Statutes and this Article does not apply.
- 32 (8) ~~"Verified electronic mail" means electronic~~ Verified electronic mail. –
33 Electronic mail that is transmitted to an ~~e-mail~~ email address that the sender
34 has verified by any reasonable means as being a working electronic mail
35 address."

37 PART V. TRANSITIONAL PROVISIONS

39 GENERAL PROVISIONS AND DEFINITIONS

40 **SECTION 96.** Title. – This Part may be cited as Transitional Provisions for Uniform
41 Commercial Code Amendments (2022).

42 **SECTION 97.(a)** Part Definitions. – In this Part, the following definitions apply:

- 43 (1) Adjustment date. – The date that is one year after the effective date of this act.
- 44 (2) Amended Article 9. – Article 9 of Chapter 25 of the General Statutes, as
45 amended by this act.
- 46 (3) Article 12. – Article 12 of Chapter 25 of the General Statutes.
- 47 (4) Article 12 property. – A controllable account, controllable electronic record,
48 or controllable payment intangible.
- 49 (5) Controllable account. – Defined in G.S. 25-9-102.
- 50 (6) Controllable electronic record. – Defined in G.S. 25-12-102.
- 51 (7) Controllable payment intangible. – Defined in G.S. 25-9-102.

1 (8) Electronic money. – Defined in G.S. 25-9-102.

2 (9) Financing statement. – Defined in G.S. 25-9-102.

3 **SECTION 97.(b)** Article 1 Definitions and Principles. – Article 1 of Chapter 25 of
4 the General Statutes contains general definitions and principles of construction and interpretation
5 applicable throughout this Part.

6
7 **GENERAL TRANSITIONAL PROVISION**

8 **SECTION 98.** General Applicability; Saving Clause. – This act applies to a
9 transaction, lien, or other interest in property that is entered into, created, or acquired on or after
10 the effective date of this act. Except as otherwise provided in this Part, a transaction validly
11 entered into before the effective date of this act and the rights, duties, and interests flowing from
12 the transaction remain valid thereafter and may be terminated, completed, consummated, or
13 enforced as required or permitted by law other than Chapter 25 of the General Statutes or, if
14 applicable, Chapter 25 of the General Statutes, as though this act had not taken effect.

15
16 **TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12**

17 **SECTION 99.(a)** Pre-Effective-Date Transaction, Lien, or Interest. – Except as
18 provided in this section, amended Article 9 and Article 12 apply to a transaction, lien, or other
19 interest in property, even if the transaction, lien, or interest was entered into, created, or acquired
20 before the effective date of this act.

21 **SECTION 99.(b)** Continuing Validity. – Except as provided in subsections (c)
22 through (j) of this section, both of the following apply:

23 (1) A transaction, lien, or interest in property that was validly entered into,
24 created, or transferred before the effective date of this act and was not
25 governed by Chapter 25 of the General Statutes, but would be subject to
26 amended Article 9 or Article 12 if it had been entered into, created, or
27 transferred on or after the effective date of this act, including the rights, duties,
28 and interests flowing from the transaction, lien, or interest, remains valid on
29 and after the effective date of this act.

30 (2) A transaction, lien, or interest described in subdivision (1) of this subsection
31 may be terminated, completed, consummated, and enforced as required or
32 permitted by this act or by the law that would apply if this act had not taken
33 effect.

34 **SECTION 99.(c)** Pre-Effective-Date Proceeding. – This act does not affect an action,
35 case, or proceeding commenced before the effective date of this act.

36 **SECTION 99.(d)** Security Interest Perfected Before Effective Date. – Both of the
37 following apply to a security interest perfected before the effective date of this act:

38 (1) A security interest that is enforceable and perfected immediately before the
39 effective date of this act is a perfected security interest under this act if, on the
40 effective date of this act, the requirements for enforceability and perfection
41 under this act are satisfied without further action.

42 (2) If a security interest is enforceable and perfected immediately before the
43 effective date of this act, but the requirements for enforceability or perfection
44 under this act are not satisfied on the effective date of this act, all of the
45 following apply to the security interest:

46 a. The security interest is a perfected security interest until the earlier of
47 the time perfection would have ceased under the law in effect
48 immediately before the effective date of this act or the adjustment date.

49 b. The security interest remains enforceable thereafter only if the security
50 interest satisfies the requirements for enforceability under
51 G.S. 25-9-203, as amended by this act, before the adjustment date.

- 1 c. The security interest remains perfected thereafter only if the
2 requirements for perfection under this act are satisfied before the time
3 specified in sub-subdivision a. of this subdivision.

4 **SECTION 99.(e)** Security Interest Unperfected Before Effective Date. – All of the
5 following apply to a security interest that is enforceable immediately before the effective date of
6 this act but is unperfected at that time:

- 7 (1) The security interest remains an enforceable security interest until the
8 adjustment date.
9 (2) The security interest remains enforceable thereafter if the security interest
10 becomes enforceable under G.S. 25-9-203, as amended by this act, on the
11 effective date of this act or before the adjustment date.
12 (3) The security interest becomes perfected at either of the following times:
13 a. Without further action, on the effective date of this act if the
14 requirements for perfection under this act are satisfied before or at that
15 time.
16 b. When the requirements for perfection are satisfied if the requirements
17 are satisfied after the effective date of this act.

18 **SECTION 99.(f)** Pre-Effective-Date Action; Attachment and Perfection Before
19 Adjustment Date. – If action, other than the filing of a financing statement, is taken before the
20 effective date of this act and the action would have resulted in perfection of the security interest
21 had the security interest become enforceable before the effective date of this act, the action is
22 effective to perfect a security interest that attaches under this act before the adjustment date. An
23 attached security interest becomes unperfected on the adjustment date unless the security interest
24 becomes a perfected security interest under this act before the adjustment date.

25 **SECTION 99.(g)** Pre-Effective-Date Filing. – The filing of a financing statement
26 before the effective date of this act is effective to perfect a security interest on the effective date
27 of this act to the extent the filing would satisfy the requirements for perfection under this act.

28 **SECTION 99.(h)** Pre-Effective-Date Enforceability Action. – The taking of an
29 action before the effective date of this act is sufficient for the enforceability of a security interest
30 on the effective date of this act if the action would satisfy the requirements for enforceability
31 under this act.

32 **SECTION 99.(i)** Priority. –

- 33 (1) Determination of priority. – Subject to subdivisions (2) and (3) of this
34 subsection, this act determines the priority of conflicting claims to collateral.
35 (2) Established priorities. – Subject to subdivision (3) of this subsection, if the
36 priorities of claims to collateral were established before the effective date of
37 this act, Article 9 of Chapter 25 of the General Statutes as in effect before the
38 effective date of this act determines priority.
39 (3) Determination of certain priorities on adjustment date. – On the adjustment
40 date, to the extent the priorities determined by amended Article 9 modify the
41 priorities established before the effective date of this act, the priorities of
42 claims to Article 12 property and electronic money established before the
43 effective date of this act cease to apply.

44 **SECTION 99.(j)** Priority of Claims When Priority Rules of Article 9 Do Not Apply.

- 45 –
46 (1) Determination of priority. – Subject to subdivisions (1) and (2) of this
47 subsection, Article 12 determines the priority of conflicting claims to Article
48 12 property when the priority rules of amended Article 9 do not apply.
49 (2) Established priorities. – Subject to subdivision (3) of this subsection, when the
50 priority rules of amended Article 9 do not apply and the priorities of claims to

1 Article 12 property were established before the effective date of this act, law
2 other than Article 12 determines priority.
3 (3) Determination of certain priorities on adjustment date. – When the priority
4 rules of amended Article 9 do not apply, to the extent the priorities determined
5 by this act modify the priorities established before the effective date of this
6 act, the priorities of claims to Article 12 property established before the
7 effective date of this act cease to apply on the adjustment date.
8

9 **PART VI. COMMENTS AND EFFECTIVE DATE**

10 **SECTION 100.** The Revisor of Statutes shall cause to be printed as annotations to
11 the published General Statutes all relevant portions of the Official Comments to the Uniform
12 Commercial Code and all explanatory comments of the drafters of this act as the Revisor deems
13 appropriate.

14 **SECTION 101.** This act becomes effective October 1, 2025.