

1 Short Title: GSC Uniform Comm. Code/Emerging Technologies.

2 A BILL TO BE ENTITLED

3 AN ACT TO UPDATE THE UNIFORM COMMERCIAL CODE TO GOVERN
4 TRANSACTIONS INVOLVING CERTAIN EMERGING TECHNOLOGIES.

5 The General Assembly of North Carolina enacts:

6 ...

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8 *[GSC Staff Note: This draft only consists of amendments to Article 9 of the Uniform Commercial*
9 *Code (UCC) and an additional section on conforming changes. The addition of Article 12 to the*
10 *UCC and amendments to other articles of the UCC are included in other drafts.]*
11

12 **PART II. AMENDMENTS TO ARTICLE 9 OF THE UCC**

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

14 **"§ 25-9-102. Definitions and index of definitions.**

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

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

20 (2) ~~"Account", except as used in "account for", means a~~ Account. – Except as
21 used in "account for," "account statement," "account to," "commodity
22 account," "customer's account," "deposit account," "on account of," and
23 "statement of account," means a right to payment of a monetary obligation,
24 whether or not earned by performance, (i) for property that has been or is to
25 be sold, leased, licensed, assigned, or otherwise disposed of, (ii) for services
26 rendered or to be rendered, (iii) for a policy of insurance issued or to be issued,
27 (iv) for a secondary obligation incurred or to be incurred, (v) for energy

1 provided or to be provided, (vi) for the use or hire of a vessel under a charter
2 or other contract, (vii) arising out of the use of a credit or charge card or
3 information contained on or for use with the card, or (viii) as winnings in a
4 lottery or other game of chance operated or sponsored by a state, governmental
5 unit of a state, or person licensed or authorized to operate the game by a state
6 or governmental unit of a state. The term includes controllable accounts and
7 health-care-insurance receivables. The term does not include (i) ~~rights to~~
8 ~~payment evidenced by chattel paper or an instrument, chattel paper,~~ (ii)
9 commercial tort claims, (iii) deposit accounts, (iv) investment property, (v)
10 letter-of-credit rights or letters of credit, ~~or~~ (vi) rights to payment for money
11 or funds advanced or sold, other than rights arising out of the use of a credit
12 or charge card or information contained on or for use with the ~~card, card, or~~
13 (vii) rights to payment evidenced by an instrument.

14 (3) ~~"Account debtor" means a Account debtor. – A person obligated on an~~
15 ~~account, chattel paper, or general intangible. The term does not include~~
16 ~~persons obligated to pay a negotiable instrument, even if the negotiable~~
17 ~~instrument constitutes part of evidences chattel paper.~~

18 (4) ~~"Accounting", except as used in "accounting for", means a record:~~
19 ~~Accounting. – Except as used in "accounting for," means a record that meets~~
20 ~~all of the following requirements:~~

- 21 a. ~~Authenticated Signed by a secured ~~party;~~ party.~~
- 22 b. Indicating the aggregate unpaid secured obligations as of a date not
23 more than 35 days earlier or 35 days later than the date of the ~~record;~~
24 ~~and~~ record.
- 25 c. Identifying the components of the obligations in reasonable detail.

1 (5) ~~"Agricultural lien" means an Agricultural lien. – An~~ interest, other than a
2 ~~security interest, in farm products:~~ products that satisfies all of the following
3 requirements:

4 a. ~~Which~~ The interest secures payment or performance of an obligation
5 ~~for;~~ for either of the following:

6 1. Goods or services furnished in connection with a debtor's
7 ~~farming operation;~~ or operation.

8 2. Rent on real property leased by a debtor in connection with ~~its~~
9 the debtor's farming operation; operation.

10 b. ~~Which~~ The interest is created by statute in favor of a person ~~that;~~ that
11 did either of the following:

12 1. In the ordinary course of its ~~business~~ business, furnished goods
13 or services to a debtor in connection with ~~a~~ the debtor's farming
14 ~~operation;~~ or operation.

15 2. Leased real property to a debtor in connection with the debtor's
16 ~~farming operation;~~ and operation.

17 c. ~~Whose~~ The interest's effectiveness does not depend on the ~~person's~~
18 interest holder's possession of the personal property.

19 (5a) Applicant. – Defined in G.S. 25-5-102.

20 (6) ~~"As-extracted collateral" means:~~ As-extracted collateral. – Either of the
21 following:

22 a. Oil, gas, or other minerals that are subject to a security interest ~~that;~~
23 that satisfies both of the following:

24 1. ~~Is~~ The security interest is created by a debtor having an interest
25 in the minerals before ~~extraction;~~ and extraction.

- 1 2. ~~Attaches~~ The security interest attaches to the minerals as
2 ~~extracted; or~~ extracted.
- 3 b. Accounts arising out of the sale at the wellhead or minehead of oil,
4 gas, or other minerals in which the debtor had an interest before
5 extraction.
- 6 (6a) Assignee. – Except as used in "assignee for benefit of creditors," means a
7 person (i) in whose favor a security interest that secures an obligation is
8 created or provided for under a security agreement, whether or not the
9 obligation is outstanding or (ii) to which an account, chattel paper, payment
10 intangible, or promissory note has been sold. The term includes a person to
11 which a security interest has been transferred by a secured party.
- 12 (6b) Assignor. – A person that (i) under a security agreement creates or provides
13 for a security interest that secures an obligation or (ii) sells an account, chattel
14 paper, payment intangible, or promissory note. The term includes a secured
15 party that has transferred a security interest to another person.
- 16 (7) ~~"Authenticate" means:~~
- 17 a. ~~To sign; or~~
- 18 b. ~~With present intent to adopt or accept a record, to attach to or logically~~
19 ~~associate with the record an electronic sound, symbol, or process.~~
- 20 (8) ~~"Bank" means an~~ Bank. – An organization that is engaged in the business of
21 banking. The term includes savings banks, savings and loan associations,
22 credit unions, and trust companies.
- 23 (8a) Beneficiary. – Defined in G.S. 25-5-102.
- 24 (8b) Broker. – Defined in G.S. 25-8-102.

- 1 (9) ~~"Cash proceeds" means proceeds~~ Cash proceeds. – Proceeds that are money,
2 checks, deposit accounts, or the like.
- 3 (10) ~~"Certificate of title" means a~~ Certificate of title. – A certificate of title with
4 respect to which a statute provides for the security interest in question to be
5 indicated on the certificate as a condition or result of the security interest's
6 obtaining priority over the rights of a lien creditor with respect to the
7 collateral. The term includes another record maintained as an alternative to a
8 certificate of title by the governmental unit that issues certificates of title if a
9 statute permits the security interest in question to be indicated on the record
10 as a condition or result of the security interest's obtaining priority over the
11 rights of a lien creditor with respect to the collateral.
- 12 (10a) Certificated security. – Defined in G.S. 25-8-102.
- 13 (11) ~~"Chattel paper" means a record or records that evidence both a monetary~~
14 ~~obligation and a security interest in specific goods, a security interest in~~
15 ~~specific goods and software used in the goods, a security interest in specific~~
16 ~~goods and license of software used in the goods, a lease of specific goods, or~~
17 ~~a lease of specific goods and license of software used in the goods. In this~~
18 ~~subdivision, "monetary obligation" means a monetary obligation secured by~~
19 ~~the goods or owed under a lease of the goods and includes a monetary~~
20 ~~obligation with respect to software used in the goods. The term does not~~
21 ~~include (i) charters or other contracts involving the use or hire of a vessel or~~
22 ~~(ii) records that evidence a right to payment arising out of the use of a credit~~
23 ~~or charge card or information contained on or for use with the card. If a~~
24 ~~transaction is evidenced by records that include an instrument or series of~~

1 ~~instruments, the group of records taken together constitutes chattel paper.~~

2 Chattel paper. – Either of the following:

3 a. A right to payment of a monetary obligation secured by specific goods,
4 if the right to payment and security agreement are evidenced by a
5 record.

6 b. A right to payment of a monetary obligation owed by a lessee under a
7 lease agreement with respect to specific goods and a monetary
8 obligation owed by the lessee in connection with the transaction giving
9 rise to the lease, if both of the following apply:

10 1. The right to payment and lease agreement are evidenced by a
11 record.

12 2. The predominant purpose of the transaction giving rise to the
13 lease was to give the lessee the right to possession and use of
14 the goods.

15 The term does not include a right to payment arising out of a charter or other
16 contract involving the use or hire of a vessel or a right to payment arising out
17 of the use of a credit or charge card or information contained on or for use
18 with the card.

19 (11a) Check. – Defined in G.S. 25-3-104.

20 (11b) Clearing corporation. – Defined in G.S. 25-8-102.

21 (12) ~~"Collateral" means the Collateral.~~ – The property subject to a security interest
22 or agricultural lien. The term ~~includes;~~ includes all of the following:

23 a. Proceeds to which a security interest ~~attaches;~~ attaches.

24 b. Accounts, chattel paper, payment intangibles, and promissory notes
25 that have been ~~sold;~~ and sold.

- 1 c. Goods that are the subject of a consignment.
- 2 (13) ~~"Commercial tort claim" means a~~Commercial tort claim. – A claim arising in
3 tort ~~with respect to which;~~ if either of the following apply:
- 4 a. The claimant is an ~~organization;~~ or organization.
- 5 b. The claimant is an individual and ~~the claim;~~ both of the following
6 apply:
- 7 1. ~~Arose~~The claim arose in the course of the claimant's business
8 or ~~profession;~~ and profession.
- 9 2. ~~Does~~The claim does not include damages arising out of
10 personal injury to or the death of an individual.
- 11 (14) ~~"Commodity account" means an~~Commodity account. – An account
12 maintained by a commodity intermediary in which a commodity contract is
13 carried for a commodity customer.
- 14 (15) ~~"Commodity contract" means a~~Commodity contract. – A commodity futures
15 contract, an option on a commodity futures contract, a commodity option, or
16 another contract if ~~the contract or option is;~~ either of the following apply:
- 17 a. ~~Traded~~The contract or option is traded on or subject to the rules of a
18 board of trade that has been designated as a contract market for ~~such a~~
19 ~~contract~~ the contract or option pursuant to federal commodities laws;
20 or law.
- 21 b. ~~Traded~~The contract or option is traded on a foreign commodity board
22 of trade, exchange, or market, and is carried on the books of a
23 commodity intermediary for a commodity customer.
- 24 (16) ~~"Commodity customer" means a~~Commodity customer. – A person for which
25 a commodity intermediary carries a commodity contract on its books.

- 1 (17) ~~"Commodity intermediary" means a~~ Commodity intermediary. – A person
2 ~~that~~ that satisfies either of the following:
- 3 a. Is registered as a futures commission merchant under federal
4 commodities ~~law;~~ or law.
- 5 b. In the ordinary course of its ~~business~~ business, provides clearance or
6 settlement services for a board of trade that has been designated as a
7 contract market pursuant to federal commodities law.
- 8 (18) ~~"Communicate" means:~~ Communicate. – Any of the following:
- 9 a. To send a written or other tangible ~~record;~~ record.
- 10 b. To transmit a record by any means agreed upon by the persons sending
11 and receiving the ~~record;~~ or record.
- 12 c. In the case of transmission of a record to or by a filing office, to
13 transmit a record by any means prescribed by filing-office rule.
- 14 (19) ~~"Consignee" means a~~ Consignee. – A merchant to which goods are delivered
15 in a consignment.
- 16 (20) ~~"Consignment" means a~~ Consignment. – A transaction, regardless of its form,
17 in which a person delivers goods to a merchant for the purpose of sale ~~and~~
18 and all of the following apply:
- 19 a. ~~The merchant:~~ All of the following apply to the merchant:
- 20 1. ~~Deals~~ The merchant deals in goods of that kind under a name
21 other than the name of the person making ~~delivery;~~ delivery.
- 22 2. ~~Is~~ The merchant is not an ~~auctioneer;~~ and auctioneer.
- 23 3. ~~Is~~ The merchant is not generally known by ~~its~~ the merchant's
24 creditors to be substantially engaged in selling the goods of
25 ~~others;~~ others.

- 1 b. With respect to each delivery, the aggregate value of the goods is one
2 thousand dollars (\$1,000) or more at the time of ~~delivery~~; delivery.
- 3 c. The goods are not consumer goods immediately before ~~delivery~~; and
4 delivery.
- 5 d. The transaction does not create a security interest that secures an
6 obligation.
- 7 (21) ~~"Consignor" means a~~ Consignor. – A person that delivers goods to a consignee
8 in a consignment.
- 9 (22) ~~"Consumer debtor" means a~~ Consumer debtor. – A debtor in a consumer
10 transaction.
- 11 (23) ~~"Consumer goods" means goods~~ Consumer goods. – Goods that are used or
12 bought for use primarily for personal, family, or household purposes.
- 13 (24) ~~"Consumer goods transaction" means a~~ Consumer-goods transaction. – A
14 consumer transaction in ~~which~~; which both of the following apply:
- 15 a. An individual incurs an obligation primarily for personal, family, or
16 household ~~purposes~~; and purposes.
- 17 b. A security interest in consumer goods secures the obligation.
- 18 (25) ~~"Consumer obligor" means an~~ Consumer obligor. – An obligor who is an
19 individual and who incurred the obligation as part of a transaction entered into
20 primarily for personal, family, or household purposes.
- 21 (26) ~~"Consumer transaction" means a~~ Consumer transaction. – A transaction in
22 which (i) an individual incurs an obligation primarily for personal, family, or
23 household purposes, (ii) a security interest secures the obligation, and (iii) the
24 collateral is held or acquired primarily for personal, family, or household
25 purposes. The term includes consumer-goods transactions.

- 1 (27) ~~"Continuation statement" means an~~ Continuation statement. – An amendment
2 of a financing statement ~~which~~ that does both of the following:
- 3 a. Identifies, by its file number, the initial financing statement to which
4 it ~~relates; and~~ relates.
- 5 b. Indicates that it is a continuation statement for, or that it is filed to
6 continue the effectiveness of, the identified financing statement.
- 7 (27a) Contract for sale. – Defined in G.S. 25-2-106.
- 8 (27b) Control. – Defined in G.S. 25-7-106.
- 9 (27c) Controllable account. – An account evidenced by a controllable electronic
10 record that provides that the account debtor undertakes to pay the person that
11 has control under G.S. 25-12-105 of the controllable electronic record.
- 12 (27d) Controllable electronic record. – Defined in G.S. 25-12-102.
- 13 (27e) Controllable payment intangible. – A payment intangible evidenced by a
14 controllable electronic record that provides that the account debtor undertakes
15 to pay the person that has control under G.S. 25-12-105 of the controllable
16 electronic record.
- 17 (27f) Customer. – Defined in G.S. 25-4-104.
- 18 (28) ~~"Debtor" means:~~ Debtor. – Any of the following:
- 19 a. A person having an interest, other than a security interest or other lien,
20 in the collateral, whether or not the person is an ~~obligor;~~ obligor.
- 21 b. A seller of accounts, chattel paper, payment intangibles, or promissory
22 ~~notes;~~ or notes.
- 23 c. A consignee.

- 1 (29) ~~"Deposit account" means a~~ Deposit account. – A demand, time, savings,
2 passbook, or similar account maintained with a bank. The term does not
3 include investment property or accounts evidenced by an instrument.
- 4 (30) ~~"Document" means a~~ Document. – A document of title or a receipt of the type
5 described in G.S. 25-7-201(b).
- 6 (31) ~~"Electronic chattel paper" means chattel paper evidenced by a record or~~
7 ~~records consisting of information stored in an electronic medium.~~
- 8 (31a) Electronic money. – Money in an electronic form.
- 9 (32) ~~"Encumbrance" means a~~ Encumbrance. – A right, other than an ownership
10 interest, in real property. The term includes mortgages and other liens on real
11 property.
- 12 (32a) Entitlement holder. – Defined in G.S. 25-8-102.
- 13 (33) ~~"Equipment" means goods~~ Equipment. – Goods other than inventory, farm
14 products, or consumer goods.
- 15 (34) ~~"Farm products" means goods,~~ Farm products. – Any of the following goods,
16 other than standing timber, with respect to which the debtor is engaged in a
17 farming ~~operation and which are:~~ operation:
- 18 a. Crops grown, growing, or to be grown, ~~including;~~ including both of
19 the following:
- 20 1. Crops produced on trees, vines, and ~~bushes;~~ and bushes.
- 21 2. Aquatic goods produced in aquacultural ~~operations;~~
22 operations.
- 23 b. Livestock, born or unborn, including aquatic goods produced in
24 aquacultural ~~operations;~~ operations.
- 25 c. Supplies used or produced in a farming ~~operation;~~ or operation.

- 1 d. Products of crops or livestock in their unmanufactured states.
- 2 (35) ~~"Farming operation" means raising,~~ Farming operation. – Raising, cultivating,
3 propagating, fattening, grazing, or any other farming, livestock, or
4 aquacultural operation.
- 5 (36) ~~"File number" means the~~ File number. – The number assigned to an initial
6 financing statement pursuant to G.S. 25-9-519(a).
- 7 (37) ~~"Filing office" means an~~ Filing office. – An office designated in G.S. 25-9-501
8 as the place to file a financing statement.
- 9 (38) ~~"Filing office rule" means a~~ Filing-office rule. – A rule adopted pursuant to
10 G.S. 25-9-526.
- 11 (38a) Financial asset. – Defined in G.S. 25-8-102.
- 12 (39) ~~"Financing statement" means a~~ Financing statement. – A record or records
13 composed of an initial financing statement and any filed record relating to the
14 initial financing statement.
- 15 (40) ~~"Fixture filing" means the~~ Fixture filing. – The filing of a financing statement
16 covering goods that are or are to become fixtures and satisfying
17 G.S. 25-9-502(a) and (b). The term includes the filing of a financing statement
18 covering goods of a transmitting utility ~~which~~ that are or are to become
19 fixtures.
- 20 (41) ~~"Fixtures" means goods~~ Fixtures. – Goods that have become so related to
21 particular real property that an interest in them arises under real property law.
- 22 (42) ~~"General intangible" means any~~ General intangible. – Any personal property,
23 including things in action, other than accounts, chattel paper, commercial tort
24 claims, deposit accounts, documents, goods, instruments, investment
25 property, letter-of-credit rights, letters of credit, money, and oil, gas, or other

1 minerals before extraction. The term includes controllable electronic records,
2 payment ~~intangibles~~ intangibles, and software.

3 (43) Repealed by Session Laws 2006-112, s. 21, effective October 1, 2006.

4 (44) "~~Goods~~" ~~means all Goods.~~ – All things that are movable when a security
5 interest attaches. The term includes (i) fixtures, (ii) standing timber that is to
6 be cut and removed under a conveyance or contract for sale, (iii) the unborn
7 young of animals, (iv) crops grown, growing, or to be grown, even if the crops
8 are produced on trees, vines, or bushes, and (v) manufactured homes. The term
9 also includes a computer program embedded in goods and any supporting
10 information provided in connection with a transaction relating to the program
11 if (i) the program is associated with the goods in ~~such~~ a manner that it
12 customarily is considered part of the goods, or (ii) by becoming the owner of
13 the goods, a person acquires a right to use the program in connection with the
14 goods. The term does not include a computer program embedded in goods that
15 consist solely of the medium in which the program is embedded. The term
16 also does not include accounts, chattel paper, commercial tort claims, deposit
17 accounts, documents, general intangibles, instruments, investment property,
18 letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals
19 before extraction.

20 (45) "~~Governmental unit~~" ~~means a~~ Governmental unit. – A subdivision, agency,
21 department, county, parish, municipality, or other unit of the government of
22 the United States, a state, or a foreign country. The term includes an
23 organization having a separate corporate existence if the organization (i) is
24 eligible to issue debt on which interest is exempt from income taxation under
25 the laws of the United ~~States,~~ States or (ii) was created to facilitate the issuance

1 of notes, bonds, other evidences of ~~indebtedness~~indebtedness, or payment
2 obligations for borrowed money by, or in conjunction with, installment or
3 lease purchase financings ~~for,~~for this State or any county, municipality, or
4 other agency or political subdivision thereof as evidenced by the documents
5 creating the organization.

6 (46) ~~"Health care insurance receivable" means an~~ Health-care insurance
7 receivable. – An interest in or claim under a policy of insurance ~~which that~~ is
8 a right to payment of a monetary obligation for health-care goods or services
9 provided.

10 (46a) Holder in due course. – Defined in G.S. 25-3-302.

11 (47) ~~"Instrument" means a~~ Instrument. – A negotiable instrument or any other
12 writing that evidences a right to the payment of a monetary obligation, is not
13 itself a security agreement or lease, and is of a type that in the ordinary course
14 of business is transferred by delivery with any necessary indorsement or
15 assignment. The term does not include (i) investment property, (ii) letters of
16 credit, ~~or~~ (iii) writings that evidence a right to payment arising out of the use
17 of a credit or charge card or information contained on or for use with the ~~card~~
18 card, or (iv) writings that evidence chattel paper.

19 (48) ~~"Inventory" means goods,~~ Inventory. – Goods, other than farm products,
20 ~~which;~~ that satisfy any of the following descriptions:

- 21 a. Are leased by a person as ~~lessor;~~ lessor.
- 22 b. Are held by a person for sale or lease or to be furnished under a
23 contract of ~~service;~~ service.
- 24 c. Are furnished by a person under a contract of ~~service;~~ or service.

- 1 d. Consist of raw materials, work in process, or materials used or
2 consumed in a business.
- 3 (49) "~~Investment property~~" means a Investment property. – A security, whether
4 certificated or uncertificated, security entitlement, securities account,
5 commodity contract, or commodity account.
- 6 (49a) Issuer. – Defined as follows:
- 7 a. With respect to a letter of credit or letter-of-credit right, defined in
8 G.S. 25-5-102.
- 9 b. With respect to a security, defined in G.S. 25-8-102.
- 10 c. With respect to documents of title, defined in G.S. 25-7-102.
- 11 (50) "~~Jurisdiction of organization~~", with respect to a registered organization, means
12 ~~the~~ Jurisdiction of organization. – With respect to a registered organization,
13 the jurisdiction under whose law the organization is formed or organized.
- 14 (50a) Lease. – Defined in G.S. 25-2A-103.
- 15 (50b) Lease agreement. – Defined in G.S. 25-2A-103.
- 16 (50c) Lease contract. – Defined in G.S. 25-2A-103.
- 17 (50d) Leasehold interest. – Defined in G.S. 25-2A-103.
- 18 (50e) Lessee. – Defined in G.S. 25-2A-103.
- 19 (50f) Lessee in ordinary course of business. – Defined in G.S. 25-2A-103.
- 20 (50g) Lessor. – Defined in G.S. 25-2A-103.
- 21 (50h) Lessor's residual interest. – Defined in G.S. 25-2A-103.
- 22 (50i) Letter of credit. – Defined in G.S. 25-5-102.
- 23 (51) "~~Letter of credit right~~" means a Letter-of-credit right. – A right to payment or
24 performance under a letter of credit, whether or not the beneficiary has
25 demanded or is at the time entitled to demand payment or performance. The

1 term does not include the right of a beneficiary to demand payment or
2 performance under a letter of credit.

3 (52) ~~"Lien creditor" means:~~ Lien creditor. – Any of the following:

- 4 a. A creditor that has acquired a lien on the property involved by
5 attachment, levy, or the ~~like;~~ like.
- 6 b. An assignee for benefit of creditors from the time of ~~assignment;~~
7 assignment.
- 8 c. A trustee in bankruptcy from the date of the filing of the ~~petition; or~~
9 petition.
- 10 d. A receiver in equity from the time of appointment.

11 (53) ~~"Manufactured home" means a~~ Manufactured home. – A structure,
12 transportable in one or more ~~sections, which,~~ sections that satisfies all of the
13 following requirements:

- 14 a. ~~in~~ In the traveling mode, is eight body feet or more in width or 40 body
15 feet or more in length, or, when erected on site, is 320 or more square
16 feet, ~~and which~~ feet.
- 17 b. ~~is~~ Is built on a permanent chassis and designed to be used as a dwelling
18 with or without a permanent foundation when connected to the
19 required ~~utilities, and~~ utilities.
- 20 c. ~~includes the~~ Includes plumbing, heating, air-conditioning, and
21 electrical ~~systems contained therein.~~ systems.

22 The term includes any structure that meets all of the requirements of this
23 subdivision except the size requirements and with respect to which the
24 manufacturer voluntarily files a certification required by the United States

1 Secretary of Housing and Urban Development and complies with the
2 standards established under Title 42 of the United States Code.

3 (54) ~~"Manufactured home transaction" means a secured transaction.~~
4 Manufactured-home transaction. – A secured transaction if either of the
5 following apply:

6 a. ~~That~~The transaction creates a purchase-money security interest in a
7 manufactured home, other than a manufactured home held as
8 ~~inventory; or~~ inventory.

9 b. In which a manufactured home, other than a manufactured home held
10 as inventory, is the primary collateral.

11 (54a) Merchant. – Defined in G.S. 25-2-104.

12 (54b) Money. – Defined in G.S. 25-1-201(b)(24) but does not include (i) a deposit
13 account or (ii) money in an electronic form that cannot be subjected to control
14 under G.S. 25-9-105.1.

15 (55) ~~"Mortgage" means a~~Mortgage. – A consensual interest in real property,
16 including fixtures, ~~which~~that secures payment or performance of an
17 obligation.

18 (55a) Negotiable instrument. – Defined in G.S. 25-3-104.

19 (56) ~~"New debtor" means a~~New debtor. – A person that becomes bound as debtor
20 under G.S. 25-9-203(d) by a security agreement previously entered into by
21 another person.

22 (57) ~~"New value" means~~ New value. – Any of the following:

23 a. ~~(i) money;~~ Money.

24 b. ~~(ii) money's~~ Money's worth in property, services, or new ~~credit,~~ or
25 credit.

1 c. ~~(iii) release~~ Release by a transferee of an interest in property
2 previously transferred to the transferee.

3 The term does not include an obligation substituted for another obligation.

4 (57a) Nominated person. – Defined in G.S. 25-5-102.

5 (58) ~~"Noncash proceeds" means proceeds~~ Noncash proceeds. – Proceeds other than
6 cash proceeds.

7 (58a) Note. – Defined in G.S. 25-3-104.

8 (59) ~~"Obligor" means a~~ Obligor. – A person that, with respect to an obligation
9 secured by a security interest in or an agricultural lien on the collateral, (i)
10 owes payment or other performance of the obligation, (ii) has provided
11 property other than the collateral to secure payment or other performance of
12 the obligation, or (iii) is otherwise accountable in whole or in part for payment
13 or other performance of the obligation. The term does not include issuers or
14 nominated persons under a letter of credit.

15 (60) ~~"Original debtor", except as used in G.S. 25-9-310(e), means a~~ Original
16 debtor, except as used in G.S. 25-9-310(c). – A person that, as debtor, entered
17 into a security agreement to which a new debtor has become bound under
18 G.S. 25-9-203(d).

19 (61) ~~"Payment intangible" means a~~ Payment intangible. – A general intangible
20 under which the account debtor's principal obligation is a monetary obligation.
21 The term includes a controllable payment intangible.

22 (62) ~~"Person related to", with respect to an individual, means:~~ Person related to. –
23 Defined as follows:

24 a. With respect to an individual, any of the following:

25 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;~~ or spouse.

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;~~ or sub-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.

- 1 (64) ~~"Proceeds", except as used in G.S. 25-9-609(b), means the~~ Proceeds. – Except
2 as used in G.S. 25-9-609(b), means any of the following property:
- 3 a. Whatever is acquired upon the sale, lease, license, exchange, or other
4 disposition of ~~collateral;~~ collateral.
- 5 b. Whatever is collected on, or distributed on account of, ~~collateral;~~
6 collateral.
- 7 c. Rights arising out of ~~collateral;~~ collateral.
- 8 d. To the extent of the value of collateral, claims arising out of the loss,
9 nonconformity, or interference with the use of, defects or infringement
10 of rights in, or damage to, the ~~collateral;~~ or collateral.
- 11 e. To the extent of the value of collateral and to the extent payable to the
12 debtor or the secured party, insurance payable by reason of the loss or
13 nonconformity of, defects or infringement of rights in, or damage to,
14 the collateral.
- 15 (64a) Proceeds of a letter of credit. – Defined in G.S. 25-5-114.
- 16 (65) ~~"Production-money crops" means crops~~ Production-money crops. – Crops that
17 secure a production-money obligation incurred with respect to the production
18 of those crops.
- 19 (66) ~~"Production-money obligation" means an~~ Production-money obligation. – An
20 obligation of an obligor incurred for new value given to enable the debtor to
21 produce crops if the value is in fact used for the production of the crops.
- 22 (67) ~~"Production of crops" includes~~ Production of crops. – Includes tilling and
23 otherwise preparing land for growing, planting, cultivating, fertilizing,
24 irrigating, harvesting, gathering, and curing ~~crops,~~ crops and protecting them
25 from damage or disease.

- 1 (68) ~~"Promissory note" means an~~ Promissory note. – An instrument that evidences
2 a promise to pay a monetary obligation, does not evidence an order to pay,
3 and does not contain an acknowledgment by a bank that the bank has received
4 for deposit a sum of money or funds.
- 5 (69) ~~"Proposal" means a~~ Proposal. – A record authenticated ~~signed~~ by a secured
6 party ~~which~~ that includes the terms on which the secured party is willing to
7 accept collateral in full or partial satisfaction of the obligation it secures
8 pursuant to G.S. 25-9-620, 25-9-621, and 25-9-622.
- 9 (69a) Protected purchaser. – Defined in G.S. 25-8-303.
- 10 (69b) Prove. – Defined in G.S. 25-3-103.
- 11 (70) ~~"Public finance transaction" means a~~ Public finance transaction. – A secured
12 ~~transaction in connection with which;~~ to which all of the following apply:
- 13 a. Debt securities are ~~issued;~~ issued.
- 14 b. All or a portion of the securities issued have an initial stated maturity
15 of at least ~~20 years;~~ and years.
- 16 c. The debtor, obligor, secured party, account debtor or other person
17 obligated on collateral, assignor or assignee of a secured obligation, or
18 assignor or assignee of a security interest is a state or a governmental
19 unit of a state.
- 20 (70a) ~~"Public organic record" means a~~ Public organic record. – A record that is
21 available to the public for inspection and ~~is;~~ is any of the following:
- 22 a. A record consisting of the record initially filed with or issued by a state
23 or the United States to form or organize an organization and any record
24 filed with or issued by the state or the United States ~~which~~ that amends
25 or restates the initial ~~record;~~ record.

- 1 b. An organic record of a business trust consisting of the record initially
2 filed with a state and any record filed with the state ~~which~~that amends
3 or restates the initial record, if a statute of the state governing business
4 trusts requires that the record be filed with the ~~state~~or state.
- 5 c. A record consisting of legislation enacted by the legislature of a state
6 or the Congress of the United States ~~which~~that forms or organizes an
7 organization, any record amending the legislation, and any record filed
8 with or issued by the state or the United States ~~which~~that amends or
9 restates the name of the organization.
- 10 (71) ~~"Pursuant to commitment", with~~ Pursuant to commitment. – With respect to
11 an advance made or other value given by a secured party, means pursuant to
12 the secured party's obligation, whether or not a subsequent event of default or
13 other event not within the secured party's control has relieved or may relieve
14 the secured party from its obligation.
- 15 (71a) Qualifying purchaser. – Defined in G.S. 25-12-102.
- 16 (72) ~~"Record", except as used in "for record", "of record", "record or legal title",~~
17 ~~and "record owner",~~ Record. – Except as used in "for record," "of record,"
18 "record or legal title," and "record owner," means information that is inscribed
19 on a tangible medium or that is stored in an electronic or other medium and is
20 retrievable in perceivable form.
- 21 (73) ~~"Registered organization" means an~~ Registered organization. – An
22 organization formed or organized solely under the law of a ~~single~~ state or the
23 United States by the filing of a public organic record with, the issuance of a
24 public organic record by, or the enactment of legislation by the state or the
25 United States. The term includes a business trust that is formed or organized

1 under the law of a ~~single~~ state if a statute of the state governing business trusts
2 requires that the business trust's organic record be filed with the state.

3 (73a) Sale. – Defined in G.S. 25-2-106.

4 (74) ~~"Secondary obligor" means an~~ Secondary obligor. – An obligor to the extent
5 ~~that:~~ that either of the following apply:

6 a. The obligor's obligation is ~~secondary; or~~ secondary.

7 b. The obligor has a right of recourse with respect to an obligation
8 secured by collateral against the debtor, another obligor, or property
9 of either.

10 (75) ~~"Secured party" means:~~ Secured party. – Any of the following:

11 a. A person in whose favor a security interest is created or provided for
12 under a security agreement, whether or not any obligation to be
13 secured is ~~outstanding;~~ outstanding.

14 b. A person that holds an agricultural ~~lien;~~ lien.

15 c. A ~~consignor;~~ consignor.

16 d. A person to which accounts, chattel paper, payment intangibles, or
17 promissory notes have been ~~sold;~~ sold.

18 e. A trustee, indenture trustee, agent, collateral agent, or other
19 representative in whose favor a security interest or agricultural lien is
20 created or provided ~~for;~~ or for.

21 f. A person that holds a security interest arising under G.S. 25-2-401,
22 25-2-505, 25-2-711(3), 25-2A-508(5), 25-4-208, or 25-5-118.

23 (75a) Securities account. – Defined in G.S. 25-8-501.

24 (75b) Securities intermediary. – Defined in G.S. 25-8-102.

25 (75c) Security. – Defined in G.S. 25-8-102.

- 1 (76) ~~"Security agreement"~~ means an Security agreement. – An agreement that
2 creates or provides for a security interest.
- 3 (76a) Security certificate. – Defined in G.S. 25-8-102.
- 4 (76b) Security entitlement. – Defined in G.S. 25-8-102.
- 5 (77) ~~"Send"~~, in connection with a record or notification, means:
- 6 a. ~~To deposit in the mail, deliver for transmission, or transmit by any~~
7 ~~other usual means of communication, with postage or cost of~~
8 ~~transmission provided for, addressed to any address reasonable under~~
9 ~~the circumstances; or~~
- 10 b. ~~To cause the record or notification to be received within the time that~~
11 ~~it would have been received if properly sent under sub-subdivision a.~~
12 ~~of this subdivision.~~
- 13 (78) ~~"Software"~~ means a Software. – A computer program and any supporting
14 information provided in connection with a transaction relating to the program.
15 The term does not include a computer program that is included in the
16 definition of goods.
- 17 (79) ~~"State"~~ means a State. – A state of the United States, the District of Columbia,
18 Puerto Rico, the United States Virgin Islands, or any territory or insular
19 possession subject to the jurisdiction of the United States.
- 20 (80) ~~"Supporting obligation"~~ means a Supporting obligation. – A letter-of-credit
21 right or secondary obligation that supports the payment or performance of an
22 account, chattel paper, a document, a general intangible, an instrument, or
23 investment property.
- 24 (81) ~~"Tangible chattel paper"~~ means ~~chattel paper evidenced by a record or records~~
25 ~~consisting of information that is inscribed on a tangible medium.~~

- 1 (81a) Tangible money. – Money in a tangible form.
- 2 ~~(82) "Termination statement"~~ means an Termination statement. – An amendment
 3 of a financing statement ~~which;~~ that does both of the following:
 - 4 a. Identifies, by its file number, the initial financing statement to which
 5 it ~~relates;~~ and relates.
 - 6 b. Indicates either that it is a termination statement or that the identified
 7 financing statement is no longer effective.
- 8 ~~(83) "Transmitting utility"~~ means a Transmitting utility. – A person primarily
 9 engaged in the business ~~of;~~ of any of the following:
 - 10 a. Operating a railroad, subway, street railway, or trolley ~~bus;~~ bus.
 - 11 b. Transmitting communications electrically, electromagnetically, or by
 12 ~~light;~~ light.
 - 13 c. Transmitting goods by pipeline or ~~sewer;~~ or sewer.
 - 14 d. Transmitting or producing and transmitting electricity, steam, gas, or
 15 water.
- 16 (84) Uncertificated security. – Defined in G.S. 25-8-102.
 - 17 ~~(b) Definitions in other articles. – "Control" as provided in G.S. 25-7-106 and the~~
 18 following definitions in other Articles of this Chapter apply to this Article:

19 "Applicant"	G.S. 25-5-102.
20 "Beneficiary"	G.S. 25-5-102.
21 "Broker"	G.S. 25-8-102.
22 "Certificated security"	G.S. 25-8-102.
23 "Check"	G.S. 25-3-104.
24 "Clearing corporation"	G.S. 25-8-102.
25 "Contract for sale"	G.S. 25-2-106.

1	"Customer"	G.S. 25-4-104.
2	"Entitlement holder"	G.S. 25-8-102.
3	"Financial asset"	G.S. 25-8-102.
4	"Holder in due course"	G.S. 25-3-302.
5	"Issuer" (with respect to a letter of credit	
6	or letter of credit right)	G.S. 25-5-102.
7	"Issuer" (with respect to a security)	G.S. 25-8-201.
8	"Issuer" (with respect to documents of title)	G.S. 25-7-102.
9	"Lease"	G.S. 25-2A-103.
10	"Lease agreement"	G.S. 25-2A-103.
11	"Lease contract"	G.S. 25-2A-103.
12	"Leasehold interest"	G.S. 25-2A-103.
13	"Lessee"	G.S. 25-2A-103.
14	"Lessee in ordinary course of business"	G.S. 25-2A-103.
15	"Lessor"	G.S. 25-2A-103.
16	"Lessor's residual interest"	G.S. 25-2A-103.
17	"Letter of credit"	G.S. 25-5-102.
18	"Merchant"	G.S. 25-2-104.
19	"Negotiable instrument"	G.S. 25-3-104.
20	"Nominated person"	G.S. 25-5-102.
21	"Note"	G.S. 25-3-104.
22	"Proceeds of a letter of credit"	G.S. 25-5-114.
23	"Prove"	G.S. 25-3-103.
24	"Sale"	G.S. 25-2-106.
25	"Securities account"	G.S. 25-8-501.

1	"Securities intermediary"	G.S. 25-8-102.
2	"Security"	G.S. 25-8-102.
3	"Security certificate"	G.S. 25-8-102.
4	"Security entitlement"	G.S. 25-8-102.
5	"Uncertificated security"	G.S. 25-8-102.

6 (c) Article 1 ~~definitions and principles.~~ Definitions and Principles. – Article 1 of this
7 Chapter contains general definitions and principles of construction and interpretation applicable
8 throughout this Article."

9
10 *[ULC Legislative Note: Replicate the formatting of the tabulated material in subsection (a)(11)*
11 *exactly to ensure that the meaning of the material is preserved.*

12 *The definition of "good faith" in subsection (a)(43) was deleted from subsection (a)*
13 *pursuant to a conforming amendment accompanying the 2001 amendments of Article 1.*
14 *However, any jurisdiction that has not adopted the revised definition of "good faith" in Section*
15 *1-201(b)(20) should retain the definition of "good faith" in subsection (a)(43).]*

16
17 *[GSC Staff Note: In S.L. 2006-112, the General Assembly revised Articles 1 and 7 of this Chapter*
18 *and repealed the definition of "good faith" in this section.]*
19

20 **SECTION 3.** G.S. 25-9-104 reads as rewritten:

21 **"§ 25-9-104. Control of deposit account.**

22 (a) Requirements for ~~control.~~ Control. – A secured party has control of a deposit
23 account ~~if:~~ if any of the following apply:

24 (1) The secured party is the bank with which the deposit account is ~~maintained;~~
25 maintained.

26 (2) The debtor, secured party, and bank have agreed in an authenticated record
27 that the bank will comply with instructions originated by the secured party
28 directing disposition of the funds in the deposit account without further
29 consent by the ~~debtor;~~ debtor.

- 1 (3) The secured party becomes the bank's customer with respect to the deposit
2 account.
- 3 (4) Another person, other than the debtor, does either of the following:
- 4 a. Has control of the deposit account and acknowledges that it has control
5 on behalf of the secured party.
- 6 b. Obtains control of the deposit account after having acknowledged that
7 it will obtain control of the deposit account on behalf of the secured
8 party.
- 9 (b) Debtor's ~~right to direct disposition.~~ Right to Direct Disposition. – A secured party
10 that has satisfied subsection (a) of this section has control, even if the debtor retains the right to
11 direct the disposition of funds from the deposit account."

12 **SECTION 4.** G.S. 25-9-105 reads as rewritten:

13 "**§ 25-9-105. Control of electronic ~~chattel paper.~~ copy of record evidencing chattel paper.**"

- 14 (a) ~~General Rule: Control of Electronic Chattel Paper.~~ — A secured party has control of
15 electronic ~~chattel paper~~ if a system employed for evidencing the transfer of interests in the ~~chattel~~
16 ~~paper~~ reliably establishes the secured party as the person to which the ~~chattel paper~~ was assigned.
- 17 (b) ~~Specific Facts Giving Control.~~ — A system ~~satisfies subsection (a) of this section if~~
18 ~~the record or records comprising the chattel paper are created, stored, and assigned in such a~~
19 ~~manner that:~~
- 20 (1) A single ~~authoritative copy of the record or records exists which is unique,~~
21 ~~identifiable, and, except as otherwise provided in subdivisions (4), (5), and (6)~~
22 ~~of this section, unalterable;~~
- 23 (2) The ~~authoritative copy identifies the secured party as the assignee of the~~
24 ~~record or records;~~

- 1 ~~(3) The authoritative copy is communicated to and maintained by the secured~~
2 ~~party or its designated custodian;~~
- 3 ~~(4) Copies or amendments that add or change an identified assignee of the~~
4 ~~authoritative copy can be made only with the consent of the secured party;~~
- 5 ~~(5) Each copy of the authoritative copy and any copy of a copy is readily~~
6 ~~identifiable as a copy that is not the authoritative copy; and~~
- 7 ~~(6) Any amendment of the authoritative copy is readily identifiable as authorized~~
8 ~~or unauthorized.~~

9 (a) General Rule; Control of Electronic Copy of Record Evidencing Chattel Paper. – A
10 purchaser has control of an authoritative electronic copy of a record evidencing chattel paper if
11 a system employed for evidencing the assignment of interests in the chattel paper reliably
12 establishes the purchaser as the person to which the authoritative electronic copy was assigned.

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

- 16 (1) A single authoritative copy of the record or records exists that is unique,
17 identifiable, and, except as otherwise provided in subdivisions (4), (5), and (6)
18 of this subsection, unalterable.
- 19 (2) The authoritative copy identifies the purchaser as the assignee of the record or
20 records.
- 21 (3) The authoritative copy is communicated to and maintained by the purchaser
22 or its designated custodian.
- 23 (4) Copies or amendments that add or change an identified assignee of the
24 authoritative copy can be made only with the consent of the purchaser.

1 (5) Each copy of the authoritative copy and any copy of a copy is readily
2 identifiable as a copy that is not the authoritative copy.

3 (6) Any amendment of the authoritative copy is readily identifiable as authorized
4 or unauthorized.

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

9 (1) Enables the purchaser readily to identify each electronic copy as either an
10 authoritative copy or a nonauthoritative copy.

11 (2) Enables the purchaser readily to identify itself in any way, including by name,
12 identifying number, cryptographic key, office, or account number, as the
13 assignee of the authoritative electronic copy.

14 (3) Gives the purchaser exclusive power, subject to subsection (d) of this section,
15 to do both of the following:

16 a. Prevent others from adding or changing an identified assignee of the
17 authoritative electronic copy.

18 b. Transfer control of the authoritative electronic copy.

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

21 (1) The authoritative electronic copy, a record attached to or logically associated
22 with the authoritative electronic copy, or a system in which the authoritative
23 electronic copy is recorded limits the use of the authoritative electronic copy
24 or has a protocol programmed to cause a change, including a transfer or loss
25 of control.

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

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

5 (1) The purchaser can exercise the power only if the power also is exercised by
6 the other person.

7 (2) Either of the following applies:

8 a. The other person can exercise the power without exercise of the power
9 by the purchaser.

10 b. The other person is the transferor to the purchaser of an interest in the
11 chattel paper.

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

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

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

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

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

24 "**§ 25-9-105.1. Control of electronic money.**

1 (a) General Rule; Control of Electronic Money. – A person has control of electronic
2 money if both of the following apply:

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

6 a. Power to avail itself of substantially all the benefit from the electronic
7 money.

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

10 1. Prevent others from availing themselves of substantially all the
11 benefit from the electronic money.

12 2. Transfer control of the electronic money to another person or
13 cause another person to obtain control of other electronic
14 money as a result of the transfer of the electronic money.

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

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

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

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

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

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

7 (2) Either of the following applies:

8 a. The other person can exercise the power without exercise of the power
9 by the person.

10 b. The other person is the transferor to the person of an interest in the
11 electronic money.

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

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

17 (1) The other person has control of the electronic money and acknowledges that
18 it has control on behalf of the person.

19 (2) The other person obtains control of the electronic money after having
20 acknowledged that it will obtain control of the electronic money on behalf of
21 the person."

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

24 "**§ 25-9-107.1. Control of controllable electronic record, controllable account, or**
25 **controllable payment intangible.**

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

3 (b) Control of Controllable Account and Controllable Payment Intangible. – A secured
4 party has control of a controllable account or controllable payment intangible if the secured party
5 has control of the controllable electronic record that evidences the controllable account or
6 controllable payment intangible."

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

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

10 (a) No Requirement to Acknowledge. – A person that has control under G.S. 25-9-104,
11 25-9-105, or 25-9-105.1 is not required to acknowledge that it has control on behalf of another
12 person.

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

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

18 "**§ 25-9-203. Attachment and enforceability of security interest; proceeds; supporting**
19 **obligations; formal requisites.**

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

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

- 1 (1) Value has been ~~given~~; given.
- 2 (2) The debtor has rights in the collateral or the power to transfer rights in the
3 collateral to a secured ~~party~~; and party.
- 4 (3) One of the following conditions is met:
- 5 a. The debtor has ~~authenticated~~ signed a security agreement that provides
6 a description of the collateral and, if the security interest covers timber
7 to be cut, a description of the land ~~concerned~~; concerned.
- 8 b. The collateral is not a certificated security and is in the possession of
9 the secured party under G.S. 25-9-313 pursuant to the debtor's security
10 ~~agreement~~; agreement.
- 11 c. The collateral is a certificated security in registered form and the
12 security certificate has been delivered to the secured party under
13 G.S. 25-8-301 pursuant to the debtor's security ~~agreement~~; or
14 agreement.
- 15 d. The collateral is controllable accounts, controllable electronic records,
16 controllable payment intangibles, deposit accounts, electronic chattel
17 paper, electronic documents, electronic money, investment property,
18 or letter-of-credit rights, or electronic documents, and the secured
19 party has control under G.S. 25-7-106, 25-9-104, 25-9-105,
20 25-9-105.1, 25-9-106, or 25-9-107-25-9-107, or 25-9-107.1 pursuant
21 to the debtor's security agreement.
- 22 e. The collateral is chattel paper, and the secured party has possession
23 and control under G.S. 25-9-314.1 pursuant to the debtor's security
24 agreement.

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

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

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

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

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

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

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

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

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

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

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

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

12 "**§ 25-9-204. After-acquired property; future advances.**

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

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

19 (1) Consumer goods, other than an accession when given as additional security,
20 unless the debtor acquires rights in them within 10 days after the secured party
21 gives ~~value;~~ or value.

22 (2) A commercial tort claim.

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

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

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

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

11 "**§ 25-9-207. Rights and duties of secured party having possession or control of collateral.**

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

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

- 21 (1) Reasonable expenses, including the cost of insurance and payment of taxes or
- 22 other charges, incurred in the custody, preservation, use, or operation of the
- 23 collateral are chargeable to the debtor and are secured by the ~~collateral;~~
- 24 collateral.

- 1 (2) The risk of accidental loss or damage is on the debtor to the extent of a
2 deficiency in any effective insurance ~~coverage~~; coverage.
- 3 (3) The secured party shall keep the collateral identifiable, but fungible collateral
4 may be ~~commingled~~; and commingled.
- 5 (4) The secured party may use or operate the ~~collateral~~; collateral as follows:
- 6 a. For the purpose of preserving the collateral or its ~~value~~; value.
- 7 b. As permitted by an order of a court having competent ~~jurisdiction~~; or
8 jurisdiction.
- 9 c. Except in the case of consumer goods, in the manner and to the extent
10 agreed by the debtor.
- 11 (c) Rights and ~~duties when secured party in possession or control~~. — Duties When Secured
12 Party in Possession or Control. — Except as otherwise provided in subsection (d) of this section,
13 all of the following apply to a secured party having possession of collateral or control of collateral
14 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
15 25-9-107.1:
- 16 (1) ~~May~~ The secured party may hold as additional security any proceeds, except
17 money or funds, received from the ~~collateral~~; collateral.
- 18 (2) ~~Shall~~ The secured party shall apply money or funds received from the
19 collateral to reduce the secured obligation, unless remitted to the ~~debtor~~; and
20 debtor.
- 21 (3) ~~May~~ The secured party may create a security interest in the collateral.
- 22 (d) Buyer of ~~certain rights to payment~~. — Certain Rights to Payment. — If the secured party
23 is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a ~~consignor~~;
24 consignor, both of the following apply:

- 1 (1) Subsection (a) of this section does not apply unless the secured party is entitled
2 under ~~an agreement;~~ agreement to either of the following:
3 a. To charge back uncollected ~~collateral;~~ or collateral.
4 b. Otherwise to full or limited recourse against the debtor or a secondary
5 obligor based on the nonpayment or other default of an account debtor
6 or other obligor on the ~~collateral;~~ and collateral.
7 (2) Subsections (b) and (c) of this section do not apply."

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

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

- 10 (a) Applicability of ~~section.~~ Section. – This section applies to cases in which there is
11 no outstanding secured obligation and the secured party is not committed to make advances, incur
12 obligations, or otherwise give value.
13 (b) Duties of ~~secured party after receiving demand from debtor.~~ Secured Party After
14 Receiving Demand from Debtor. – Within 10 days after receiving ~~an authenticated~~ a signed
15 demand by the ~~debtor;~~ debtor, all of the following apply:
16 (1) A secured party having control of a deposit account under G.S. 25-9-104(a)(2)
17 shall send to the bank with which the deposit account is maintained ~~an~~
18 ~~authenticated statement~~ a signed record that releases the bank from any further
19 obligation to comply with instructions originated by the secured ~~party;~~ party.
20 (2) A secured party having control of a deposit account under G.S. 25-9-104(a)(3)
21 ~~shall;~~ shall do either of the following:
22 a. Pay the debtor the balance on deposit in the deposit ~~account;~~ or
23 account.
24 b. Transfer the balance on deposit into a deposit account in the debtor's
25 ~~name;~~ name.

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

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

5 b. ~~If the debtor designates a custodian that is the designated custodian~~
6 ~~with which the authoritative copy of the electronic chattel paper is~~
7 ~~maintained for the secured party, communicate to the custodian an~~
8 ~~authenticated record releasing the designated custodian from any~~
9 ~~further obligation to comply with instructions originated by the~~
10 ~~secured party and instructing the custodian to comply with instructions~~
11 ~~originated by the debtor; and~~

12 c. ~~Take appropriate action to enable the debtor or its designated~~
13 ~~custodian to make copies of or revisions to the authoritative copy~~
14 ~~which add or change an identified assignee of the authoritative copy~~
15 ~~without the consent of the secured party;~~

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

20 (4) A secured party having control of investment property under
21 G.S. 25-8-106(d)(2) or G.S. 25-9-106(b) shall send to the securities
22 intermediary or commodity intermediary with which the security entitlement
23 or commodity contract is maintained ~~an authenticated~~ a signed record that
24 releases the securities intermediary or commodity intermediary from any

1 further obligation to comply with entitlement orders or directions originated
2 by the secured ~~party;~~ party.

3 (5) A secured party having control of a letter-of-credit right under G.S. 25-9-107
4 shall send to each person having an unfulfilled obligation to pay or deliver
5 proceeds of the letter of credit to the secured party ~~an authenticated~~ a signed
6 release from any further obligation to pay or deliver proceeds of the letter of
7 credit to the secured ~~party;~~ and party.

8 (6) ~~A secured party having control of an electronic document shall:~~
9 a. ~~Give control of the electronic document to the debtor or its designated~~
10 ~~eustodian;~~
11 b. ~~If the debtor designates a custodian that is the designated custodian~~
12 ~~with which the authoritative copy of the electronic document is~~
13 ~~maintained for the secured party, communicate to the custodian an~~
14 ~~authenticated record releasing the designated custodian from any~~
15 ~~further obligation to comply with instructions originated by the~~
16 ~~secured party and instructing the custodian to comply with instructions~~
17 ~~originated by the debtor; and~~
18 e. ~~Take appropriate action to enable the debtor or its designated~~
19 ~~eustodian to make copies of or revisions to the authoritative copy~~
20 ~~which add or change an identified assignee of the authoritative copy~~
21 ~~without the consent of the secured party.~~

22 A secured party having control under G.S. 25-7-106 of an authoritative
23 electronic copy of an electronic document of title shall transfer control of the
24 electronic copy to the debtor or a person designated by the debtor.

1 (7) A secured party having control under G.S. 25-9-105.1 of electronic money
2 shall transfer control of the electronic money to the debtor or a person
3 designated by the debtor.

4 (8) A secured party having control under G.S. 25-12-105 of a controllable
5 electronic record, other than a buyer of a controllable account or controllable
6 payment intangible evidenced by the controllable electronic record, shall
7 transfer control of the controllable electronic record to the debtor or a person
8 designated by the debtor."

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

10 "**§ 25-9-209. Duties of secured party if account debtor has been notified of assignment.**

11 (a) Applicability of ~~section.~~ Section. – Except as otherwise provided in subsection (c)
12 of this section, this section applies ~~if:~~ if there

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

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

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

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

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

1 **"§ 25-9-210. Request for accounting; request regarding list of collateral or statement of**
2 **account.**

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

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

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

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

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

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

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

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

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

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

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

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

19 (e) Request for ~~accounting or regarding statement of account; no interest in obligation~~
20 ~~claimed.~~ Accounting or Regarding Statement of Account; No Interest in Obligation Claimed.

21 –A person that receives a request for an accounting or a request regarding a statement of account,
22 claims no interest in the obligations when it receives the request, and claimed an interest in the
23 obligations at an earlier time shall comply with the request within 14 days after receipt by sending
24 to the debtor ~~an authenticated record;~~ a signed record that does both of the following:

25 (1) ~~Disclaiming~~ Disclaims any interest in the ~~obligations;~~ and obligations.

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

3 (f) Charges for ~~responses.~~Responses. – A debtor is entitled without charge to one
4 response to a request under this section during any six-month period. The secured party may
5 require payment of a charge not exceeding twenty-five dollars (\$25.00) for each additional
6 response."

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

8 "**§ 25-9-301. Law governing perfection and priority of security interests.**

9 Except as otherwise provided in G.S. 25-9-303 through ~~G.S. 25-9-306,~~G.S. 25-9-306.2, the
10 following rules determine the law governing perfection, the effect of perfection or nonperfection,
11 and the priority of a security interest in collateral:

12 (1) Except as otherwise provided in this section, while a debtor is located in a
13 jurisdiction, the local law of that jurisdiction governs perfection, the effect of
14 perfection or nonperfection, and the priority of a security interest in collateral.

15 (2) While collateral is located in a jurisdiction, the local law of that jurisdiction
16 governs perfection, the effect of perfection or nonperfection, and the priority
17 of a possessory security interest in that collateral.

18 (3) Except as otherwise provided in ~~paragraph~~subdivision (4) of this section,
19 while ~~tangible~~-negotiable tangible documents, goods, instruments, ~~money,~~ or
20 ~~tangible chattel paper~~ or tangible money is located in a jurisdiction, the local
21 law of that jurisdiction ~~governs:~~ governs all of the following:

22 a. Perfection of a security interest in the goods by filing a fixture ~~filing;~~
23 filing.

24 b. Perfection of a security interest in timber to be ~~cut;~~ and cut.

1 c. The effect of perfection or nonperfection and the priority of a
2 nonpossessory security interest in the collateral.

3 (4) The local law of the jurisdiction in which the wellhead or minehead is located
4 governs perfection, the effect of perfection or nonperfection, and the priority
5 of a security interest in as-extracted collateral."

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

7 "**§ 25-9-304. Law governing perfection and priority of security interests in deposit accounts.**

8 (a) ~~Law of bank's jurisdiction governs.~~ Bank's Jurisdiction Governs. – The local law of
9 a bank's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority
10 of a security interest in a deposit account maintained with that ~~bank.~~ bank even if the transaction
11 does not bear any relation to the bank's jurisdiction.

12 (b) ~~Bank's jurisdiction.~~ Jurisdiction. – The following rules determine a bank's
13 jurisdiction for purposes of this Part:

14 (1) If an agreement between the bank and the debtor governing the deposit
15 account expressly provides that a particular jurisdiction is the bank's
16 jurisdiction for purposes of this Part, this Article, or this Chapter, that
17 jurisdiction is the bank's jurisdiction.

18 (2) If subdivision (1) of this subsection does not apply and an agreement between
19 the bank and its customer governing the deposit account expressly provides
20 that the agreement is governed by the law of a particular jurisdiction, that
21 jurisdiction is the bank's jurisdiction.

22 (3) If neither subdivision (1) nor subdivision (2) of this subsection applies and an
23 agreement between the bank and its customer governing the deposit account
24 expressly provides that the deposit account is maintained at an office in a
25 particular jurisdiction, that jurisdiction is the bank's jurisdiction.

1 (4) If none of subdivisions (1), (2), and (3) of this subsection applies, the bank's
2 jurisdiction is the jurisdiction in which the office identified in an account
3 statement as the office serving the customer's account is located.

4 (5) If none of subdivisions (1), (2), (3), and (4) of this subsection applies, the
5 bank's jurisdiction is the jurisdiction in which the chief executive office of the
6 bank is located."

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

8 "**§ 25-9-305. Law governing perfection and priority of security interests in investment**
9 **property.**

10 (a) Governing ~~law: general rules.~~ Law: General Rules. – Except as otherwise provided
11 in subsection (c) of this section, the following rules apply:

12 (1) While a security certificate is located in a jurisdiction, the local law of that
13 jurisdiction governs perfection, the effect of perfection or nonperfection, and
14 the priority of a security interest in the certificated security represented
15 thereby.

16 (2) The local law of the issuer's jurisdiction as specified in G.S. 25-8-110(d)
17 governs perfection, the effect of perfection or nonperfection, and the priority
18 of a security interest in an uncertificated security.

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

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

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

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

5 (1) If an agreement between the commodity intermediary and commodity
6 customer governing the commodity account expressly provides that a
7 particular jurisdiction is the commodity intermediary's jurisdiction for
8 purposes of this Part, this Article, or this Chapter, that jurisdiction is the
9 commodity intermediary's jurisdiction.

10 (2) If subdivision (1) of this subsection does not apply and an agreement between
11 the commodity intermediary and commodity customer governing the
12 commodity account expressly provides that the agreement is governed by the
13 law of a particular jurisdiction, that jurisdiction is the commodity
14 intermediary's jurisdiction.

15 (3) If neither subdivision (1) nor subdivision (2) of this subsection applies and an
16 agreement between the commodity intermediary and commodity customer
17 governing the commodity account expressly provides that the commodity
18 account is maintained at an office in a particular jurisdiction, that jurisdiction
19 is the commodity intermediary's jurisdiction.

20 (4) If none of subdivisions (1), (2), and (3) of this subsection applies, the
21 commodity intermediary's jurisdiction is the jurisdiction in which the office
22 identified in an account statement as the office serving the commodity
23 customer's account is located.

1 (5) If none of subdivisions (1), (2), (3), and (4) of this subsection applies, the
2 commodity intermediary's jurisdiction is the jurisdiction in which the chief
3 executive office of the commodity intermediary is located.

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

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

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

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

12 **SECTION 17.** Article 9 of Chapter 25 of the General Statutes is amending by adding
13 a new section to read:

14 **"§ 25-9-306.1. Law governing perfection and priority of security interests in chattel paper.**

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

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

23 (1) If the authoritative electronic copy of the record evidencing chattel paper, or
24 a record attached to or logically associated with the electronic copy and
25 readily available for review, expressly provides that a particular jurisdiction

1 is the chattel paper's jurisdiction for purposes of this Part, this Article, or this
2 Chapter, that jurisdiction is the chattel paper's jurisdiction.

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

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

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

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

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

1 (1) Perfection of a security interest in the chattel paper by possession under G.S.
2 25-9-314.1.

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

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

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

10 "**§ 25-9-306.2. Law governing perfection and priority of security interests in controllable**
11 **accounts, controllable electronic records, and controllable payment intangibles.**

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

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

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

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

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

24 "**§ 25-9-310. When filing required to perfect security interest or agricultural lien; security**
25 **interests and agricultural liens to which filing provisions do not apply.**

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

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

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

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

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

12 (4) ~~In~~ A security interest in goods in possession of a bailee ~~which~~ that is perfected
13 under ~~G.S. 25-9-312(d)(1) or (2);~~ G.S. 25-9-313(d)(1) or (2).

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

17 (6) ~~In~~ A security interest in collateral in the secured party's possession under
18 ~~G.S. 25-9-313;~~ G.S. 25-9-313.

19 (7) ~~In~~ A security interest in a certificated security ~~which~~ that is perfected by
20 delivery of the security certificate to the secured party under ~~G.S. 25-9-313;~~
21 G.S. 25-9-313.

22 (8) ~~In~~ A security interest in controllable accounts, controllable electronic records,
23 controllable payment intangibles, deposit accounts, electronic chattel paper,
24 electronic documents, investment property, or letter-of-credit rights ~~which~~
25 that is perfected by control under ~~G.S. 25-9-314;~~ G.S. 25-9-314.

1 (8a) A security interest in chattel paper that is perfected by possession and control
2 under G.S. 25-9-314.1.

3 (9) ~~In~~ A security interest in proceeds which that is perfected under ~~G.S. 25-9-315;~~
4 ~~or~~ G.S. 25-9-315.

5 (10) ~~That~~ A security interest that is perfected under G.S. 25-9-316.

6 (c) Assignment of ~~perfected security interest.~~ Perfected Security Interest. – If a secured
7 party assigns a perfected security interest or agricultural lien, a filing under this Article is not
8 required to continue the perfected status of the security interest against creditors of and
9 transferees from the original debtor."

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

11 "**§ 25-9-312. Perfection of security interests in chattel paper, controllable accounts,**
12 **controllable electronic records, controllable payment intangibles, deposit**
13 **accounts, documents, goods covered by documents, instruments, investment**
14 **property, letter-of-credit rights, and money; perfection by permissive filing;**
15 **temporary perfection without filing or transfer of possession.**

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

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

23 (1) A security interest in a deposit account may be perfected only by control under
24 ~~G.S. 25-9-314;~~ G.S. 25-9-314.

- 1 (2) ~~And except~~ Except as otherwise provided in G.S. 25-9-308(d), a security
2 interest in a letter-of-credit right may be perfected only by control under ~~G.S.~~
3 ~~25-9-314; and~~ G.S. 25-9-314.
- 4 (3) A security interest in tangible money may be perfected only by the secured
5 party's taking possession under G.S. 25-9-313.
- 6 (4) A security interest in electronic money may be perfected only by control under
7 G.S. 25-9-314.
- 8 (c) ~~Goods covered by negotiable document.~~ Covered by Negotiable Document. – While
9 goods are in the possession of a bailee that has issued a negotiable document covering the ~~goods:~~
10 goods, both of the following apply:
- 11 (1) A security interest in the goods may be perfected by perfecting a security
12 interest in the ~~document; and~~ document.
- 13 (2) A security interest perfected in the document has priority over any security
14 interest that becomes perfected in the goods by another method during that
15 time.
- 16 (d) ~~Goods covered by nonnegotiable document.~~ Covered by Nonnegotiable Document.
17 – While goods are in the possession of a bailee that has issued a nonnegotiable document covering
18 the goods, a security interest in the goods may be perfected ~~by:~~ by any of the following:
- 19 (1) Issuance of a document in the name of the secured ~~party;~~ party.
- 20 (2) The bailee's receipt of notification of the secured party's ~~interest;~~ or interest.
- 21 (3) Filing as to the goods.
- 22 (e) ~~Temporary perfection: new value.~~ Perfection: New Value. – A security interest in
23 certificated securities, negotiable documents, or instruments is perfected without filing or the
24 taking of possession or control for a period of 20 days from the time it attaches to the extent that
25 it arises for new value given under ~~an authenticated~~ a signed security agreement.

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

7 (1) Ultimate sale or ~~exchange;~~ or exchange.

8 (2) Loading, unloading, storing, shipping, transshipping, manufacturing,
9 processing, or otherwise dealing with them in a manner preliminary to their
10 sale or exchange.

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

16 (1) Ultimate sale or ~~exchange;~~ or exchange.

17 (2) Presentation, collection, enforcement, renewal, or registration of transfer.

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

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

22 "**§ 25-9-313. When possession by or delivery to secured party perfects security interest**
23 **without filing.**

24 (a) Perfection by ~~possession or delivery.~~ Possession or Delivery. – Except as otherwise
25 provided in subsection (b) of this section, a secured party may perfect a security interest in

1 ~~tangible negotiable documents, goods, instruments, money, or tangible chattel paper negotiable~~
2 tangible documents, or tangible money by taking possession of the collateral. A secured party
3 may perfect a security interest in certificated securities by taking delivery of the certificated
4 securities under G.S. 25-8-301.

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

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

14 (1) The person in possession ~~authenticates~~ signs a record acknowledging that it
15 holds possession of the collateral for the secured party's ~~benefit; or~~ benefit.

16 (2) The person takes possession of the collateral after having ~~authenticated~~ signed
17 a record acknowledging that it will hold possession of the collateral for the
18 secured party's benefit.

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

23 (e) ~~Time of perfection by delivery; continuation of perfection.~~ Perfection by Delivery;
24 Continuation of Perfection. – A security interest in a certificated security in registered form is

1 perfected by delivery when delivery of the certificated security occurs under G.S. 25-8-301 and
2 remains perfected by delivery until the debtor obtains possession of the security certificate.

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

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

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

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

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

20 (1) To hold possession of the collateral for the secured party's ~~benefit;~~ or benefit.
21 (2) To redeliver the collateral to the secured party.

22 (i) Effect of ~~delivery under subsection (h); no duties or confirmation.~~ Delivery Under
23 Subsection (h); No Duties or Confirmation. – A secured party does not relinquish possession,
24 even if a delivery under subsection (h) of this section violates the rights of a debtor. A person to
25 which collateral is delivered under subsection (h) of this section does not owe any duty to the

1 secured party and is not required to confirm the delivery to another person unless the person
2 otherwise agrees or law other than this Article otherwise provides."

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

4 "**§ 25-9-314. Perfection by control.**

5 (a) Perfection by ~~control.~~ Control. – A security interest in ~~investment property, deposit~~
6 ~~accounts, letter of credit rights, electronic chattel paper, or electronic documents~~ controllable
7 accounts, controllable electronic records, controllable payment intangibles, deposit accounts,
8 electronic documents, electronic money, investment property, or letter-of-credit rights may be
9 perfected by control of the collateral under G.S. 25-7-106, 25-9-104, ~~25-9-105,~~ 25-9-105.1,
10 ~~25-9-106, or 25-9-107.~~ 25-9-107, or 25-9-107.1.

11 (b) ~~Specified collateral: time of perfection by control; continuation of perfection.~~
12 Collateral: Time of Perfection by Control; Continuation of Perfection. – A security interest in
13 ~~deposit accounts, electronic chattel paper, letter of credit rights, or electronic documents~~
14 controllable accounts, controllable electronic records, controllable payment intangibles, deposit
15 accounts, electronic documents, electronic money, or letter-of-credit rights is perfected by
16 control under G.S. 25-7-106, 25-9-104, ~~25-9-105,~~ 25-9-105.1, ~~or 25-9-107~~ 25-9-107, or
17 25-9-107.1 ~~when not earlier than the time~~ the secured party obtains control and remains perfected
18 by control only while the secured party retains control.

19 (c) ~~Investment property: time of perfection by control; continuation of perfection.~~
20 Property: Time of Perfection by Control; Continuation of Perfection. – A security interest in
21 investment property is perfected by control under G.S. 25-9-106 ~~from not earlier than~~ the time
22 the secured party obtains control and remains perfected by control ~~until:~~ until both of the
23 following occur:

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

25 (2) One of the following occurs:

1 25-9-305(c), 25-9-306.1(d), or 25-9-306.2(b) remains perfected until the earliest ~~of~~ of the
2 following:

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

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

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

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

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

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

22 (2) Thereafter the collateral is brought into another ~~jurisdiction;~~ and jurisdiction.

23 (3) Upon entry into the other jurisdiction, the security interest is perfected under
24 the law of the other jurisdiction.

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

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

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

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

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

1 period, it remains perfected thereafter. If the security interest does not become
2 perfected under the law of the other jurisdiction before the earlier time or
3 event, it becomes unperfected and is deemed never to have been perfected as
4 against a purchaser of the collateral for value.

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

9 (1) The financing statement is effective to perfect a security interest in collateral
10 acquired by the new debtor before, and within four months after, the new
11 debtor becomes bound under G.S. 25-9-203(d), if the financing statement
12 would have been effective to perfect a security interest in the collateral had
13 the collateral been acquired by the original debtor.

14 (2) A security interest perfected by the financing statement and ~~which~~that
15 becomes perfected under the law of the other jurisdiction before the earlier of
16 the time the financing statement would have become ineffective under the law
17 of the jurisdiction designated in G.S. 25-9-301(1) or G.S. 25-9-305(c) or the
18 expiration of the four-month period remains perfected thereafter. A security
19 interest that is perfected by the financing statement but ~~which~~that does not
20 become perfected under the law of the other jurisdiction before the earlier time
21 or event becomes unperfected and is deemed never to have been perfected as
22 against a purchaser of the collateral for value."

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

24 "**§ 25-9-317. Interests that take priority over or take free of security interest or agricultural**
25 **lien.**

- 1 (a) ~~Conflicting security interests and rights of lien creditors.~~ Security Interests and
2 Rights of Lien Creditors. – A security interest or agricultural lien is subordinate to the rights ~~of~~
3 of both of the following:
- 4 (1) A person entitled to priority under ~~G.S. 25-9-322; and~~ G.S. 25-9-322.
- 5 (2) Except as otherwise provided in subsection (e) of this section, a person that
6 becomes a lien creditor before the earlier of the ~~time;~~ following:
- 7 a. The security interest or agricultural lien is ~~perfected; or~~ perfected.
- 8 b. One of the conditions specified in G.S. 25-9-203(b)(3) is met and a
9 financing statement covering the collateral is filed.
- 10 (b) ~~Buyers that receive delivery.~~ That Receive Delivery. – Except as otherwise provided
11 in subsection (e) of this section, a buyer, other than a secured party, of ~~tangible chattel paper,~~
12 ~~tangible documents,~~ goods, instruments, tangible documents, or a certificated security takes free
13 of a security interest or agricultural lien if the buyer gives value and receives delivery of the
14 collateral without knowledge of the security interest or agricultural lien and before it is perfected.
- 15 (c) ~~Lessees that receive delivery.~~ That Receive Delivery. – Except as otherwise
16 provided in subsection (e) of this section, a lessee of goods takes free of a security interest or
17 agricultural lien if the lessee gives value and receives delivery of the collateral without
18 knowledge of the security interest or agricultural lien and before it is perfected.
- 19 (d) ~~Licensees and buyers of certain collateral.~~ Buyers of Certain Collateral. – Subject
20 to subsections (f) through (i) of this section, a licensee of a general intangible or a buyer, other
21 than a secured party, of collateral other than ~~tangible chattel paper, tangible documents,~~ electronic
22 money, goods, instruments, tangible documents, or a certificated security takes free of a security
23 interest if the licensee or buyer gives value without knowledge of the security interest and before
24 it is perfected.

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

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

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

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

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

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

22 (i) Buyers of Controllable Accounts and Controllable Payment Intangibles. – A buyer,
23 other than a secured party, of a controllable account or a controllable payment intangible takes
24 free of a security interest if, without knowledge of the security interest and before it is perfected,

1 the buyer gives value and obtains control of the controllable account or controllable payment
2 intangible."

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

4 "**§ 25-9-323. Future advances.**

5 (a) ~~When priority based on time of advance.~~ Priority Based on Time of Advance. –

6 Except as otherwise provided in subsection (c) of this section, for purposes of determining the
7 priority of a perfected security interest under G.S. 25-9-322(a)(1), perfection of the security
8 interest dates from the time an advance is made to the extent that the security interest secures an
9 advance ~~that~~ that meets both of the following conditions:

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

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

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

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

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

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

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

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

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

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

9 (2) ~~45-Forty-five~~ days after the purchase.

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

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

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

19 (2) ~~45-Forty-five~~ days after the lease contract becomes enforceable.

20 (g) Advances ~~made pursuant to commitment; priority of lessee of goods.~~ Made Pursuant
21 to Commitment: Priority of Lessee of Goods. Subsection (f) of this section does not apply if
22 the advance is made pursuant to a commitment entered into without knowledge of the lease and
23 before the expiration of the 45-day period."

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

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

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

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

15 (1) The purchase-money security interest is perfected when the debtor receives
16 possession of the ~~inventory;~~ inventory.

17 (2) The purchase-money secured party sends ~~an authenticated~~ a signed
18 notification to the holder of the conflicting security ~~interest;~~ interest.

19 (3) The holder of the conflicting security interest receives the notification within
20 five years before the debtor receives possession of the ~~inventory;~~ and
21 inventory.

22 (4) The notification states that the person sending the notification has or expects
23 to acquire a purchase-money security interest in inventory of the debtor and
24 describes the inventory.

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

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

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

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

16 (1) The purchase-money security interest is perfected when the debtor receives
17 possession of the ~~livestock;~~ livestock.

18 (2) The purchase-money secured party sends ~~an authenticated~~ a signed
19 notification to the holder of the conflicting security ~~interest;~~ interest.

20 (3) The holder of the conflicting security interest receives the notification within
21 six months before the debtor receives possession of the ~~livestock;~~ and
22 livestock.

23 (4) The notification states that the person sending the notification has or expects
24 to acquire a purchase-money security interest in livestock of the debtor and
25 describes the livestock.

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

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

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

10 (f) Software ~~purchase-money priority.~~ Purchase-Money Priority. – Except as otherwise
11 provided in subsection (g) of this section, a perfected purchase-money security interest in
12 software has priority over a conflicting security interest in the same collateral, and, except as
13 otherwise provided in G.S. 25-9-327, a perfected security interest in its identifiable proceeds also
14 has priority, to the extent that the purchase-money security interest in the goods in which the
15 software was acquired for use has priority in the goods and proceeds of the goods under this
16 section.

17 (g) ~~Conflicting purchase-money security interests.~~ Purchase-Money Security Interests.
18 –If more than one security interest qualifies for priority in the same collateral under subsection
19 (a), (b), (d), or (f) of this section; section, the following provisions apply:

20 (1) A security interest securing an obligation incurred as all or part of the price of
21 the collateral has priority over a security interest securing an obligation
22 incurred for value given to enable the debtor to acquire rights in or the use of
23 ~~collateral;~~ and collateral.

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

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

3 "**§ 25-9-326.1. Priority of security interest in controllable account, controllable electronic**
4 **record, and controllable payment intangible.**

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

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

10 "**§ 25-9-330. Priority of purchaser of chattel paper or instrument.**

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

- 15 (1) In good faith and in the ordinary course of the purchaser's business, the
16 purchaser gives new ~~value and~~ value, takes possession of each authoritative
17 tangible copy of the record evidencing the chattel ~~paper or~~ paper, and obtains
18 control of the ~~chattel paper under G.S. 25-9-105; and under G.S. 25-9-105 of~~
19 each authoritative electronic copy of the record evidencing the chattel paper.
- 20 (2) The ~~chattel paper does~~ authoritative copies of the record evidencing the chattel
21 paper do not indicate that ~~it~~ the chattel paper has been assigned to an identified
22 assignee other than the purchaser.

23 (b) Purchaser's ~~priority: other security interests.~~ Priority: Other Security Interests. – A
24 purchaser of chattel paper has priority over a security interest in the chattel paper ~~which that~~ is
25 claimed other than merely as proceeds of inventory subject to a security interest if the purchaser

1 gives new ~~value and value~~, takes possession of each authoritative tangible copy of the record
2 evidencing the chattel paper or paper, and obtains control ~~of~~ under G.S. 25-9-105 of each
3 authoritative electronic copy of the record evidencing the chattel paper under G.S. 25-9-105 in
4 good faith, in the ordinary course of the purchaser's business, and without knowledge that the
5 purchase violates the rights of the secured party.

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

- 10 (1) G.S. 25-9-322 provides for priority in the ~~proceeds; or~~ proceeds.
- 11 (2) The proceeds consist of the specific goods covered by the chattel paper or cash
12 proceeds of the specific goods, even if the purchaser's security interest in the
13 proceeds is unperfected.

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

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

23 (f) Indication of ~~assignment gives knowledge.~~ Assignment Gives Knowledge. – For
24 purposes of subsections (b) and (d) of this section, if the authoritative copies of the record
25 evidencing chattel paper or an instrument indicates indicate that it the chattel paper or instrument

1 has been assigned to an identified secured party other than the purchaser, a purchaser of the
2 chattel paper or instrument has knowledge that the purchase violates the rights of the secured
3 party."

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

5 "**§ 25-9-331. Priority of rights of purchasers of controllable accounts, controllable**
6 **electronic records, controllable payment intangibles, instruments, documents,**
7 **instruments, and securities under other Articles; priority of interests in financial**
8 **assets and security entitlements and protection against assertion of claim under**
9 **Article 8, Articles 8 and 12.**

10 (a) Rights ~~under Articles 3, 7, and 8 not limited.~~ Under Articles 3, 7, 8, and 12 Not
11 Limited. – This Article does not limit the rights of a holder in due course of a negotiable
12 instrument, a holder to which a negotiable document of title has been duly negotiated, ~~or a~~
13 protected purchaser of a ~~security.~~ security, or a qualifying purchaser of a controllable account,
14 controllable electronic record, or controllable payment intangible. These holders or purchasers
15 take priority over an earlier security interest, even if perfected, to the extent provided in Articles
16 3, 7, ~~and 8~~ 8, and 12 of this Chapter.

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

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

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

24 "**§ 25-9-332. Transfer of money; transfer of funds from deposit account.**

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

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

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

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

13 **"§ 25-9-334. Priority of security interests in fixtures and crops.**

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

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

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

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

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

6 (2) The interest of the encumbrancer or owner arises before the goods become
7 ~~fixtures;~~ and fixtures.

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

10 (e) Priority of ~~security interest in fixtures over interests in real property.~~ Security
11 Interest in Fixtures over Interests in Real Property. — A perfected security interest in fixtures has
12 priority over a conflicting interest of an encumbrancer or owner of the real property ~~if;~~ if any of
13 the following apply:

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

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

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

20 (2) Before the goods become fixtures, the security interest is perfected by any
21 method permitted by this Article and the fixtures are any of the following
22 ~~readily-removable;~~ removable goods:

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

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

- 1 c. Replacements of domestic appliances that are consumer ~~goods;~~ goods.
- 2 (3) The conflicting interest is a lien on the real property obtained by legal or
- 3 equitable proceedings after the security interest was perfected by any method
- 4 permitted by this ~~Article;~~ or Article.
- 5 (4) The security interest ~~is;~~ is created
- 6 a. ~~Created~~ in a manufactured home in a manufactured-home ~~transaction;~~
- 7 and transaction and perfected
- 8 b. ~~Perfected~~ pursuant to a statute described in G.S. 25-9-311(a)(2).
- 9 (f) Priority ~~based on consent, disclaimer, or right to remove.~~ Based on Consent,
- 10 Disclaimer, or Right to Remove. – A security interest in fixtures, whether or not perfected, has
- 11 priority over a conflicting interest of an encumbrancer or owner of the real property ~~if;~~ if either
- 12 of the following applies:
- 13 (1) The encumbrancer or owner has, in ~~an authenticated~~ a signed record,
- 14 consented to the security interest or disclaimed an interest in the goods as
- 15 ~~fixtures;~~ or fixtures.
- 16 (2) The debtor has a right to remove the goods as against the encumbrancer or
- 17 owner.
- 18 (g) Continuation of ~~subdivision (f)(2) priority.~~ Subdivision (f)(2) Priority. – The
- 19 priority of the security interest under subdivision (f)(2) of this section continues for a reasonable
- 20 time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.
- 21 (h) Priority of ~~construction mortgage.~~ Construction Mortgage. – A mortgage is a
- 22 construction mortgage to the extent that it secures an obligation incurred for the construction of
- 23 an improvement on land, including the acquisition cost of the land, if a recorded record of the
- 24 mortgage so indicates. Except as otherwise provided in subsections (e) and (f) of this section, a
- 25 security interest in fixtures is subordinate to a construction mortgage if a record of the mortgage

1 is recorded before the goods become fixtures and the goods become fixtures before the
2 completion of the construction. A mortgage has this priority to the same extent as a construction
3 mortgage to the extent that it is given to refinance a construction mortgage.

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

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

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

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

- 13 (1) The creation, attachment, or perfection of a security interest in the deposit
14 ~~account;~~ account.
- 15 (2) The bank's knowledge of the security ~~interest;~~ or interest.
- 16 (3) The bank's receipt of instructions from the secured party."

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

18 "**§ 25-9-404. Rights acquired by assignee; claims and defenses against assignee.**

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

- 23 (1) All terms of the agreement between the account debtor and assignor and any
24 defense or claim in recoupment arising from the transaction that gave rise to
25 ~~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:

1 "§ 25-9-406. Discharge of account debtor; notification of assignment; identification and
2 proof of assignment; restrictions on assignment of accounts, chattel paper,
3 payment intangibles, and promissory notes ineffective.

4 (a) Discharge of ~~account debtor; effect of notification.~~—Account Debtor; Effect of
5 Notification.— Subject to subsections (b) through (i) and (l) of this section, an account debtor on
6 an account, chattel paper, or a payment intangible may discharge its obligation by paying the
7 assignor until, but not after, the account debtor receives a notification, ~~authenticated~~ signed by
8 the assignor or the assignee, that the amount due or to become due has been assigned and that
9 payment is to be made to the assignee. After receipt of the notification, the account debtor may
10 discharge its obligation by paying the assignee and ~~may~~ shall not discharge the obligation by
11 paying the assignor.

12 (b) When ~~notification ineffective.~~—Notification Ineffective.— Subject to ~~subsection (h)~~
13 subsections (h) and (l) of this section, notification is ineffective under subsection (a) of this
14 ~~section;~~ section under any of the following conditions:

- 15 (1) If it does not reasonably identify the rights ~~assigned;~~ assigned.
- 16 (2) To the extent that an agreement between an account debtor and a seller of a
17 payment intangible limits the account debtor's duty to pay a person other than
18 the seller and the limitation is effective under law other than this ~~Article;~~ or
19 Article.
- 20 (3) At the option of an account debtor, if the notification notifies the account
21 debtor to make less than the full amount of any installment or other periodic
22 payment to the assignee, ~~even if;~~ if any of the following apply:
- 23 a. Only a portion of the account, chattel paper, or payment intangible has
24 been assigned to that ~~assignee;~~ assignee.
- 25 b. A portion has been assigned to another ~~assignee;~~ or assignee.

1 note, other than a sale pursuant to a disposition under G.S. 25-9-610 or an acceptance of collateral
2 under G.S. 25-9-620.

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

10 (1) Prohibits, restricts, or requires the consent of the government, governmental
11 body or official, or account debtor to the assignment or transfer of, or the
12 creation, attachment, perfection, or enforcement of a security interest in the
13 account or ~~chattel paper; or paper.~~

14 (2) Provides that the assignment or transfer or the creation, attachment,
15 perfection, or enforcement of the security interest may give rise to a default,
16 breach, right of recoupment, claim, defense, termination, right of termination,
17 or remedy under the account or chattel paper.

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

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

1 (i) Inapplicability. – This section does not apply to an assignment of a
2 health-care-insurance receivable or an interest in a partnership or limited liability company.
3 Subsection (f) of this section does not apply to an assignment or transfer of, or the creation,
4 attachment, perfection, or enforcement of a security interest in, a right the transfer of which is
5 prohibited or restricted by any of the following statutes to the extent that the statute is inconsistent
6 with subsection (f) of this section:

- 7 (1) North Carolina Structured Settlement Act (Article 44B of Chapter 1 of the
8 General Statutes).
- 9 (2) North Carolina Crime Victims Compensation Act (Chapter 15B of the
10 General Statutes).
- 11 (3) North Carolina Consumer Finance Act (Article 15 of Chapter 53 of the
12 General Statutes).
- 13 (4) North Carolina Firefighters' and Rescue Squad Workers' Pension Fund
14 (Article 86 of Chapter 58 of the General Statutes).
- 15 (5) Employment Security Law (Chapter 96 of the General Statutes).
- 16 (6) North Carolina Workers' Compensation Fund Act (Article 1 of Chapter 97 of
17 the General Statutes).
- 18 (7) Programs of Public Assistance (Article 2 of Chapter 108A of the General
19 Statutes).
- 20 (8) North Carolina State Lottery Act (Chapter 18C of the General Statutes).

21 (j) ~~Section prevails over inconsistent law.~~ Prevails over Inconsistent Law. – Except to
22 the extent otherwise provided in subsection (i) of this section, this section prevails over any
23 inconsistent provision of an existing or future ~~statute, rule, or regulation~~ 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.

1 (k) Reserved.

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

4

5 *[ULC Legislative Note: In 2018, a new subsection (k) was added to Section 9-406. A state that*
6 *has not previously enacted that subsection should consider doing so in connection with the*
7 *enactment of the 2022 Amendments.]*

8

9 *[GSC Staff Note: The General Assembly has not enacted this subsection (k) or any of the other*
10 *2018 amendments to the UCC.]*

11

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

13 "**§ 25-9-408. Restrictions on assignment of promissory notes, health-care-insurance**
14 **receivables, and certain general intangibles ineffective.**

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

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

26 (2) Provides that the assignment or transfer or the creation, attachment, or
27 perfection of the security interest may give rise to a default, breach, right of
28 recoupment, claim, defense, termination, right of termination, or remedy

1 under the promissory note, health-care-insurance receivable, or general
2 intangible.

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

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

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

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

22 (d) Limitation on ~~ineffectiveness under subsections (a) and (c).~~ Ineffectiveness Under
23 Subsections (a) and (c). – To the extent that a term in a promissory note or in an agreement
24 between an account debtor and a debtor ~~which that~~ relates to a health-care-insurance receivable
25 or general intangible or a rule of ~~law, statute, or regulation~~ law described in subsection (c) of this

1 section would be effective under law other than this Article but is ineffective under subsection
2 (a) or (c) of this section, all of the following apply to the creation, attachment, or perfection of a
3 security interest in the promissory note, health-care-insurance receivable, or general intangible:

4 (1) ~~Is~~The security interest is not enforceable against the person obligated on the
5 promissory note or the account ~~debtor;~~ debtor.

6 (2) ~~Does~~The security interest does not impose a duty or obligation on the person
7 obligated on the promissory note or the account ~~debtor;~~ debtor.

8 (3) ~~Does~~The security interest does not require the person obligated on the
9 promissory note or the account debtor to recognize the security interest, pay
10 or render performance to the secured party, or accept payment or performance
11 from the secured ~~party;~~ party.

12 (4) ~~Does~~The security interest does not entitle the secured party to use or assign
13 the debtor's rights under the promissory note, health-care-insurance
14 receivable, or general intangible, including any related information or
15 materials furnished to the debtor in the transaction giving rise to the
16 promissory note, health-care-insurance receivable, or general ~~intangible;~~
17 intangible.

18 (5) ~~Does~~The security interest does not entitle the secured party to use, assign,
19 possess, or have access to any trade secrets or confidential information of the
20 person obligated on the promissory note or the account ~~debtor;~~ and debtor.

21 (6) ~~Does~~The security interest does not entitle the secured party to enforce the
22 security interest in the promissory note, health-care-insurance receivable, or
23 general intangible.

24 (e) Section ~~prevails over inconsistent law.~~ Prevails over Inconsistent Law. – Except to

25 the extent otherwise provided in subsection (f) of this section, this section prevails over any

1 inconsistent provision of an existing or future ~~statute, rule, or regulation of~~ statute or rule of this
2 State unless the provision is contained in a statute of this State, refers expressly to this section,
3 and states that the provision prevails over this section.

4 (f) Inapplicability. – This section does not apply to an assignment of an interest in a
5 partnership or limited liability company. Subsection (c) of this section does not apply to an
6 assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security
7 interest in, a right the transfer of which is prohibited or restricted by any of the following statutes
8 to the extent that the statute is inconsistent with subsection (c) of this section:

- 9 (1) North Carolina Structured Settlement Act (Article 44B of Chapter 1 of the
10 General Statutes).
- 11 (2) North Carolina Crime Victims Compensation Act (Chapter 15B of the
12 General Statutes).
- 13 (3) North Carolina Consumer Finance Act (Article 15 of Chapter 53 of the
14 General Statutes).
- 15 (4) North Carolina Firefighters' and Rescue Squad Workers' Pension Fund
16 (Article 86 of Chapter 58 of the General Statutes).
- 17 (5) Employment Security Law (Chapter 96 of the General Statutes).
- 18 (6) North Carolina Workers' Compensation Fund Act (Article 1 of Chapter 97 of
19 the General Statutes).
- 20 (7) Programs of Public Assistance (Article 2 of Chapter 108A of the General
21 Statutes).
- 22 (8) North Carolina State Lottery Act (Chapter 18C of the General Statutes).

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

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

1 **"§ 25-9-509. Persons entitled to file a record.**

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

5 (1) The debtor authorizes the filing in ~~an authenticated~~ a signed record or pursuant
6 to subsection (b) or (c) of this ~~section~~ section.

7 (2) The person holds an agricultural lien that has become effective at the time of
8 filing and the financing statement covers only collateral in which the person
9 holds an agricultural lien.

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

14 (1) The collateral described in the security ~~agreement~~ and agreement.

15 (2) Property that becomes collateral under G.S. 25-9-315(a)(2), whether or not
16 the security agreement expressly covers proceeds.

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

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

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

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

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

11 "**§ 25-9-513. Termination statement.**

12 (a) Consumer ~~goods.~~ Goods. – A secured party shall cause the secured party of record
13 for a financing statement to file a termination statement for the financing statement if the
14 financing statement covers consumer goods ~~and;~~ and either of the following applies:

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

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

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

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

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

2 "**§ 25-9-601. Rights after default; judicial enforcement; consignor or buyer of accounts,**
3 **chattel paper, payment intangibles, or promissory notes.**

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

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

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

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

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

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

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

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

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

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

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

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

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

14 "**§ 25-9-605. Unknown debtor or secondary obligor.**

15 (a) ~~A~~ Except as provided in subsection (b) of this section, a secured party does not owe
16 a duty based on its status as secured ~~party;~~ party to either of the following:

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

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

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

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

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

24 a. That the person is a ~~debtor;~~ and debtor.

25 b. The identity of the person.

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

6 (1) The person is a debtor or obligor.

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

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

12 **"§ 25-9-608. Application of proceeds of collection or enforcement; liability for deficiency**
13 **and right to surplus.**

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

17 (1) A secured party shall apply or pay over for application the cash proceeds of
18 collection or enforcement under G.S. 25-9-607 to the following in the
19 ~~following order to:~~ order:

20 a. The reasonable expenses of collection and enforcement and, to the
21 extent provided for by agreement and not prohibited by law,
22 reasonable attorney's fees and legal expenses incurred by the secured
23 ~~party;~~ party.

1 b. The satisfaction of obligations secured by the security interest or
2 agricultural lien under which the collection or enforcement is ~~made;~~
3 ~~and~~ made.

4 c. The satisfaction of obligations secured by any subordinate security
5 interest in or other lien on the collateral subject to the security interest
6 or agricultural lien under which the collection or enforcement is made
7 if the secured party receives ~~an authenticated~~ a signed demand for
8 proceeds before distribution of the proceeds is completed.

9 (2) If requested by a secured party, a holder of a subordinate security interest or
10 other lien shall furnish reasonable proof of the interest or lien within a
11 reasonable time. Unless the holder complies, the secured party need not
12 comply with the holder's demand under sub-subdivision (a)(1)c. of this
13 section.

14 (3) A secured party need not apply or pay over for application noncash proceeds
15 of collection and enforcement under G.S. 25-9-607 unless the failure to do so
16 would be commercially unreasonable. A secured party that applies or pays
17 over for application noncash proceeds shall do so in a commercially
18 reasonable manner.

19 (4) A secured party shall account to and pay a debtor for any surplus, and the
20 obligor is liable for any deficiency.

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

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

1 **"§ 25-9-611. Notification before disposition of collateral.**

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

4 (1) A secured party sends to the debtor and any secondary obligor ~~an~~
5 ~~authenticated~~ a signed notification of ~~disposition;~~ or disposition.

6 (2) The debtor and any secondary obligor waive the right to notification.

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

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

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

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

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

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

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

24 1. Identified the ~~collateral;~~ collateral.

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

1 **"§ 25-9-613. Contents and form of notification before disposition of collateral: general.**

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

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

- 6 a. Describes the debtor and the secured ~~party;~~ party.
- 7 b. Describes the collateral that is the subject of the intended ~~disposition;~~
8 disposition.
- 9 c. States the method of intended ~~disposition;~~ disposition.
- 10 d. States that the debtor is entitled to an accounting of the unpaid
11 indebtedness and states the charge, if any, for an ~~accounting; and~~
12 accounting.
- 13 e. States the time and place of a public disposition or the time after which
14 any other disposition is to be made.

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

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

- 21 a. Information not specified by that ~~subdivision;~~ or subdivision.
- 22 b. Minor errors that are not seriously misleading.

23 (4) A particular phrasing of the notification is not required.

24 (5) The following form of notification and the form appearing in ~~G.S.~~
25 ~~25-9-614(3), when completed,~~ G.S. 25-9-614(a)(3), when completed in

1 accordance with the instructions in subsection (b) of this section and
2 G.S. 25-9-614(b), each provides sufficient information:

3 NOTIFICATION OF DISPOSITION OF COLLATERAL

4
5 To: ~~{Name of debtor, obligor, or other person to which the notification~~
6 ~~is sent}~~

7 From: ~~{Name, address, and telephone number of secured party}~~

8 Name of Debtor(s): ~~{Include only if debtor(s) is/are not an addressee}~~

9 ~~{For a public disposition:}~~

10 ~~We will sell [or lease or license, as applicable] the [describe collateral] [to the~~
11 ~~highest qualified bidder] in public as follows:~~

12 Day and Date: _____

13 Time: _____

14 Place: _____

15 ~~{For a private disposition:}~~

16 ~~We will sell [or lease or license, as applicable] the [describe collateral]~~
17 ~~privately sometime after [day and date].~~

18 ~~You are entitled to an accounting of the unpaid indebtedness secured by the~~
19 ~~property that we intend to sell [or lease or license, as applicable] [for a charge~~
20 ~~of \$ _____]. You may request an accounting by calling us at [telephone~~
21 ~~number]~~

22 "NOTIFICATION OF DISPOSITION OF COLLATERAL

23 To: (Name of debtor, obligor, or other person to which the notification is
24 sent)

25 From: (Name, address, and telephone number of secured party)

- 1 {1} (Name of each debtor that is not an addressee)
- 2 {2} We will sell (describe collateral) (to the highest qualified
3 bidder) at public sale. A sale could include a lease or license.
- 4 The sale will be held as follows:
- 5 (Date)
- 6 (Time)
- 7 (Place)
- 8 {3} We will sell (describe collateral) at private sale sometime after
9 (date). A sale could include a lease or license.
- 10 {4} You are entitled to an accounting of the unpaid indebtedness
11 secured by the property that we intend to sell or, as applicable,
12 lease or license.
- 13 {5} If you request an accounting, you must pay a charge of \$
14 (amount).
- 15 {6} You may request an accounting by calling us at (telephone
16 number)."

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

- 19 (1) The instructions in this subsection refer to the numbers in braces before items
20 in the form of notification in subdivision (a)(5) of this section. Do not include
21 the numbers or braces in the notification. The numbers and braces are used
22 only for the purpose of these instructions.
- 23 (2) Include and complete item {1} only if there is a debtor that is not an addressee
24 of the notification and list the name or names.

1 (3) Include and complete either item {2}, if the notification relates to a public
2 disposition of the collateral, or item {3}, if the notification relates to a private
3 disposition of the collateral. If item {2} is included, include the words "to the
4 highest qualified bidder" only if applicable.

5 (4) Include and complete items {4} and {6}.

6 (5) Include and complete item {5} only if the sender will charge the recipient for
7 an accounting."

8 **SECTION 44.** G.S. 25-9-614 reads as rewritten:

9 "**§ 25-9-614. Contents and form of notification before disposition of collateral:**
10 **consumer-goods transaction.**

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

13 (1) A notification of disposition must provide all of the following information:

14 a. The information specified in ~~G.S. 25-9-613(1);~~ G.S. 25-9-613(a)(1).

15 b. A description of any liability for a deficiency of the person to which
16 the notification is ~~sent;~~ sent.

17 c. A telephone number from which the amount that must be paid to the
18 secured party to redeem the collateral under G.S. 25-9-623 is
19 ~~available;~~ and available.

20 d. A telephone number or mailing address from which additional
21 information concerning the disposition and the obligation secured is
22 available.

23 (2) A particular phrasing of the notification is not required.

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

3 {1} We will sell (describe collateral) at public sale. A sale could include a
4 lease or license. The sale will be held as follows:

5 (Date)

6 (Time)

7 (Place)

8 You may attend the sale and bring bidders if you want.

9 {2} We will sell (describe collateral) at private sale sometime after (date).
10 A sale could include a lease or license.

11 {3} The money that we get from the sale, after paying our costs, will
12 reduce the amount you owe. If we get less money than you owe, you
13 (will or will not, as applicable) still owe us the difference. If we get
14 more money than you owe, you will get the extra money, unless we
15 must pay it to someone else.

16 {4} You can get the property back at any time before we sell it by paying
17 us the full amount you owe, not just the past due payments, including
18 our expenses. To learn the exact amount you must pay, call us at
19 (telephone number).

20 {5} If you want us to explain to you in (writing) (writing or in (description
21 of electronic record)) (description of electronic record) how we have
22 figured the amount that you owe us, {6} call us at (telephone number)
23 (or) (write us at (secured party's address)) (or contact us by
24 (description of electronic communication method)) {7} and request (a
25 written explanation) (a written explanation or an explanation in

1 (description of electronic record)) (an explanation in (description of
2 electronic record)).

3 {8} We will charge you \$ (amount) for the explanation if we sent you
4 another written explanation of the amount you owe us within the last
5 six months.

6 {9} If you need more information about the sale (call us at (telephone
7 number)) (or) (write us at (secured party's address)) (or contact us by
8 (description of electronic communication method)).

9 {10} We are sending this notice to the following other people who have an
10 interest in (describe collateral) or who owe money under your
11 agreement: (Names of all other debtors and obligors, if any)."

12 (4) A notification in the form of subdivision (3) of this ~~section~~subsection is
13 sufficient, even if additional information appears at the end of the form.

14 (5) A notification in the form of subdivision (3) of this ~~section~~subsection is
15 sufficient, even if it includes errors in information not required by subdivision
16 (1) of this ~~section~~subsection, unless the error is misleading with respect to
17 rights arising under this Article.

18 (6) If a notification under this section is not in the form of subdivision (3) of this
19 ~~section~~subsection, law other than this Article determines the effect of
20 including information not required by subdivision (1) of this ~~section~~subsection.
21 subsection.

22 (b) Instructions for Form of Notification. – The following instructions apply to the form
23 of notification in subdivision (a)(3) of this section:

24 (1) The instructions in this subsection refer to the numbers in braces before items
25 in the form of notification in subdivision (a)(3) of this section. Do not include

- 1 the numbers or braces in the notification. The numbers and braces are used
2 only for the purpose of these instructions.
- 3 (2) Include and complete either item {1}, if the notification relates to a public
4 disposition of the collateral, or item {2}, if the notification relates to a private
5 disposition of the collateral.
- 6 (3) Include and complete items {3}, {4}, {5}, {6}, and {7}.
- 7 (4) In item {5}, include and complete any one of the three alternative methods for
8 the explanation – writing, writing or electronic record, or electronic record.
- 9 (5) In item {6}, include the telephone number. In addition, the sender may include
10 and complete either or both of the two additional alternative methods of
11 communication – writing or electronic communication – for the recipient of
12 the notification to communicate with the sender. Neither of the two additional
13 methods of communication is required to be included.
- 14 (6) In item {7}, include and complete the method or methods for the explanation
15 – writing, writing or electronic record, or electronic record – included in item
16 {5}.
- 17 (7) Include and complete item {8} only if a written explanation is included in item
18 {5} as a method for communicating the explanation and the sender will charge
19 the recipient for another written explanation.
- 20 (8) In item {9}, include either the telephone number or the address or both the
21 telephone number and the address. In addition, the sender may include and
22 complete the additional method of communication – electronic
23 communication – for the recipient of the notification to communicate with the
24 sender. The additional method of electronic communication is not required to
25 be included.

1 (9) If item {10} does not apply, insert "None" after "agreement:"."

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

3 "**§ 25-9-615. Application of proceeds of disposition; liability for deficiency and right to**
4 **surplus.**

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

8 (1) The reasonable expenses of retaking, holding, preparing for disposition,
9 processing, and disposing, and, to the extent provided for by agreement and
10 not prohibited by law, reasonable attorney's fees and legal expenses incurred
11 by the secured ~~party;~~ party.

12 (2) The satisfaction of obligations secured by the security interest or agricultural
13 lien under which the disposition is ~~made;~~ made.

14 (3) The satisfaction of obligations secured by any subordinate security interest in
15 or other subordinate lien on the collateral ~~if;~~ if both of the following apply:

16 a. The secured party receives from the holder of the subordinate security
17 interest or other lien ~~an authenticated~~ a signed demand for proceeds
18 before distribution of the proceeds is ~~completed;~~ and completed.

19 b. In a case in which a consignor has an interest in the collateral, the
20 subordinate security interest or other lien is senior to the interest of the
21 ~~consignor;~~ and consignor.

22 (4) A secured party that is a consignor of the collateral if the secured party
23 receives from the consignor ~~an authenticated~~ a signed demand for proceeds
24 before distribution of the proceeds is completed.

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

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

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

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

16 (2) The obligor is liable for any deficiency.

17 (e) No ~~surplus or deficiency in sales of certain rights to payment.~~ Surplus or Deficiency
18 in Sales of Certain Rights to Payment. – If the underlying transaction is a sale of accounts, chattel
19 paper, payment intangibles, or promissory ~~notes;~~ notes, both of the following apply:

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

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

22 (f) Calculation of ~~surplus or deficiency in disposition to person related to secured party.~~
23 – Surplus or Deficiency in Disposition to Person Related to Secured Party. – The surplus or
24 deficiency following a disposition is calculated based on the amount of proceeds that would have
25 been realized in a disposition complying with this Part to a transferee other than the secured

1 party, a person related to the secured party, or a secondary obligor ~~if~~; if both of the following
2 apply:

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

5 (2) The amount of proceeds of the disposition is significantly below the range of
6 proceeds that a complying disposition to a person other than the secured party,
7 a person related to the secured party, or a secondary obligor would have
8 brought.

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

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

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

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

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

22 **"§ 25-9-616. Explanation of calculation of surplus or deficiency.**

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

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

- 1 a. States the amount of the surplus or ~~deficiency~~; deficiency.
- 2 b. Provides an explanation in accordance with subsection (c) of this
- 3 section of how the secured party calculated the surplus or ~~deficiency~~;
- 4 deficiency.
- 5 c. States, if applicable, that future debits, credits, charges, including
- 6 additional credit service charges or interest, rebates, and expenses may
- 7 affect the amount of the surplus or ~~deficiency~~; and deficiency.
- 8 d. Provides a telephone number or mailing address from which additional
- 9 information concerning the transaction is available.
- 10 (2) "~~Request~~" ~~means a record~~; Request. – A record to which all of the following
- 11 apply:
- 12 a. ~~Authenticated~~ It is signed by a debtor or consumer ~~obligor~~; obligor.
- 13 b. ~~Requesting~~ It requests that the recipient provide an ~~explanation~~; and
- 14 explanation.
- 15 c. ~~Sent~~ It is sent after disposition of the collateral under G.S. 25-9-610.
- 16 (b) Explanation of ~~calculation~~.—Calculation. – In a consumer-goods transaction in which
- 17 the debtor is entitled to a surplus or a consumer obligor is liable for a deficiency under
- 18 G.S. 25-9-615, the secured party ~~shall~~; shall do either of the following:
- 19 (1) Send an explanation to the debtor or consumer obligor, as applicable, after the
- 20 disposition ~~and~~; and in accordance with both of the following:
- 21 a. Before or when the secured party accounts to the debtor and pays any
- 22 surplus or first makes ~~written~~-demand in a record on the consumer
- 23 obligor after the disposition for payment of the ~~deficiency~~; and
- 24 deficiency.
- 25 b. Within 14 days after receipt of a ~~request~~; or request.

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

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

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

11 a. If the secured party takes or receives possession of the collateral after
12 default, not more than 35 days before the secured party takes or
13 receives ~~possession;~~ or possession.

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

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

18 (3) The aggregate amount of the obligations after deducting the amount of
19 ~~proceeds;~~ proceeds.

20 (4) The amount, in the aggregate or by type, and types of expenses, including
21 expenses of retaking, holding, preparing for disposition, processing, and
22 disposing of the collateral, and attorney's fees secured by the collateral ~~which~~
23 that are known to the secured party and relate to the current ~~disposition;~~
24 disposition.

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

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

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

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

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

15 "**§ 25-9-619. Transfer of record or legal title.**

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

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

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

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

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

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

- 7 (1) Accept the ~~transfer statement;~~ statement.
8 (2) Promptly amend its records to reflect the ~~transfer;~~ and transfer.
9 (3) If applicable, issue a new appropriate certificate of title in the name of the
10 transferee.

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

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

16 "**§ 25-9-620. Acceptance of collateral in full or partial satisfaction of obligation; compulsory**
17 **disposition of collateral.**

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

- 21 (1) The debtor consents to the acceptance under subsection (c) of this ~~section;~~
22 section.
23 (2) The secured party does not receive, within the time set forth in subsection (d)
24 of this section, a notification of objection to the proposal ~~authenticated by;~~
25 signed by either of the following:

- 1 a. A person to which the secured party was required to send a proposal
2 under ~~G.S. 25-9-621~~; or G.S. 25-9-621.
- 3 b. Any other person, other than the debtor, holding an interest in the
4 collateral subordinate to the security interest that is the subject of the
5 ~~proposal~~; proposal.
- 6 (3) If the collateral is consumer goods, the collateral is not in the possession of
7 the debtor when the debtor consents to the ~~acceptance~~; and acceptance.
- 8 (4) Subsection (e) of this section does not require the secured party to dispose of
9 the collateral or the debtor waives the requirement pursuant to G.S. 25-9-624.
- 10 (b) Purported ~~acceptance ineffective~~.—Acceptance Ineffective.—A purported or apparent
11 acceptance of collateral under this section is ineffective ~~unless~~; unless both of the following
12 apply:
- 13 (1) The secured party consents to the acceptance in ~~an authenticated~~ a signed
14 record or sends a proposal to the ~~debtor~~; and debtor.
- 15 (2) The conditions of subsection (a) of this section are met.
- 16 (c) Debtor's ~~consent~~.—Consent.—For purposes of this ~~section~~; section, both of the
17 following apply:
- 18 (1) A debtor consents to an acceptance of collateral in partial satisfaction of the
19 obligation it secures only if the debtor agrees to the terms of the acceptance in
20 a record ~~authenticated~~ signed after ~~default~~; and default.
- 21 (2) A debtor consents to an acceptance of collateral in full satisfaction of the
22 obligation it secures only if the debtor agrees to the terms of the acceptance in
23 a record ~~authenticated~~ signed after default or ~~the secured party~~; all of the
24 following apply:

1 a. ~~Sends~~The secured party sends to the debtor after default a proposal
2 that is unconditional or subject only to a condition that collateral not
3 in the possession of the secured party be preserved or ~~maintained;~~
4 maintained.

5 b. In the proposal, the secured party proposes to accept collateral in full
6 satisfaction of the obligation it ~~secures;~~ and secures.

7 c. ~~Does~~The secured party does not receive a notification of objection
8 ~~authenticated~~ signed by the debtor within 20 days after the proposal is
9 sent.

10 (d) Effectiveness of ~~notification.~~ — Notification. — To be effective under subdivision
11 (a)(2) of this section, a notification of objection ~~must~~ shall be received by the secured ~~party;~~ party
12 as follows:

13 (1) In the case of a person to which the proposal was sent pursuant to
14 G.S. 25-9-621, within 20 days after notification was sent to that ~~person;~~ and
15 person.

16 (2) In ~~other cases;~~ cases as follows:

17 a. Within 20 days after the last notification was sent pursuant to
18 ~~G.S. 25-9-621;~~ or G.S. 25-9-621.

19 b. If a notification was not sent, before the debtor consents to the
20 acceptance under subsection (c) of this section.

21 (e) Mandatory ~~disposition of consumer goods.~~ — Disposition of Consumer Goods. — A
22 secured party that has taken possession of collateral shall dispose of the collateral pursuant to
23 G.S. 25-9-610 within the time specified in subsection (f) of this section ~~if;~~ if either of the
24 following apply:

1 (1) Sixty percent (60%) of the cash price has been paid in the case of a
2 purchase-money security interest in consumer ~~goods~~; or goods.

3 (2) Sixty percent (60%) of the principal amount of the obligation secured has been
4 paid in the case of a non-purchase-money security interest in consumer goods.

5 (f) Compliance with ~~mandatory disposition requirement~~.—Mandatory Disposition
6 Requirement. – To comply with subsection (e) of this section, the secured party shall dispose of
7 ~~the collateral~~; collateral within either of the following time periods:

8 (1) Within 90 days after taking ~~possession~~; or possession.

9 (2) Within any longer period to which the debtor and all secondary obligors have
10 agreed in an agreement to that effect entered into and ~~authenticated~~ signed
11 after default.

12 (g) No ~~partial satisfaction in consumer transaction~~.—Partial Satisfaction in Consumer
13 Transaction. – In a consumer transaction, a secured party ~~may~~ shall not accept collateral in partial
14 satisfaction of the obligation it secures."

15 **SECTION 49.** G.S. 25-9-621 reads as rewritten:

16 "**§ 25-9-621. Notification of proposal to accept collateral.**

17 (a) Persons to ~~which proposal to be sent~~.—Which Proposal to be Sent. – A secured party
18 that desires to accept collateral in full or partial satisfaction of the obligation it secures shall send
19 its proposal ~~to~~; to all of the following:

20 (1) Any person from which the secured party has received, before the debtor
21 consented to the acceptance, ~~an authenticated~~ a signed notification of a claim
22 of an interest in the ~~collateral~~; collateral.

23 (2) Any other secured party or lienholder that, 10 days before the debtor
24 consented to the acceptance, held a security interest in or other lien on the

1 collateral perfected by the filing of a financing statement ~~that~~; that meets all
2 of the following requirements:

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

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

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

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

15 "**§ 25-9-624. Waiver.**

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

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

23 (c) Waiver of ~~redemption right~~. — Redemption Right. — Except in a consumer-goods
24 transaction, a debtor or secondary obligor may waive the right to redeem collateral under

1 G.S. 25-9-623 only by an agreement to that effect entered into and ~~authenticated~~signed after
2 default."

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

4 "**§ 25-9-628. Nonliability and limitation on liability of secured party; liability of secondary**
5 **obligor.**

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

10 (1) The secured party is not liable to the person, or to a secured party or lienholder
11 that has filed a financing statement against the person, for failure to comply
12 with this ~~Article;~~ and Article.

13 (2) The secured party's failure to comply with this Article does not affect the
14 liability of the person for a deficiency.

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

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

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

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

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

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

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

24 (1) The person is a debtor or obligor.

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

5

6 **PART #. OTHER CONFORMING CHANGES**

7 **SECTION #.** G.S. 44A-40 reads as rewritten:

8 **"§ 44A-40. Definitions.**

9 As used in this Article, ~~unless the context clearly requires otherwise:~~ the following definitions
10 apply:

11 (1) ~~"E-mail" or "electronic mail" means an~~ Email or electronic mail. – An
12 electronic message or an executable program or computer file that contains an
13 image of a message that is transmitted between two or more computers or
14 electronic terminals. The term includes electronic messages that are
15 transmitted within or between computer networks.

16 (1a) ~~"Independent bidder" means a~~ Independent bidder. – A person who that is not
17 related to the lienor, within the meaning of ~~G.S. 25-9-102(62), in the case of~~
18 ~~a lienor who is an individual, or G.S. 25-9-102(63), in the case of a lienor that~~
19 ~~is an organization.~~ G.S. 25-9-102(62).

20 (1b) ~~"Last known address" means that~~ Last known address. – The mailing address
21 or ~~e-mail~~ email address provided by the occupant in the latest rental agreement
22 or the address provided by the occupant in a subsequent written notice of a
23 change of address.

24 (2) ~~"Lienor" means any~~ Lienor. – A person entitled to a lien under this Article.

1 however, an owner issues any warehouse receipt, bill of lading, or other
2 document of title for the personal property stored, the owner and the occupant
3 are subject to ~~the provisions of Article 7 of General Statutes Chapter 25 and~~
4 ~~the provisions of this Article do not apply.~~ Article 7 of Chapter 25 of the
5 General Statutes and this Article does not apply.

6 (8) ~~"Verified electronic mail" means electronic~~ Verified electronic mail. –
7 Electronic mail that is transmitted to an ~~e-mail~~ email address that the sender
8 has verified by any reasonable means as being a working electronic mail
9 address."