



## 2023 South Dakota Legislature

# House Bill 1193

Introduced by: **Representative Stevens**

1 **An Act to amend provisions of the Uniform Commercial Code.**

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

3 **Section 1. That § 57A-1-201 be AMENDED:**

4 **57A-1-201.** (a) Unless the context otherwise requires, words or phrases defined  
5 in this section, or in the additional definitions contained in other chapters of this title that  
6 apply to particular chapters or parts thereof, have the meanings stated.

7 (b) Subject to definitions contained in other chapters of this title that apply to  
8 particular chapters or parts thereof:

9 (1) "Action," in the sense of a judicial proceeding, includes recoupment, counterclaim,  
10 set-off, suit in equity, and any other proceeding in which rights are determined.

11 (2) "Aggrieved party" means a party entitled to pursue a remedy.

12 (3) "Agreement," as distinguished from "contract," means the bargain of the parties in  
13 fact, as found in their language or inferred from other circumstances, including  
14 course of performance, course of dealing, or usage of trade as provided in § 57A-  
15 1-303.

16 (4) "Bank" means a person engaged in the business of banking and includes a savings  
17 bank, savings and loan association, credit union, and trust company.

18 (5) "Bearer" means a person in control of a negotiable electronic document of title or  
19 a person in possession of a negotiable instrument, a negotiable tangible document  
20 of title, or a certificated security that is payable to bearer or indorsed in blank.

21 (6) "Bill of lading" means a document of title evidencing the receipt of goods for  
22 shipment issued by a person engaged in the business of directly or indirectly  
23 transporting or forwarding goods. The term does not include a warehouse receipt.

24 (7) "Branch" includes a separately incorporated foreign branch of a bank.

25 (8) "Burden of establishing" a fact means the burden of persuading the trier of fact  
26 that the existence of the fact is more probable than its nonexistence.

- 1 (9) "Buyer in ordinary course of business" means a person that buys goods in good  
2 faith, without knowledge that the sale violates the rights of another person in the  
3 goods, and in the ordinary course from a person, other than a pawnbroker, in the  
4 business of selling goods of that kind. A person buys goods in the ordinary course  
5 if the sale to the person comports with the usual or customary practices in the kind  
6 of business in which the seller is engaged or with the seller's own usual or  
7 customary practices. A person that sells oil, gas, or other minerals at the wellhead  
8 or minehead is a person in the business of selling goods of that kind. A buyer in  
9 ordinary course of business may buy for cash, by exchange of other property, or  
10 on secured or unsecured credit, and may acquire goods or documents of title under  
11 a preexisting contract for sale. Only a buyer that takes possession of the goods or  
12 has a right to recover the goods from the seller under chapter 57A-2 may be a  
13 buyer in ordinary course of business. "Buyer in ordinary course of business" does  
14 not include a person that acquires goods in a transfer in bulk or as security for or  
15 in total or partial satisfaction of a money debt.
- 16 (10) "Conspicuous," with reference to a term, means so written, displayed, or presented  
17 that, based on the totality of the circumstances, a reasonable person against which  
18 it is to operate ought to have noticed it. Whether a term is "conspicuous" or not is  
19 a decision for the court. ~~Conspicuous terms include the following:~~
- 20 ~~(A) A heading in capitals equal to or greater in size than the surrounding text, or in~~  
21 ~~contrasting type, font, or color to the surrounding text of the same or lesser size;~~  
22 ~~and~~
- 23 ~~(B) Language in the body of a record or display in larger type than the surrounding~~  
24 ~~text, or in contrasting type, font, or color to the surrounding text of the same size,~~  
25 ~~or set off from surrounding text of the same size by symbols or other marks that~~  
26 ~~call attention to the language.~~
- 27 (11) "Consumer" means an individual who enters into a transaction primarily for  
28 personal, family, or household purposes.
- 29 (12) "Contract," as distinguished from "agreement," means the total legal obligation  
30 that results from the parties' agreement as determined by this title as  
31 supplemented by any other applicable laws.
- 32 (13) "Creditor" includes a general creditor, a secured creditor, a lien creditor, and any  
33 representative of creditors, including an assignee for the benefit of creditors, a  
34 trustee in bankruptcy, a receiver in equity, and an executor or administrator of an  
35 insolvent debtor's or assignor's estate.

- 1 (14) "Defendant" includes a person in the position of defendant in a counterclaim, cross-  
2 claim, or third-party claim.
- 3 (15) "Delivery," with respect to an electronic document of title, means voluntary  
4 transfer of control; and with respect to an instrument, a tangible document of title,  
5 or an authoritative tangible copy of a record evidencing chattel paper, means  
6 voluntary transfer of possession.
- 7 (16) "Document of title" means a record (i) that in the regular course of business or  
8 financing is treated as adequately evidencing that the person in possession or  
9 control of the record is entitled to receive, control, hold, and dispose of the record  
10 and the goods the record covers and (ii) that purports to be issued by or addressed  
11 to a bailee and to cover goods in the bailee's possession which are either identified  
12 or are fungible portions of an identified mass. The term includes a bill of lading,  
13 transport document, dock warrant, dock receipt, warehouse receipt, and order for  
14 delivery of goods. An electronic document of title is evidenced by a record  
15 consisting of information stored in an electronic medium. A tangible document of  
16 title is evidenced by a record consisting of information that is inscribed on a tangible  
17 medium.
- 18 (16A) "Electronic" means relating to technology having electrical, digital, magnetic,  
19 wireless, optical, electromagnetic, or similar capabilities.
- 20 (17) "Fault" means a default, breach, or wrongful act or omission.
- 21 (18) "Fungible goods" means:
- 22 (A) Goods of which any unit, by nature or usage of trade, is the equivalent of  
23 any other like unit; or
- 24 (B) Goods that by agreement are treated as equivalent.
- 25 (19) "Genuine" means free of forgery or counterfeiting.
- 26 (20) "Good faith," except as otherwise provided in chapter 57A-5, means honesty in  
27 fact and the observance of reasonable commercial standards of fair dealing.
- 28 (21) "Holder" means:
- 29 (A) The person in possession of a negotiable instrument that is payable either  
30 to bearer or to an identified person that is the person in possession;
- 31 (B) The person in possession of a negotiable tangible document of title if the  
32 goods are deliverable either to bearer or to the order of the person in  
33 possession; or
- 34 (C) A person in control, other than pursuant to section 36 of this Act, of a  
35 negotiable electronic document of title.

- 1 (22) "Insolvency proceeding" includes an assignment for the benefit of creditors or other  
2 proceeding intended to liquidate or rehabilitate the estate of the person involved.
- 3 (23) "Insolvent" means:  
4 (A) Having generally ceased to pay debts in the ordinary course of business  
5 other than as a result of bona fide dispute;  
6 (B) Being unable to pay debts as they become due; or  
7 (C) Being insolvent within the meaning of federal bankruptcy law.
- 8 (24) "Money" means a medium of exchange that is currently authorized or adopted by  
9 a domestic or foreign government. The term includes a monetary unit of account  
10 established by an intergovernmental organization or by agreement between two or  
11 more countries. ~~The term does not include an electronic record that is a medium~~  
12 of exchange recorded and transferable in a system that existed and operated for  
13 the medium of exchange before the medium of exchange was authorized or  
14 adopted by the government.
- 15 (25) "Organization" means a person other than an individual.
- 16 (26) "Party," as distinguished from "third party," means a person that has engaged in  
17 a transaction or made an agreement subject to this title.
- 18 (27) "Person" means an individual, corporation, business trust, estate, trust,  
19 partnership, limited liability company, association, joint venture, government,  
20 governmental subdivision, agency, or instrumentality, ~~public corporation~~, or any  
21 other legal or commercial entity. The term includes a protected series, however  
22 denominated, of an entity if the protected series is established under law other  
23 than this title that limits, or limits if conditions specified under the law are satisfied,  
24 the ability of a creditor of the entity or of any other protected series of the entity  
25 to satisfy a claim from assets of the protected series.
- 26 (28) "Present value" means the amount as of a date certain of one or more sums  
27 payable in the future, discounted to the date certain by use of either an interest  
28 rate specified by the parties if that rate is not manifestly unreasonable at the time  
29 the transaction is entered into or, if an interest rate is not so specified, a  
30 commercially reasonable rate that takes into account the facts and circumstances  
31 at the time the transaction is entered into.
- 32 (29) "Purchase" means taking by sale, lease, discount, negotiation, mortgage, pledge,  
33 lien, security interest, issue or reissue, gift, or any other voluntary transaction  
34 creating an interest in property.
- 35 (30) "Purchaser" means a person that takes by purchase.

- 1 (31) "Record" means information that is inscribed on a tangible medium or that is stored  
 2 in an electronic or other medium and is retrievable in perceivable form.
- 3 (32) "Remedy" means any remedial right to which an aggrieved party is entitled with or  
 4 without resort to a tribunal.
- 5 (33) "Representative" means a person empowered to act for another, including an  
 6 agent, an officer of a corporation or association, and a trustee, executor, or  
 7 administrator of an estate.
- 8 (34) "Right" includes remedy.
- 9 (35) "Security interest" means an interest in personal property or fixtures which secures  
 10 payment or performance of an obligation. "Security interest" includes any interest  
 11 of a consignor and a buyer of accounts, chattel paper, a payment intangible, or a  
 12 promissory note in a transaction that is subject to chapter 57A-9. "Security  
 13 interest" does not include the special property interest of a buyer of goods on  
 14 identification of those goods to a contract for sale under § 57A-2-401, but a buyer  
 15 may also acquire a "security interest" by complying with chapter 57A-9. Except as  
 16 otherwise provided in § 57A-2-505, the right of a seller or lessor of goods under  
 17 chapter 57A-2 or 57A-2A to retain or acquire possession of the goods is not a  
 18 "security interest," but a seller or lessor may also acquire a "security interest" by  
 19 complying with chapter 57A-9. The retention or reservation of title by a seller of  
 20 goods notwithstanding shipment or delivery to the buyer under § 57A-2-401 is  
 21 limited in effect to a reservation of a "security interest." Whether a transaction in  
 22 the form of a lease creates a "security interest" is determined pursuant to § 57A-  
 23 1-203.
- 24 (36) "Send," in connection with a ~~writing,~~ record, or ~~notice~~notification, means:  
 25 (A) To deposit in the mail, ~~or~~ deliver for transmission, or transmit by any other  
 26 usual means of communication, with postage or cost of transmission  
 27 provided for, ~~and properly addressed and, in the case of an instrument, to~~  
 28 ~~an address specified thereon or otherwise agreed, or if there be none~~  
 29 addressed to any address reasonable under the circumstances; or  
 30 (B) ~~In any other way to cause to be received any record or notice within the~~  
 31 ~~time it would have arrived if properly sent~~To cause the record or notification  
 32 to be received within the time it would have been received if properly sent  
 33 under subparagraph (A).

1       (37) ~~"Signed" includes using any symbol executed or adopted with present intention to~~  
2       ~~adopt or accept a writing.~~"Sign" means, with present intent to authenticate or  
3       adopt a record to:

4       (A) Execute or adopt a tangible symbol; or

5       (B) Attach to or logically associate with the record an electronic symbol, sound,  
6       or process.

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

8       (38) "State" means a State of the United States, the District of Columbia, Puerto Rico,  
9       the United States Virgin Islands, or any territory or insular possession subject to  
10       the jurisdiction of the United States.

11       (39) "Surety" includes a guarantor or other secondary obligor.

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

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

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

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

19       **Section 2. That § 57A-1-204 be AMENDED:**

20               **57A-1-204.** Except as otherwise provided in chapters 57A-3, 57A-4, ~~and~~ 57A-5,  
21       57A-6, and sections 92 through 98 of this Act, inclusive, a person gives value for rights if  
22       the person acquires them:

23       (1) In return for a binding commitment to extend credit or for the extension of  
24       immediately available credit, whether or not drawn upon and whether or not a  
25       charge-back is provided for in the event of difficulties in collection;

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

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

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

29       **Section 3. That § 57A-1-301 be AMENDED:**

30               **57A-1-301.** (1) Except as provided hereafter in this section, when a transaction  
31       bears a reasonable relation to this state and also to another state or nation the parties  
32       may agree that the law either of this state or of such other state or nation shall govern

1 their rights and duties. Failing such agreement this title applies to transactions bearing an  
2 appropriate relation to this state.

3 (2) Where one of the following provisions of this title specifies the applicable law,  
4 that provision governs and a contrary agreement is effective only to the extent permitted  
5 by the law (including the conflict of laws rules) so specified:

6 Rights of creditors against sold goods. § 57A-2-402.

7 Applicability of the chapter on leases. §§ 57A-2A-105 and 57A-2A-106.

8 Applicability of the chapters on bank deposits and collections. § 57A-4-102.

9 Governing law in the chapter on funds transfers. § 57A-4A-507.

10 Letters of Credit. § 57A-5-116.

11 Applicability of the chapters on investment securities. § 57A-8-110.

12 Law governing perfection, the effect of perfection or nonperfection, and the priority  
13 of security interests and agricultural liens. §§ 57A-9-301 to 57A-9-307, inclusive.

14 Law governing controllable electronic records. Section 98 of this Act.

15 **Section 4. That § 57A-1-306 be AMENDED:**

16 **57A-1-306.** A claim or right arising out of an alleged breach may be discharged  
17 in whole or in part without consideration by agreement of the aggrieved party in an  
18 authenticated ~~a signed~~ record.

19 **Section 5. That § 57A-2-102 be AMENDED:**

20 **57A-2-102.** ~~Unless the context otherwise requires, this chapter applies to~~  
21 ~~transactions in goods; they do not apply to any transaction which although in the form of~~  
22 ~~an unconditional contract to sell or present sale is intended to operate only as a security~~  
23 ~~transaction nor does this chapter impair or repeal any statute regulating sales to~~  
24 ~~consumers, farmers or other specified classes of buyers.~~

25 (1) Unless the context otherwise requires, and except as provided in subsection (3),  
26 this chapter applies to transactions in goods and, in the case of a hybrid  
27 transaction, it applies to the extent provided in subsection (2).

28 (2) In a hybrid transaction:

29 (a) If the sale-of-goods aspects do not predominate, only the provisions of this  
30 chapter which relate primarily to the sale-of-goods aspects of the  
31 transaction apply, and the provisions that relate primarily to the transaction  
32 as a whole do not apply.

- 1           **(b)** If the sale-of-goods aspects predominate, this chapter applies to the  
2                           transaction but does not preclude application in appropriate circumstances  
3                           of other law to aspects of the transaction which do not relate to the sale of  
4                           goods.
- 5           **(3)** This chapter does not:
- 6                   **(a)** Apply to a transaction that, even though in the form of an unconditional  
7                           contract to sell or present sale, operates only to create a security interest;  
8                           or
- 9                   **(b)** Impair or repeal a statute regulating sales to consumers, farmers, or other  
10                           specified classes of buyers.

11           **Section 6. That § 57A-2-106 be AMENDED:**

- 12           **57A-2-106.** (1) In this chapter unless the context otherwise requires "contract" and  
13                   "agreement" are limited to those relating to the present or future sale of goods.  
14                   "Contract for sale" includes both a present sale of goods and a contract to sell  
15                   goods at a future time. A "sale" consists in the passing of title from the seller to  
16                   the buyer for a price (§ 57A-2-401). A "present sale" means a sale which is  
17                   accomplished by the making of the contract.
- 18           (2) Goods or conduct including any part of a performance are "conforming" or conform  
19                   to the contract when they are in accordance with the obligations under the contract.
- 20           (3) "Termination" occurs when either party pursuant to a power created by agreement  
21                   or law puts an end to the contract otherwise than for its breach. On "termination"  
22                   all obligations which are still executory on both sides are discharged but any right  
23                   based on prior breach or performance survives.
- 24           (4) "Cancellation" occurs when either party puts an end to the contract for breach by  
25                   the other and its effect is the same as that of "termination" except that the  
26                   canceling party also retains any remedy for breach of the whole contract or any  
27                   unperformed balance.
- 28           **(5)** "Hybrid transaction" means a single transaction involving a sale of goods and:
- 29                   **(a)** The provision of services;
- 30                   **(b)** A lease of other goods; or
- 31                   **(c)** A sale, lease, or license of property other than goods.

32           **Section 7. That § 57A-2-201 be AMENDED:**



1           **57A-2-201.** (1) Except as otherwise provided in this section a contract for the sale  
2 of goods for the price of five hundred dollars or more is not enforceable by way of action  
3 or defense unless there is ~~some writing~~ a record sufficient to indicate that a contract for  
4 sale has been made between the parties and signed by the party against whom  
5 enforcement is sought or by ~~his~~ the party's authorized agent or broker. A ~~writing~~ record is  
6 not insufficient because it omits or incorrectly states a term agreed upon but the contract  
7 is not enforceable under this ~~paragraph~~ subsection beyond the quantity of goods shown in  
8 ~~such writing~~ the record.

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

14           (3) A contract which does not satisfy the requirements of subsection (1) but which  
15 is valid in other respects is enforceable

16           (a) If the goods are to be specially manufactured for the buyer and are not suitable  
17 for sale to others in the ordinary course of the seller's business and the seller,  
18 before notice of repudiation is received and under circumstances which reasonably  
19 indicate that the goods are for the buyer, has made either a substantial beginning  
20 of their manufacture or commitments for their procurement; or

21           (b) If the party against whom enforcement is sought admits in his pleading, testimony  
22 or otherwise in court that a contract for sale was made, but the contract is not  
23 enforceable under this provision beyond the quantity of goods admitted; or

24           (c) With respect to goods for which payment has been made and accepted or which  
25 have been received and accepted (§ 57A-2-606); or

26           (d) With respect to the sale of grain, grain sorghums, beans, pulse crops, and oil seeds:

27           (a) If the party seeking enforcement of the contract has a recorded statement  
28 of the contract terms with the party against whom enforcement is sought  
29 or a noncontract party's verbal or written verification of the contract terms  
30 confirmed by the party against whom enforcement is sought; or

31           (ii) If the party seeking enforcement of the contract has a written agreement  
32 by the party against whom enforcement is sought providing for the  
33 enforcement of verbal contracts; or

34           (iii) If within a reasonable time a writing in confirmation of the contract and  
35 sufficient against the sender is received and the party receiving the writing

1 in confirmation has reason to know its contents, the writing in confirmation  
2 satisfies the requirements of subsection (1) of this section against such  
3 party unless written notice of objection to its contents is given within two  
4 days after the writing in confirmation is received.

5 **Section 8. That § 57A-2-202 be AMENDED:**

6 **57A-2-202.** Terms with respect to which the confirmatory memoranda of the  
7 parties agree or which are otherwise set forth in a ~~writing~~record intended by the parties  
8 as a final expression of their agreement with respect to such terms as are included therein  
9 may not be contradicted by evidence of any prior agreement or of a contemporaneous  
10 oral agreement but may be explained or supplemented:

11 (a) By course of performance, course of dealing or usage of trade (§ 57A-1-  
12 303); and

13 (b) By evidence of consistent additional terms unless the court finds the  
14 ~~writing~~record to have been intended also as a complete and exclusive  
15 statement of the terms of the agreement.

16 **Section 9. That § 57A-2-203 be AMENDED:**

17 **57A-2-203.** The affixing of a seal to a ~~writing~~record evidencing a contract for sale  
18 or an offer to buy or sell goods does not constitute the ~~writing~~record of a sealed instrument  
19 and the law with respect to sealed instruments does not apply to such a contract or offer.

20 **Section 10. That § 57A-2-205 be AMENDED:**

21 **57A-2-205.** An offer by a merchant to buy or sell goods in a signed ~~writing~~record  
22 which by its terms gives assurance that it will be held open is not revocable, for lack of  
23 consideration, during the time stated or if no time is stated for a reasonable time, but in  
24 no event may such period of irrevocability exceed three months; but any such term of  
25 assurance on a form supplied by the offeree must be separately signed by the offeror.

26 **Section 11. That § 57A-2-209 be AMENDED:**

27 **57A-2-209.** (1) An agreement modifying a contract within this chapter needs no  
28 consideration to be binding.

29 (2) A signed agreement which excludes modification or rescission except by a signed  
30 writing or other signed record cannot be otherwise modified or rescinded, but

- 1           except as between merchants such a requirement on a form supplied by the  
2           merchant must be separately signed by the other party.
- 3           (3)    The requirements of the statute of frauds section of this chapter ~~(, § 57A-2-201),~~  
4           must be satisfied if the contract as modified is within their provisions.
- 5           (4)    Although an attempt at modification or rescission does not satisfy the requirements  
6           of subsections (2) or (3) it can operate as a waiver.
- 7           (5)    A party who has made a waiver affecting an executory portion of the contract may  
8           retract the waiver by reasonable notification received by the other party that strict  
9           performance will be required of any term waived, unless the retraction would be  
10          unjust in view of a material change of position in reliance on the waiver.

11   **Section 12. That § 57A-2A-102 be AMENDED:**

- 12           **57A-2A-102.** (1) This chapter applies to any transaction, regardless of form, that  
13           creates a lease and, in the case of a hybrid lease, it applies to the extent provided in  
14           subsection (2).
- 15           (2) In a hybrid lease:
- 16           (a) If the lease-of-goods aspects do not predominate:
- 17                   (i) Only the provisions of this chapter which relate primarily to the  
18                   lease-of-goods aspects of the transaction apply, and the provisions  
19                   that relate primarily to the transaction as a whole do not apply;
- 20                   (ii) Section 57A-2A-209 applies if the lease is a finance lease; and
- 21                   (iii) Section 57A-2A-407 applies to the promises of the lessee in a  
22                   financial lease to the extent the promises are consideration for the  
23                   right to possession and use of the leased goods; and
- 24           (b) If the lease-of-goods aspects predominate, this chapter applies to the  
25           transaction, but does not preclude application in appropriate circumstances  
26           of other law to aspects of the lease which do not relate to the lease of goods.

27   **Section 13. That § 57A-2A-103 be AMENDED:**

- 28           **57A-2A-103.** (1) In this chapter unless the context otherwise requires:
- 29           (a)    "Buyer in ordinary course of business" means a person who in good faith  
30           and without knowledge that the sale to him is in violation of the ownership  
31           rights or security interest or leasehold interest of a third party in the goods  
32           buys in ordinary course from a person in the business of selling goods of  
33           that kind but does not include a pawnbroker. "Buying" may be for cash or

- 1 by exchange of other property or on secured or unsecured credit and  
2 includes acquiring goods or documents of title under a preexisting contract  
3 for sale but does not include a transfer in bulk or as security for or in total  
4 or partial satisfaction of a money debt.
- 5 (b) "Cancellation" occurs when either party puts an end to the lease contract  
6 for default by the other party.
- 7 (c) "Commercial unit" means such a unit of goods as by commercial usage is a  
8 single whole for purposes of lease and division of which materially impairs  
9 its character or value on the market or in use. A commercial unit may be a  
10 single article, as a machine, or a set of articles, as a suite of furniture or a  
11 line of machinery, or a quantity, as a gross or carload, or any other unit  
12 treated in use or in the relevant market as a single whole.
- 13 (d) "Conforming" goods or performance under a lease contract means goods or  
14 performance that are in accordance with the obligations under the lease  
15 contract.
- 16 (e) "Consumer lease" means a lease that a lessor regularly engaged in the  
17 business of leasing or selling makes to a lessee who is a natural person and  
18 takes under the lease primarily for a personal, family, or household  
19 purpose.
- 20 (f) "Fault" means wrongful act, omission, breach or default.
- 21 (g) "Finance lease" means a lease in which (i) the lessor does not select,  
22 manufacture or supply the goods, (ii) the lessor acquires the goods or the  
23 right to possession and use of the goods in connection with the lease, and  
24 (iii) either (A) the lessee receives a copy of the contract evidencing the  
25 lessor's purchase of the goods on or before signing the lease contract, (B)  
26 the lessee's approval of the contract evidencing the lessor's purchase of the  
27 goods is a condition to effectiveness of the lease contract, (C) the lessor  
28 (aa) informs the lessee in writing of the identity of the supplier unless the  
29 lessee has selected the supplier and directed the lessor to purchase the  
30 goods from the supplier, (bb) informs the lessee in writing that the lessee  
31 may have rights under the contract evidencing the lessor's purchase of the  
32 goods, and (cc) advises the lessee in writing to contact the supplier for a  
33 description of any such rights, or (D) the lease contract discloses all  
34 warranties and other rights provided to the lessee by the lessor and supplier  
35 in connection with the lease contract and informs the lessee that there are

- 1 no warranties or other rights provided to the lessee by the lessor and  
2 supplier other than those disclosed in the lease contract.
- 3 (h) "Goods" means all things that are movable at the time of identification to  
4 the lease contract, or are fixtures (§ 57A-2A-309), but the term does not  
5 include money, documents, instruments, accounts, chattel paper, general  
6 intangibles, or minerals or the like, including oil and gas, before extraction.  
7 The term also includes the unborn young of animals.
- 8 (h.1) "Hybrid lease" means a single transaction involving a lease of goods and:  
9 (i) The provision of services;  
10 (ii) A sale of other goods; or  
11 (iii) A sale, lease, or license of property other than goods.
- 12 (i) "Installment lease contract" means a lease contract that authorizes or  
13 requires the delivery of goods in separate lots to be separately accepted,  
14 even though the lease contract contains a clause "each delivery is a  
15 separate lease" or its equivalent.
- 16 (j) "Lease" means a transfer of the right to possession and use of goods for a  
17 term in return for consideration, but a sale, including a sale on approval or  
18 a sale or return, or retention or creation of a security interest is not a lease.  
19 Unless the context clearly indicates otherwise, the term includes a sublease.
- 20 (k) "Lease agreement" means the bargain, with respect to the lease, of the  
21 lessor and the lessee in fact as found in their language or by implication  
22 from other circumstances including course of dealing or usage of trade or  
23 course of performance as provided in this chapter. Unless the context  
24 clearly indicates otherwise, the term includes a sublease agreement.
- 25 (l) "Lease contract" means the total legal obligation that results from the lease  
26 agreement as affected by this chapter and any other applicable rules of law.  
27 Unless the context clearly indicates otherwise, the term includes a sublease  
28 contract.
- 29 (m) "Leasehold interest" means the interest of the lessor or the lessee under a  
30 lease contract.
- 31 (n) "Lessee" means a person who acquires the right to possession and use of  
32 goods under a lease. Unless the context clearly indicates otherwise, the  
33 term includes a sublessee.
- 34 (o) "Lessee in ordinary course of business" means a person who in good faith  
35 and without knowledge that the lease to him is in violation of the ownership

- 1 rights or security interest or leasehold interest of a third party in the goods  
2 leases in ordinary course from a person in the business of selling or leasing  
3 goods of that kind but does not include a pawnbroker. "Leasing" may be for  
4 cash or by exchange of other property or on secured or unsecured credit  
5 and includes acquiring goods or documents of title under a preexisting lease  
6 contract but does not include a transfer in bulk or as security for or in total  
7 or partial satisfaction of a money debt.
- 8 (p) "Lessor" means a person who transfers the right to possession and use of  
9 goods under a lease. Unless the context clearly indicates otherwise, the  
10 term includes a sublessor.
- 11 (q) "Lessor's residual interest" means the lessor's interest in the goods after  
12 expiration, termination or cancellation of the lease contract.
- 13 (r) "Lien" means a charge against or interest in goods to secure payment of a  
14 debt or performance of an obligation, but the term does not include a  
15 security interest.
- 16 (s) "Lot" means a parcel or a single article that is the subject matter of a  
17 separate lease or delivery, whether or not it is sufficient to perform the  
18 lease contract.
- 19 (t) "Merchant lessee" means a lessee that is a merchant with respect to goods  
20 of the kind subject to the lease.
- 21 (u) "Present value" means the amount as of a date certain of one or more sums  
22 payable in the future, discounted to the date certain. The discount is  
23 determined by the interest rate specified by the parties if the rate was not  
24 manifestly unreasonable at the time the transaction was entered into;  
25 otherwise, the discount is determined by a commercially reasonable rate  
26 that takes into account the facts and circumstances of each case at the time  
27 the transaction was entered into.
- 28 (v) "Purchase" includes taking by sale, lease, mortgage, security interest,  
29 pledge, gift or any other voluntary transaction creating an interest in goods.
- 30 (w) "Sublease" means a lease of goods the right to possession and use of which  
31 was acquired by the lessor as a lessee under an existing lease.
- 32 (x) "Supplier" means a person from whom a lessor buys or leases goods to be  
33 leased under a finance lease.
- 34 (y) "Supply contract" means a contract under which a lessor buys or leases  
35 goods to be leased.

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

4       (2)\_\_\_Other definitions applying to this chapter and the sections in which they appear  
5           are:

6       "Accessions." § 57A-2A-310(1).

7       "Construction mortgage." § 57A-2A-309(1)(d).

8       "Encumbrance." § 57A-2A-309(1)(e).

9       "Fixtures." § 57A-2A-309(1)(a).

10      "Fixture filing." § 57A-2A-309(1)(b).

11      "Purchase money lease." § 57A-2A-309(1)(c).

12      (3)\_\_\_The following definitions apply to this chapter:

13      "Account." § 57A-9-102(a)(2).

14      "Between merchants." § 57A-2-104(3).

15      "Buyer." § 57A-2-103(1)(a).

16      "Chattel paper." § 57A-9-102(a)(11).

17      "Consumer goods." § 57A-9-102(a)(23).

18      "Document." § 57A-9-102(a)(30).

19      "Entrusting." § 57A-2-403(3).

20      "General intangible." § 57A-9-102(a)(42).

21      "Instrument." § 57A-9-102(a)(47).

22      "Merchant." § 57A-2-104(1).

23      "Mortgage." § 57A-9-102(a)(55).

24      "Pursuant to commitment." § 57A-9-102(a)(69).

25      "Receipt." § 57A-2-103(1)(c).

26      "Sale." § 57A-2-106(1).

27      "Sale on approval." § 57A-2-326(1)(a).

28      "Sale or return." § 57A-2-326(1)(b).

29      "Seller." § 57A-2-103(1)(d).

30      (4)\_\_\_In addition, chapter 57A-1 (commencing with § 57A-1-101) contains general  
31           definitions and principles of construction and interpretation applicable throughout  
32           this chapter.

33      **Section 14. That § 57A-2A-107 be AMENDED:**

1           **57A-2A-107.** Any claim or right arising out of an alleged default or breach of  
2 warranty may be discharged in whole or in part without consideration by a ~~written~~ waiver  
3 or renunciation in a signed and record delivered by the aggrieved party.

4 **Section 15. That § 57A-2A-201 be AMENDED:**

5           **57A-2A-201.** (1) A lease contract is not enforceable by way of action or defense unless:

6           (a) In a lease contract that is not a consumer lease, the total payments to be  
7 made under the lease contract, excluding payments for options to renew or  
8 buy, are less than one thousand dollars; or

9           (b) There is a ~~writing~~record, signed by the party against whom enforcement is  
10 sought or by that party's authorized agent, sufficient to indicate that a lease  
11 contract has been made between the parties and to describe the goods  
12 leased and the lease term.

13           (2) Any description of leased goods or of the lease term is sufficient and satisfies  
14 subsection (1)(b) of this section, whether or not it is specific, if it reasonably  
15 identifies what is described.

16           (3) A ~~writing~~record is not insufficient because it omits or incorrectly states a term  
17 agreed upon, but the lease contract is not enforceable under subsection (1)(b) of  
18 this section beyond the lease term and the quantity of goods shown in the  
19 ~~writing~~record.

20           (4) A lease contract that does not satisfy the requirements of subsection (1) of this  
21 section, but which is valid in other respects, is enforceable:

22           (a) If the goods are to be specially manufactured or obtained for the lessee and  
23 are not suitable for lease or sale to others in the ordinary course of the  
24 lessor's business, and the lessor, before notice of repudiation is received  
25 and under circumstances that reasonably indicate that the goods are for the  
26 lessee, has made either a substantial beginning of their manufacture or  
27 commitments for their procurement;

28           (b) If the party against whom enforcement is sought admits in that party's  
29 pleading, testimony or otherwise in court that a lease contract was made,  
30 but the lease contract is not enforceable under this provision beyond the  
31 quantity of goods admitted; or

32           (c) With respect to goods that have been received and accepted by the lessee.

33           (5) The lease term under a lease contract referred to in subsection (4) of this section  
34 is:



- 1 (a) If there is a ~~writing~~record signed by the party against whom enforcement  
2 is sought or by that party's authorized agent specifying the lease term, the  
3 term so specified;
- 4 (b) If the party against whom enforcement is sought admits in that party's  
5 pleading, testimony, or otherwise in court a lease term, the term so  
6 admitted; or
- 7 (c) A reasonable lease term.

8 **Section 16. That § 57A-2A-202 be AMENDED:**

9 **57A-2A-202.** Terms with respect to which the confirmatory memoranda of the  
10 parties agree or which are otherwise set forth in a ~~writing~~record intended by the parties  
11 as a final expression of their agreement with respect to such terms as are included therein  
12 may not be contradicted by evidence of any prior agreement or of a contemporaneous  
13 oral agreement but may be explained or supplemented:

- 14 (a) By course of dealing or usage of trade or by course of performance; and  
15 (b) By evidence of consistent additional terms unless the court finds the  
16 ~~writing~~record to have been intended also as a complete and exclusive  
17 statement of the terms of the agreement.

18 **Section 17. That § 57A-2A-203 be AMENDED:**

19 **57A-2A-203.** The affixing of a seal to a ~~writing~~record evidencing a lease contract  
20 or an offer to enter into a lease contract does not render the ~~writing~~record a sealed  
21 instrument and the law with respect to sealed instruments does not apply to the lease  
22 contract or offer.

23 **Section 18. That § 57A-2A-205 be AMENDED:**

24 **57A-2A-205.** An offer by a merchant to lease goods to or from another person in  
25 a signed ~~writing~~record that by its terms gives assurance it will be held open is not  
26 revocable, for lack of consideration, during the time stated or, if no time is stated, for a  
27 reasonable time, but in no event may the period of irrevocability exceed three months.  
28 Any such term of assurance on a form supplied by the offeree must be separately signed  
29 by the offeror.

30 **Section 19. That § 57A-2A-208 be AMENDED:**

- 1       **57A-2A-208.** (1) An agreement modifying a lease contract needs no consideration to be  
2       binding.
- 3       (2) A signed lease agreement that excludes modification or rescission except by a  
4       signed ~~writing~~record may not be otherwise modified or rescinded, but, except as  
5       between merchants, such a requirement on a form supplied by a merchant must  
6       be separately signed by the other party.
- 7       (3) Although an attempt at modification or rescission does not satisfy the requirements  
8       of subsection (2) of this section, it may operate as a waiver.
- 9       (4) A party who has made a waiver affecting an executory portion of a lease contract  
10      may retract the waiver by reasonable notification received by the other party that  
11      strict performance will be required of any term waived, unless the retraction would  
12      be unjust in view of a material change of position in reliance on the waiver.

13   **Section 20. That § 57A-3-104 be AMENDED:**

- 14           **57A-3-104.** (a) Except as provided in subsections (c) and (d), "negotiable  
15   instrument" means an unconditional promise or order to pay a fixed amount of money,  
16   with or without interest or other charges described in the promise or order, if it:
- 17   (1) Is payable to bearer or to order at the time it is issued or first comes into possession  
18   of a holder;
- 19   (2) Is payable on demand or at a definite time; and
- 20   (3) Does not state any other undertaking or instruction by the person promising or  
21   ordering payment to do any act in addition to the payment of money, but the  
22   promise or order may contain (i) an undertaking or power to give, maintain, or  
23   protect collateral to secure payment, (ii) an authorization or power to the holder  
24   to confess judgment or realize on or dispose of collateral, ~~or~~ (iii) a waiver of the  
25   benefit of any law intended for the advantage or protection of an obligor, (iv) a  
26   term that specifies the law that governs the promise or order, or (v) an undertaking  
27   to resolve in a specified forum a dispute concerning the promise or order.
- 28   (b) "Instrument" means a negotiable instrument.
- 29   (c) An order that meets all of the requirements of subsection (a), except paragraph  
30   (1), and otherwise falls within the definition of "check" in subsection (f) is a negotiable  
31   instrument and a check.
- 32   (d) A promise or order other than a check is not an instrument if, at the time it is  
33   issued or first comes into possession of a holder, it contains a conspicuous statement,

1 however expressed, to the effect that the promise or order is not negotiable or is not an  
2 instrument governed by this chapter.

3 (e) An instrument is a "note" if it is a promise and is a "draft" if it is an order. If an  
4 instrument falls within the definition of both "note" and "draft," a person entitled to enforce  
5 the instrument may treat it as either.

6 (f) "Check" means (i) a draft, other than a documentary draft, payable on demand  
7 and drawn on a bank or (ii) a cashier's check or teller's check. An instrument may be a  
8 check even though it is described on its face by another term, such as "money order."

9 (g) "Cashier's check" means a draft with respect to which the drawer and drawee  
10 are the same bank or branches of the same bank.

11 (h) "Teller's check" means a draft drawn by a bank (i) on another bank, or (ii)  
12 payable at or through a bank.

13 (i) "Traveler's check" means an instrument that (i) is payable on demand, (ii) is  
14 drawn on or payable at or through a bank, (iii) is designated by the term "traveler's check"  
15 or by a substantially similar term, and (iv) requires, as a condition to payment, a  
16 countersignature by a person whose specimen signature appears on the instrument.

17 (j) "Certificate of deposit" means an instrument containing an acknowledgment by  
18 a bank that a sum of money has been received by the bank and a promise by the bank to  
19 repay the sum of money. A certificate of deposit is a note of the bank.

20 **Section 21. That § 57A-3-105 be AMENDED:**

21 **57A-3-105.** (a) "Issue" means:

22 (1) ~~the~~The first delivery of an instrument by the maker or drawer, whether to a holder  
23 or nonholder, for the purpose of giving rights on the instrument to any person; or  
24 (2) If agreed by the payee, the first transmission by the drawer to the payee of an  
25 image of an item and information derived from the item that enables the depository  
26 bank to collect the item by transferring or presenting under federal law an  
27 electronic check.

28 (b) An unissued instrument, or an unissued incomplete instrument that is  
29 completed, is binding on the maker or drawer, but nonissuance is a defense. An instrument  
30 that is conditionally issued or is issued for a special purpose is binding on the maker or  
31 drawer, but failure of the condition or special purpose to be fulfilled is a defense.

32 (c) "Issuer" applies to issued and unissued instruments and means a maker or  
33 drawer of an instrument.

1 **Section 22. That § 57A-3-401 be AMENDED:**

2 **57A-3-401.** ~~(a)~~ A person is not liable on an instrument unless (i) the person signed  
3 the instrument, or (ii) the person is represented by an agent or representative who signed  
4 the instrument and the signature is binding on the represented person under § 57A-3-  
5 402.

6 ~~(b) A signature may be made (i) manually or by means of a device or machine,~~  
7 ~~and (ii) by the use of any name, including a trade or assumed name, or by a word, mark,~~  
8 ~~or symbol executed or adopted by a person with present intention to authenticate a~~  
9 ~~writing.~~

10 **Section 23. That § 57A-3-604 be AMENDED:**

11 **57A-3-604.** (a) A person entitled to enforce an instrument, with or without  
12 consideration, may discharge the obligation of a party to pay the instrument (i) by an  
13 intentional voluntary act, such as surrender of the instrument to the party, destruction,  
14 mutilation, or cancellation of the instrument, cancellation or striking out of the party's  
15 signature, or the addition of words to the instrument indicating discharge, or (ii) by  
16 agreeing not to sue or otherwise renouncing rights against the party by a signed  
17 writing record. The obligation of a party to pay a check is not discharged solely by  
18 destruction of the check in connection with a process in which information is extracted  
19 from the check and an image of the check is made and, subsequently, the information  
20 and image are transmitted for payment.

21 (b) Cancellation or striking out of an indorsement pursuant to subsection (a) does  
22 not affect the status and rights of a party derived from the indorsement.

23 **Section 24. That § 57A-4A-103 be AMENDED:**

24 **57A-4A-103.** (a) In this chapter:

- 25 (1) "Beneficiary" means the person to be paid by the beneficiary's bank.  
26 (2) "Beneficiary's bank" means the bank identified in a payment order in which an  
27 account of the beneficiary is to be credited pursuant to the order or which otherwise  
28 is to make payment to the beneficiary if the order does not provide for payment to  
29 an account.  
30 (3) "Payment order" means an instruction of a sender to a receiving bank, transmitted  
31 orally, ~~electronically, or in writing~~ or in a record, to pay, or to cause another bank  
32 to pay, a fixed or determinable amount of money to a beneficiary if:

- 1 (i) ~~the~~The instruction does not state a condition to payment to the beneficiary  
 2 other than time of payment,
- 3 (ii) ~~the~~The receiving bank is to be reimbursed by debiting an account of, or  
 4 otherwise receiving payment from, the sender, and
- 5 (iii) ~~the~~The instruction is transmitted by the sender directly to the receiving  
 6 bank or to an agent, funds-transfer system, or communication system for  
 7 transmittal to the receiving bank.
- 8 (4) "Receiving bank" means the bank to which the sender's instruction is addressed.
- 9 (5) "Sender" means the person giving the instruction to the receiving bank.
- 10 (b) If an instruction complying with ~~subsection (a)(1)~~subsection (a)(3) is to  
 11 make more than one payment to a beneficiary, the instruction is a separate  
 12 payment order with respect to each payment.
- 13 (c) A payment order is issued when it is sent to the receiving bank.

14 **Section 25. That § 57A-4A-201 be AMENDED:**

15 **57A-4A-201.** "Security procedure" means a procedure established by agreement  
 16 of a customer and a receiving bank for the purpose of (i) verifying that a payment order  
 17 or communication amending or cancelling a payment order is that of the customer, or (ii)  
 18 detecting error in the transmission or the content of the payment order or communication.  
 19 A security procedure may impose an obligation on the receiving bank or the customer and  
 20 may require the use of algorithms or other codes, identifying words, ~~or~~ numbers, symbols,  
 21 sounds, biometrics, encryption, callback procedures or similar security devices.  
 22 Comparison of a signature on a payment order or communication with an authorized  
 23 specimen signature of the customer or requiring a payment order to be sent from a known  
 24 email address, IP address, or telephone number is not by itself a security procedure.

25 **Section 26. That § 57A-4A-202 be AMENDED:**

26 **57A-4A-202.** (a) A payment order received by the receiving bank is the authorized  
 27 order of the person identified as sender if that person authorized the order or is otherwise  
 28 bound by it under the law of agency.

29 (b) If a bank and its customer have agreed that the authenticity of payment orders  
 30 issued to the bank in the name of the customer as sender will be verified pursuant to a  
 31 security procedure, a payment order received by the receiving bank is effective as the  
 32 order of the customer, whether or not authorized, if (i) the security procedure is a  
 33 commercially reasonable method of providing security against unauthorized payment

1 orders, and (ii) the bank proves that it accepted the payment order in good faith and in  
2 compliance with the bank's obligations under the security procedure and any ~~written~~  
3 agreement or instruction of the customer, evidenced by a record, restricting acceptance  
4 of payment orders issued in the name of the customer. The bank is not required to follow  
5 an instruction that violates a ~~written~~ agreement with the customer, evidenced by a  
6 record, or notice of which is not received at a time and in a manner affording the bank a  
7 reasonable opportunity to act on it before the payment order is accepted.

8 (c) Commercial reasonableness of a security procedure is a question of law to be  
9 determined by considering the wishes of the customer expressed to the bank, the  
10 circumstances of the customer known to the bank, including the size, type and frequency  
11 of payment orders normally issued by the customer to the bank, alternative security  
12 procedures offered to the customer and security procedures in general use by customers  
13 and receiving banks similarly situated. A security procedure is deemed to be commercially  
14 reasonable if (i) the security procedure was chosen by the customer after the bank offered,  
15 and the customer refused, a security procedure that was commercially reasonable for that  
16 customer, and (ii) the customer expressly agreed in ~~writing~~ a record to be bound by any  
17 payment order, whether or not authorized, issued in its name and accepted by the bank  
18 in compliance with the bank's obligations under the security procedure chosen by the  
19 customer.

20 (d) The term "sender" in this chapter includes the customer in whose name a  
21 payment order is issued if the order is the authorized order of the customer under  
22 subsection (a), or it is effective as the order of the customer under subsection (b).

23 (e) This section applies to amendments and cancellations of payment orders to the  
24 same extent it applies to payment orders.

25 (f) Except as provided in this section and in § 57A-4A-203(a)(1), rights and  
26 obligations arising under this section or § 57A-4A-203 may not be varied by agreement.

27 **Section 27. That § 57A-4A-203 be AMENDED:**

28 **57A-4A-203.** (a) If an accepted payment order is not, under § 57A-4A-202(a), an  
29 authorized order of a customer identified as sender, but is effective as an order of the  
30 customer pursuant to § 57A-4A-202(b), the following rules apply:

- 31 (1) By express ~~written~~ agreement evidenced by a record, the receiving bank may limit  
32 the extent to which it is entitled to enforce or retain payment of the payment order.  
33 (2) The receiving bank is not entitled to enforce or retain payment of the payment  
34 order if the customer proves that the order was not caused, directly or indirectly,

1 by a person (i) entrusted at any time with duties to act for the customer with  
2 respect to payment orders or the security procedures, or (ii) who obtained access  
3 to transmitting facilities of the customer or who obtained, from a source controlled  
4 by the customer and without authority of the receiving bank, information  
5 facilitating breach of the security procedure, regardless of how the information was  
6 obtained or whether the customer was at fault. Information includes any access  
7 device, computer software or the like.

8 (b) This section applies to amendments of payment orders to the same extent it  
9 applies to payment orders.

10 **Section 28. That § 57A-4A-207 be AMENDED:**

11 **57A-4A-207.** (a) Subject to subsection (b), if, in a payment order received by the  
12 beneficiary's bank, the name, bank account number or other identification of the  
13 beneficiary refers to a nonexistent or unidentifiable person or account, no person has  
14 rights as a beneficiary of the order and acceptance of the order cannot occur.

15 (b) If a payment order received by the beneficiary's bank identifies the beneficiary  
16 both by name and by an identifying or bank account number and the name and number  
17 identify different persons, the following rules apply:

18 (1) Except as otherwise provided in subsection (c), if the beneficiary's bank does not  
19 know that the name and number refer to different persons, it may rely on the  
20 number as the proper identification of the beneficiary of the order. The beneficiary's  
21 bank need not determine whether the name and number refer to the same person.

22 (2) If the beneficiary's bank pays the person identified by name or knows that the  
23 name and number identify different persons, no person has rights as beneficiary  
24 except the person paid by the beneficiary's bank if that person was entitled to  
25 receive payment from the originator of the funds transfer. If no person has rights  
26 as beneficiary, acceptance of the order cannot occur.

27 (c) If (i) a payment order described in subsection (b) is accepted, (ii) the  
28 originator's payment order described the beneficiary inconsistently by name and number,  
29 and (iii) the beneficiary's bank pays the person identified by number as permitted by  
30 subsection (b)(1), the following rules apply:

31 (1) If the originator is a bank, the originator is obliged to pay its order.

32 (2) If the originator is not a bank and proves that the person identified by number was  
33 not entitled to receive payment from the originator, the originator is not obliged to  
34 pay its order unless the originator's bank proves that the originator, before

1 acceptance of the originator's order, had notice that payment of a payment order  
2 issued by the originator might be made by the beneficiary's bank on the basis of  
3 an identifying or bank account number even if it identifies a person different from  
4 the named beneficiary. Proof of notice may be made by any admissible evidence.  
5 The originator's bank satisfies the burden of proof if it proves that the originator,  
6 before the payment order was accepted, signed a ~~writing~~record stating the  
7 information to which the notice relates.

8 (d) In a case governed by subsection (b)(1), if the beneficiary's bank rightfully  
9 pays the person identified by number and that person was not entitled to receive payment  
10 from the originator, the amount paid may be recovered from that person to the extent  
11 allowed by the law governing mistake and restitution as follows:

- 12 (1) If the originator is obliged to pay its payment order as stated in subsection (c), the  
13 originator has the right to recover.
- 14 (2) If the originator is not a bank and is not obliged to pay its payment order, the  
15 originator's bank has the right to recover.

16 **Section 29. That § 57A-4A-208 be AMENDED:**

17 **57A-4A-208.** (a) This subsection applies to a payment order identifying an  
18 intermediary bank or the beneficiary's bank only by an identifying number.

- 19 (1) The receiving bank may rely on the number as the proper identification of the  
20 intermediary or beneficiary's bank and need not determine whether the number  
21 identifies a bank.
- 22 (2) The sender is obliged to compensate the receiving bank for any loss and expenses  
23 incurred by the receiving bank as a result of its reliance on the number in executing  
24 or attempting to execute the order.

25 (b) This subsection applies to a payment order identifying an intermediary bank or  
26 the beneficiary's bank both by name and an identifying number if the name and number  
27 identify different persons.

- 28 (1) If the sender is a bank, the receiving bank may rely on the number as the proper  
29 identification of the intermediary or beneficiary's bank if the receiving bank, when  
30 it executes the sender's order, does not know that the name and number identify  
31 different persons. The receiving bank need not determine whether the name and  
32 number refer to the same person or whether the number refers to a bank. The  
33 sender is obliged to compensate the receiving bank for any loss and expenses



- 1 incurred by the receiving bank as a result of its reliance on the number in executing  
2 or attempting to execute the order.
- 3 (2) If the sender is not a bank and the receiving bank proves that the sender, before  
4 the payment order was accepted, had notice that the receiving bank might rely on  
5 the number as the proper identification of the intermediary or beneficiary's bank  
6 even if it identifies a person different from the bank identified by name, the rights  
7 and obligations of the sender and the receiving bank are governed by subsection  
8 (b)(1), as though the sender were a bank. Proof of notice may be made by any  
9 admissible evidence. The receiving bank satisfies the burden of proof if it proves  
10 that the sender, before the payment order was accepted, signed a ~~writing~~record  
11 stating the information to which the notice relates.
- 12 (3) Regardless of whether the sender is a bank, the receiving bank may rely on the  
13 name as the proper identification of the intermediary or beneficiary's bank if the  
14 receiving bank, at the time it executes the sender's order, does not know that the  
15 name and number identify different persons. The receiving bank need not  
16 determine whether the name and number refer to the same person.
- 17 (4) If the receiving bank knows that the name and number identify different persons,  
18 reliance on either the name or the number in executing the sender's payment order  
19 is a breach of the obligation stated in § 57A-4A-302(a)(1).

20 **Section 30. That § 57A-4A-210 be AMENDED:**

21 **57A-4A-210.** (a) A payment order is rejected by the receiving bank by a notice of  
22 rejection transmitted to the sender orally, ~~electronically~~ or in ~~writing~~a record. A notice of  
23 rejection need not use any particular words and is sufficient if it indicates that the receiving  
24 bank is rejecting the order or will not execute or pay the order. Rejection is effective when  
25 the notice is given if transmission is by a means that is reasonable in the circumstances.  
26 If notice of rejection is given by a means that is not reasonable, rejection is effective when  
27 the notice is received. If an agreement of the sender and receiving bank establishes the  
28 means to be used to reject a payment order, (i) any means complying with the agreement  
29 is reasonable and (ii) any means not complying is not reasonable unless no significant  
30 delay in receipt of the notice resulted from the use of the noncomplying means.

31 (b) This subsection applies if a receiving bank other than the beneficiary's bank  
32 fails to execute a payment order despite the existence on the execution date of a  
33 withdrawable credit balance in an authorized account of the sender sufficient to cover the  
34 order. If the sender does not receive notice of rejection of the order on the execution date

1 and the authorized account of the sender does not bear interest, the bank is obliged to  
2 pay interest to the sender on the amount of the order for the number of days elapsing  
3 after the execution date to the earlier of the day the order is canceled pursuant to § 57A-  
4 4A-211(d) or the day the sender receives notice or learns that the order was not executed,  
5 counting the final day of the period as an elapsed day. If the withdrawable credit balance  
6 during that period falls below the amount of the order, the amount of interest is reduced  
7 accordingly.

8 (c) If a receiving bank suspends payments, all unaccepted payment orders issued  
9 to it are deemed rejected at the time the bank suspends payments.

10 (d) Acceptance of a payment order precludes a later rejection of the order.  
11 Rejection of a payment order precludes a later acceptance of the order.

12 **Section 31. That § 57A-4A-211 be AMENDED:**

13 **57A-4A-211.** (a) A communication of the sender of a payment order cancelling or  
14 amending the order may be transmitted to the receiving bank orally, ~~electronically~~ or in  
15 writing a record. If a security procedure is in effect between the sender and the receiving  
16 bank, the communication is not effective to cancel or amend the order unless the  
17 communication is verified pursuant to the security procedure or the bank agrees to the  
18 cancellation or amendment.

19 (b) Subject to subsection (a), a communication by the sender cancelling or  
20 amending a payment order is effective to cancel or amend the order if notice of the  
21 communication is received at a time and in a manner affording the receiving bank a  
22 reasonable opportunity to act on the communication before the bank accepts the payment  
23 order.

24 (c) After a payment order has been accepted, cancellation or amendment of the  
25 order is not effective unless the receiving bank agrees or a funds-transfer system rule  
26 allows cancellation or amendment without agreement of the bank.

27 (1) With respect to a payment order accepted by a receiving bank other than the  
28 beneficiary's bank, cancellation or amendment is not effective unless a conforming  
29 cancellation or amendment of the payment order issued by the receiving bank is  
30 also made.

31 (2) With respect to a payment order accepted by the beneficiary's bank, cancellation  
32 or amendment is not effective unless the order was issued in execution of an  
33 unauthorized payment order, or because of a mistake by a sender in the funds  
34 transfer which resulted in the issuance of a payment order (i) that is a duplicate of

1 a payment order previously issued by the sender, (ii) that orders payment to a  
2 beneficiary not entitled to receive payment from the originator, or (iii) that orders  
3 payments in an amount greater than the amount the beneficiary was entitled to  
4 receive from the originator. If the payment order is canceled or amended, the  
5 beneficiary's bank is entitled to recover from the beneficiary any amount paid to  
6 the beneficiary to the extent allowed by the law governing mistake and restitution.

7 (d) An unaccepted payment order is canceled by operation of law at the close of  
8 the fifth funds-transfer business day of the receiving bank after the execution date or  
9 payment date of the order.

10 (e) A canceled payment order cannot be accepted. If an accepted payment order  
11 is canceled, the acceptance is nullified and no person has any right or obligation based on  
12 the acceptance. Amendment of a payment order is deemed to be cancellation of the  
13 original order at the time of amendment and issue of a new payment order in the amended  
14 form at the same time.

15 (f) Unless otherwise provided in an agreement of the parties or in a funds-transfer  
16 system rule, if the receiving bank, after accepting a payment order, agrees to cancellation  
17 or amendment of the order by the sender or is bound by a funds-transfer system rule  
18 allowing cancellation or amendment without the bank's agreement, the sender, whether  
19 or not cancellation or amendment is effective, is liable to the bank for any loss and  
20 expenses, including reasonable attorney's fees, incurred by the bank as a result of the  
21 cancellation or amendment or attempted cancellation or amendment.

22 (g) A payment order is not revoked by the death or legal incapacity of the sender  
23 unless the receiving bank knows of the death or of an adjudication of incapacity by a court  
24 of competent jurisdiction and has reasonable opportunity to act before acceptance of the  
25 order.

26 (h) A funds-transfer system rule is not effective to the extent it conflicts with  
27 subsection (c)(2).

28 **Section 32. That § 57A-4A-305 be AMENDED:**

29 **57A-4A-305.** (a) If a funds transfer is completed but execution of a payment order  
30 by the receiving bank in breach of § 57A-4A-302 results in delay in payment to the  
31 beneficiary, the bank is obliged to pay interest to either the originator or the beneficiary  
32 of the funds transfer for the period of delay caused by the improper execution. Except as  
33 provided in subsection (c), additional damages are not recoverable.

1 (b) If execution of a payment order by a receiving bank in breach of § 57A-4A-302  
 2 results in (i) noncompletion of the funds transfer, (ii) failure to use an intermediary bank  
 3 designated by the originator, or (iii) issuance of a payment order that does not comply  
 4 with the terms of the payment order of the originator, the bank is liable to the originator  
 5 for its expenses in the funds transfer and for incidental expenses and interest losses, to  
 6 the extent not covered by subsection (a), resulting from the improper execution. Except  
 7 as provided in subsection (c), additional damages are not recoverable.

8 (c) In addition to the amounts payable under subsection (a) and (b), damages,  
 9 including consequential damages, are recoverable to the extent provided in an express  
 10 ~~written~~ agreement of the receiving bank, evidenced by a record.

11 (d) If a receiving bank fails to execute a payment order it was obliged by express  
 12 agreement to execute, the receiving bank is liable to the sender for its expenses in the  
 13 transaction and for incidental expenses and interest losses resulting from the failure to  
 14 execute. Additional damages, including consequential damages, are recoverable to the  
 15 extent provided in an express ~~written~~ agreement of the receiving bank, evidenced by a  
 16 record, but are not otherwise recoverable.

17 (e) Reasonable attorney's fees are recoverable if demand for compensation under  
 18 subsection (a) or (b) is made and refused before an action is brought on the claim. If a  
 19 claim is made for breach of an agreement under subsection (d) and the agreement does  
 20 not provide for damages, reasonable attorney's fees are recoverable if demand for  
 21 compensation under subsection (d) is made and refused before an action is brought on  
 22 the claim.

23 (f) Except as stated in this section, the liability of a receiving bank under  
 24 subsections (a) and (b) may not be varied by agreement.

25 **Section 33. That § 57A-5-104 be AMENDED:**

26 **57A-5-104.** A letter of credit, confirmation, advice, transfer, amendment, or  
 27 cancellation may be issued in any form that is a signed record ~~and is authenticated (i) by~~  
 28 ~~a signature or (ii) in accordance with the agreement of the parties or the standard practice~~  
 29 ~~referred to in § 57A-5-108(e).~~

30 **Section 34. That § 57A-5-116 be AMENDED:**

31 **57A-5-116.** (a) The liability of an issuer, nominated person, or adviser for action  
 32 or omission is governed by the law of the jurisdiction chosen by an agreement in the form  
 33 of a record signed ~~or otherwise authenticated~~ by the affected parties ~~in the manner~~

1 ~~provided in § 57A-5-104~~ or by a provision in the person's letter of credit, confirmation, or  
 2 other undertaking. The jurisdiction whose law is chosen need not bear any relation to the  
 3 transaction.

4 (b) Unless subsection (a) applies, the liability of an issuer, nominated person, or  
 5 adviser for action or omission is governed by the law of the jurisdiction in which the person  
 6 is located. The person is considered to be located at the address indicated in the person's  
 7 undertaking. If more than one address is indicated, the person is considered to be located  
 8 at the address from which the person's undertaking was issued.

9 (c) For the purpose of jurisdiction, choice of law, and recognition of interbranch  
 10 letters of credit, but not enforcement of a judgment, all branches of a bank  
 11 are considered separate juridical entities and a bank is considered to be  
 12 located at the place where its relevant branch is considered to be located  
 13 under ~~this~~ subsection (d).

14 (d) A branch of a bank is considered to be located at the address indicated in  
 15 the branch's undertaking. If more than one address is indicated, the branch  
 16 is considered to be located at the address from which the undertaking was  
 17 issued.

18 ~~(e)~~(e) Except as otherwise provided in this subsection, the liability of an issuer,  
 19 nominated person, or adviser is governed by any rules of custom or  
 20 practice, such as the Uniform Customs and Practice for Documentary  
 21 Credits, to which the letter of credit, confirmation, or other undertaking is  
 22 expressly made subject. If (i) this chapter would govern the liability of an  
 23 issuer, nominated person, or adviser under subsection (a) or (b), (ii) the  
 24 relevant undertaking incorporates rules of custom or practice, and (iii) there  
 25 is conflict between this chapter and those rules as applied to that  
 26 undertaking, those rules govern except to the extent of any conflict with  
 27 the nonvariable provisions specified in § 57A-5-103(c).

28 ~~(d)~~(f) If there is conflict between this chapter and chapter 57A-3, 57A-4, 57A-4A,  
 29 or 57A-9, this chapter governs.

30 ~~(e)~~(g) The forum for settling disputes arising out of an undertaking within this  
 31 chapter may be chosen in the manner and with the binding effect that  
 32 governing law may be chosen in accordance with subsection (a).

33 **Section 35. That § 57A-7-102 be AMENDED:**

34 **57A-7-102.** (a) In this chapter, unless the context otherwise requires:

- 1 (1) "Bailee" means a person that by a warehouse receipt, bill of lading, or other  
2 document of title acknowledges possession of goods and contracts to deliver them.
- 3 (2) "Carrier" means a person that issues a bill of lading.
- 4 (3) "Consignee" means a person named in a bill of lading to which or to whose order  
5 the bill promises delivery.
- 6 (4) "Consignor" means a person named in a bill of lading as the person from which the  
7 goods have been received for shipment.
- 8 (5) "Delivery order" means a record that contains an order to deliver goods directed  
9 to a warehouse, carrier, or other person that in the ordinary course of business  
10 issues warehouse receipts or bills of lading.
- 11 (6) "Good faith" means honesty in fact and the observance of reasonable commercial  
12 standards of fair dealing.
- 13 (7) "Goods" means all things that are treated as movable for the purposes of a contract  
14 for storage or transportation.
- 15 (8) "Issuer" means a bailee that issues a document of title or, in the case of an  
16 unaccepted delivery order, the person that orders the possessor of goods to  
17 deliver. The term includes a person for which an agent or employee purports to act  
18 in issuing a document if the agent or employee has real or apparent authority to  
19 issue documents, even if the issuer did not receive any goods, the goods were  
20 misdescribed, or in any other respect the agent or employee violated the issuer's  
21 instructions.
- 22 (9) "Person entitled under the document" means the holder, in the case of a negotiable  
23 document of title, or the person to which delivery of the goods is to be made by  
24 the terms of, or pursuant to instructions in a record under, a nonnegotiable  
25 document of title.
- 26 (10) ~~"Record" means information that is inscribed on a tangible medium or that is stored~~  
27 ~~in an electronic or other medium and is retrievable in perceivable form.~~Reserved.
- 28 (11) "Sign" means, with present intent to authenticate or adopt a record:
- 29 (A) ~~To execute or adopt a tangible symbol; or~~
- 30 (B) ~~To attach to or logically associate with the record an electronic sound, symbol, or~~  
31 ~~process.~~Reserved.
- 32 (12) "Shipper" means a person that enters into a contract of transportation with a  
33 carrier.
- 34 (13) "Warehouse" means a person engaged in the business of storing goods for hire.

1 (b) Definitions in other chapters applying to this chapter and the sections in which  
2 they appear are:

- 3 (1) "Contract for sale"~~,"~~ § 57A-2-106.  
4 (2) "Lessee in ordinary course of business"~~,"~~ § 57A-2A-103.  
5 (3) "'Receipt' of goods," § 57A-2-103.

6 (c) In addition, chapter 57A-1 contains general definitions and principles of  
7 construction and interpretation applicable throughout this chapter.

8 **Section 36. That § 57A-7-106 be AMENDED:**

9 **57A-7-106.** (a) A person has control of an electronic document of title if a system  
10 employed for evidencing the transfer of interests in the electronic document reliably  
11 establishes that person as the person to which the electronic document was issued or  
12 transferred.

13 (b) A system satisfies subsection (a), and a person ~~is deemed to have~~has control  
14 of an electronic document of title, if the document is created, stored, and  
15 ~~assigned~~transferred in such a manner that:

- 16 (1) A single authoritative copy of the document exists which is unique, identifiable,  
17 and, except as otherwise provided in paragraphs (4), (5), and (6), unalterable;  
18 (2) The authoritative copy identifies the person asserting control as:  
19 (A) The person to which the document was issued; or  
20 (B) If the authoritative copy indicates that the document has been transferred,  
21 the person to which the document was most recently transferred;  
22 (3) The authoritative copy is communicated to and maintained by the person asserting  
23 control or its designated custodian;  
24 (4) Copies or amendments that add or change an identified ~~assignee~~transferee of the  
25 authoritative copy can be made only with the consent of the person asserting  
26 control;  
27 (5) Each copy of the authoritative copy and any copy of a copy is readily identifiable  
28 as a copy that is not the authoritative copy; and  
29 (6) Any amendment of the authoritative copy is readily identifiable as authorized or  
30 unauthorized.

31 (c) A system satisfies subsection (a), and a person has control of an electronic  
32 document of title, if an authoritative electronic copy of the document, a record attached  
33 to or logically associated with the electronic copy, or a system in which the electronic copy  
34 is recorded:

- 1       (1) Enables the person readily to identify each electronic copy as either an  
2       authoritative copy or a nonauthoritative copy;
- 3       (2) Enables the person readily to identify itself in any way, including by name,  
4       identifying number, cryptographic key, office, or account number, as the person to  
5       which each authoritative electronic copy was issued or transferred; and
- 6       (3) Gives the person exclusive power, subject to subsection (d), to:
- 7           (A) Prevent others from adding or changing the person to which each  
8           authoritative electronic copy has been issued or transferred; and
- 9           (B) Transfer control of each authoritative electronic copy.
- 10       (d) Subject to subsection (e), a power is exclusive under subsection (c)(3)(A) and  
11       (B) even if:
- 12           (1) The authoritative electronic copy, a record attached to or logically associated with  
13           the authoritative electronic copy, or a system in which the authoritative electronic  
14           copy is recorded, limits the use of the document of title or has a protocol that is  
15           programmed to cause a change, including a transfer or loss of control; or
- 16           (2) The power is shared with another person.
- 17       (e) A power of a person is not shared with another person under subsection (d)(2)  
18       and the person's power is not exclusive if:
- 19           (1) The person can exercise the power only if the power also is exercised by the other  
20           person; and
- 21           (2) The other person:
- 22               (A) Can exercise the power without exercise of the power by the person; or  
23               (B) Is the transferor to the person of an interest in the document of title.
- 24           (f) If a person has the powers specified in subsection (c)(3)(A) and (B), the powers  
25       are presumed to be exclusive.
- 26           (g) A person has control of an electronic document of title if another person, other  
27       than the transferor to the person of an interest in the document:
- 28           (1) Has control of the document and acknowledges that it has control on behalf of the  
29           person; or
- 30           (2) Obtains control of the document after having acknowledged that it will obtain  
31           control of the document on behalf of the person.
- 32           (h) A person that has control under this section is not required to acknowledge that  
33       it has control on behalf of the person.
- 34           (i) If a person acknowledges that it has or will obtain control on behalf of another  
35       person, unless the person otherwise agrees or law other than this chapter or chapter 57A-



1 9 otherwise provides, the person does not owe any duty to another person and is not  
2 required to confirm the acknowledgement to any other person.

3 **Section 37. That § 57A-8-102 be AMENDED:**

4 **57A-8-102.** (a) In this chapter:

- 5 (1) "Adverse claim" means a claim that a claimant has a property interest in a financial  
6 asset and that it is a violation of the rights of the claimant for another person to  
7 hold, transfer, or deal with the financial asset.
- 8 (2) "Bearer form," as applied to a certificated security, means a form in which the  
9 security is payable to the bearer of the security certificate according to its terms  
10 but not by reason of an indorsement.
- 11 (3) "Broker" means a person defined as a broker or dealer under the federal securities  
12 laws, but without excluding a bank acting in that capacity.
- 13 (4) "Certificated security" means a security that is represented by a certificate.
- 14 (5) "Clearing corporation" means:
- 15 (i) A person that is registered as a "clearing agency" under the federal  
16 securities laws;
- 17 (ii) A federal reserve bank; or
- 18 (iii) Any other person that provides clearance or settlement services with  
19 respect to financial assets that would require it to register as a clearing  
20 agency under the federal securities laws but for an exclusion or exemption  
21 from the registration requirement, if its activities as a clearing corporation,  
22 including promulgation of rules, are subject to regulation by a federal or  
23 state governmental authority.
- 24 (6) "Communicate" means to:
- 25 (i) Send a signed ~~writing~~record; or
- 26 (ii) Transmit information by any mechanism agreed upon by the persons  
27 transmitting and receiving the information.
- 28 (7) "Entitlement holder" means a person identified in the records of a securities  
29 intermediary as the person having a security entitlement against the securities  
30 intermediary. If a person acquires a security entitlement by virtue of § 57A-8-  
31 501(b)(2) or (3), that person is the entitlement holder.
- 32 (8) "Entitlement order" means a notification communicated to a securities intermediary  
33 directing transfer or redemption of a financial asset to which the entitlement holder  
34 has a security entitlement.

- 1 (9) "Financial asset," except as otherwise provided in § 57A-8-103, means:
- 2 (i) A security;
- 3 (ii) An obligation of a person or a share, participation, or other interest in a
- 4 person or in property or an enterprise of a person, which is, or is of a type,
- 5 dealt in or traded on financial markets, or which is recognized in any area
- 6 in which it is issued or dealt in as a medium for investment; or
- 7 (iii) Any property that is held by a securities intermediary for another person in
- 8 a securities account if the securities intermediary has expressly agreed with
- 9 the other person that the property is to be treated as a financial asset under
- 10 this chapter.
- 11 As context requires, the term means either the interest itself or the means by which a
- 12 person's claim to it is evidenced, including a certificated or uncertificated security,
- 13 a security certificate, or a security entitlement.
- 14 (10) (Reserved.)
- 15 (11) "Indorsement" means a signature that alone or accompanied by other words is
- 16 made on a security certificate in registered form or on a separate document for the
- 17 purpose of assigning, transferring, or redeeming the security or granting a power
- 18 to assign, transfer, or redeem it.
- 19 (12) "Instruction" means a notification communicated to the issuer of an uncertificated
- 20 security which directs that the transfer of the security be registered or that the
- 21 security be redeemed.
- 22 (13) "Registered form," as applied to a certificated security, means a form in which:
- 23 (i) The security certificate specifies a person entitled to the security; and
- 24 (ii) A transfer of the security may be registered upon books maintained for that
- 25 purpose by or on behalf of the issuer, or the security certificate so states.
- 26 (14) "Securities intermediary" means:
- 27 (i) A clearing corporation; or
- 28 (ii) A person, including a bank or broker, that in the ordinary course of its
- 29 business maintains securities accounts for others and is acting in that
- 30 capacity.
- 31 (15) "Security," except as otherwise provided in § 57A-8-103, means an obligation of
- 32 an issuer or a share, participation, or other interest in an issuer or in property or
- 33 an enterprise of an issuer:

- 1 (i) Which is represented by a security certificate in bearer or registered form,  
 2 or the transfer of which may be registered upon books maintained for that  
 3 purpose by or on behalf of the issuer;
- 4 (ii) Which is one of a class or series or by its terms is divisible into a class or  
 5 series of shares, participations, interests, or obligations; and
- 6 (iii) Which:
- 7 (A) Is, or is of a type, dealt in or traded on securities exchanges or  
 8 securities markets; or
- 9 (B) Is a medium for investment and by its terms expressly provides that  
 10 it is a security governed by this chapter.
- 11 (16) "Security certificate" means a certificate representing a security.
- 12 (17) "Security entitlement" means the rights and property interest of an entitlement  
 13 holder with respect to a financial asset specified in Part 5.
- 14 (18) "Uncertificated security" means a security that is not represented by a certificate.
- 15 (b) ~~Other~~The following definitions ~~applying to in~~ this chapter and ~~the sections in~~  
 16 ~~which they appear are~~other chapters apply to this chapter:
- 17 Appropriate person, § 57A-8-107.
- 18 Control, § 57A-8-106.
- 19 Controllable account, § 57A-9-102.
- 20 Controllable electronic record, Section 93 of this Act.
- 21 Controllable payment intangible, § 57A-9-102.
- 22 Delivery, § 57A-8-301.
- 23 Investment company security, § 57A-8-103.
- 24 Issuer, § 57A-8-201.
- 25 Overissue, § 57A-8-210.
- 26 Protected purchaser, § 57A-8-303.
- 27 Securities account, § 57A-8-501.
- 28 (c) In addition, chapter 57A-1 contains general definitions and principles of  
 29 construction and interpretation applicable throughout this chapter.
- 30 (d) The characterization of a person, business, or transaction for purposes of this  
 31 chapter does not determine the characterization of the person, business, or transaction  
 32 for purposes of any other law, regulation, or rule.

33 **Section 38. That § 57A-8-103 be AMENDED:**

34 **57A-8-103.** In this chapter:

1 (a) A share or similar equity interest issued by a corporation, business trust, joint  
2 stock company, or similar entity is a security.

3 (b) An "investment company security" is a security. "Investment company  
4 security" means a share or similar equity interest issued by an entity that is registered as  
5 an investment company under the federal investment company laws, an interest in a unit  
6 investment trust that is so registered, or a face-amount certificate issued by a face-  
7 amount certificate company that is so registered. Investment company security does not  
8 include an insurance policy or endowment policy or annuity contract issued by an  
9 insurance company.

10 (c) An interest in a partnership or limited liability company is not a security unless  
11 it is dealt in or traded on securities exchanges or in securities markets, its terms expressly  
12 provide that it is a security governed by this chapter, or it is an investment company  
13 security. However, an interest in a partnership or limited liability company is a financial  
14 asset if it is held in a securities account.

15 (d) A writing that is a security certificate is governed by this chapter and not by  
16 chapter 57A-3, even though it also meets the requirements of that chapter. However, a  
17 negotiable instrument governed by chapter 57A-3 is a financial asset if it is held in a  
18 securities account.

19 (e) An option or similar obligation issued by a clearing corporation to its  
20 participants is not a security, but is a financial asset.

21 (f) A commodity contract, as defined in § 57A-9-102(a)(15), is not a security or a  
22 financial asset;

23 (g) A document of title, as defined in subdivision 57A-1-201(16), is not a financial  
24 asset unless § 57A-8-102(a)(9)(iii) applies.

25 (h) A controllable account, controllable electronic record, or controllable payment  
26 intangible is not a financial asset unless § 57A-8-102(a)(9)(iii) applies.

27 **Section 39. That § 57A-8-106 be AMENDED:**

28 **57A-8-106.** (a) A purchaser has "control" of a certificated security in bearer form  
29 if the certificated security is delivered to the purchaser.

30 (b) A purchaser has "control" of a certificated security in registered form if the  
31 certificated security is delivered to the purchaser, and:

32 (1) The certificate is indorsed to the purchaser or in blank by an effective indorsement;  
33 or

1 (2) The certificate is registered in the name of the purchaser, upon original issue or  
2 registration of transfer by the issuer.

3 (c) A purchaser has "control" of an uncertificated security if:

4 (1) The uncertificated security is delivered to the purchaser; or

5 (2) The issuer has agreed that it will comply with instructions originated by the  
6 purchaser without further consent by the registered owner.

7 (d) A purchaser has "control" of a security entitlement if:

8 (1) The purchaser becomes the entitlement holder; or

9 (2) The securities intermediary has agreed that it will comply with entitlement orders  
10 originated by the purchaser without further consent by the entitlement holder; or

11 (3) ~~Another person, has control of the security entitlement on behalf of the purchaser~~  
12 ~~or, having previously acquired control of the security entitlement, acknowledges~~  
13 ~~that it has control on behalf of the purchaser, other than the transferor to the~~  
14 purchaser of an interest in the security entitlement:

15 (A) Has control of the security entitlement and acknowledges that it has control  
16 on behalf of the purchaser; or

17 (B) Obtains control of the security entitlement after having acknowledged that  
18 it will obtain control of the security entitlement on behalf of the purchaser.

19 (e) If an interest in a security entitlement is granted by the entitlement holder to  
20 the entitlement holder's own securities intermediary, the securities intermediary has  
21 control.

22 (f) A purchaser who has satisfied the requirements of subsection (c) or (d) has  
23 control, even if the registered owner in the case of subsection (c) or the entitlement holder  
24 in the case of subsection (d) retains the right to make substitutions for the uncertificated  
25 security or security entitlement, to originate instructions or entitlement orders to the  
26 issuer or securities intermediary, or otherwise to deal with the uncertificated security or  
27 security entitlement.

28 (g) An issuer or a securities intermediary may not enter into an agreement of the  
29 kind described in subsection (c)(2) or (d)(2) without the consent of the registered owner  
30 or entitlement holder, but an issuer or a securities intermediary is not required to enter  
31 into such an agreement even though the registered owner or entitlement holder so directs.  
32 An issuer or securities intermediary that has entered into such an agreement is not  
33 required to confirm the existence of the agreement to another party unless requested to  
34 do so by the registered owner or entitlement holder.

1           (h) A person that has control under this section is not required to acknowledge that  
2           it has control on behalf of a purchaser.

3           (i) If a person acknowledges that it has or will obtain control on behalf of a  
4           purchaser, unless the person otherwise agrees or law other than this chapter or chapter  
5           57A-9 otherwise provides, the person does not owe any duty to the purchaser and is not  
6           required to confirm the acknowledgement to any other person.

7           **Section 40. That § 57A-8-110 be AMENDED:**

8           **57A-8-110.** (a) The local law of the issuer's jurisdiction, as specified in subsection  
9           (d), governs:

- 10           (1) The validity of a security;
- 11           (2) The rights and duties of the issuer with respect to registration of transfer;
- 12           (3) The effectiveness of registration of transfer by the issuer;
- 13           (4) Whether the issuer owes any duties to an adverse claimant to a security; and
- 14           (5) Whether an adverse claim can be asserted against a person to whom transfer of a  
15           certificated or uncertificated security is registered or a person who obtains control  
16           of an uncertificated security.

17           (b) The local law of the securities intermediary's jurisdiction, as specified in  
18           subsection (e), governs:

- 19           (1) Acquisition of a security entitlement from the securities intermediary;
- 20           (2) The rights and duties of the securities intermediary and entitlement holder arising  
21           out of a security entitlement;
- 22           (3) Whether the securities intermediary owes any duties to an adverse claimant to a  
23           security entitlement; and
- 24           (4) Whether an adverse claim can be asserted against a person who acquires a security  
25           entitlement from the securities intermediary or a person who purchases a security  
26           entitlement or interest therein from an entitlement holder.

27           (c) The local law of the jurisdiction in which a security certificate is located at the  
28           time of delivery governs whether an adverse claim can be asserted against a person to  
29           whom the security certificate is delivered.

30           (d) "Issuer's jurisdiction" means the jurisdiction under which the issuer of the  
31           security is organized or, if permitted by the law of that jurisdiction, the law of another  
32           jurisdiction specified by the issuer. An issuer organized under the law of this State may  
33           specify the law of another jurisdiction as the law governing the matters specified in  
34           subsection (a)(2) through (5).

1 (e) The following rules determine a "securities intermediary's jurisdiction" for  
2 purposes of this section:

3 (1) If an agreement between the securities intermediary and its entitlement holder  
4 governing the securities account expressly provides that a particular jurisdiction is  
5 the securities intermediary's jurisdiction for purposes of this part, this article, or  
6 this chapter, that jurisdiction is the securities intermediary's jurisdiction.

7 (2) If paragraph (1) does not apply and an agreement between the securities  
8 intermediary and its entitlement holder governing the securities account expressly  
9 provides that the agreement is governed by the law of a particular jurisdiction, that  
10 jurisdiction is the securities intermediary's jurisdiction.

11 (3) If neither paragraph (1) nor paragraph (2) applies and an agreement between the  
12 securities intermediary and its entitlement holder governing the securities account  
13 expressly provides that the securities account is maintained at an office in a  
14 particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

15 (4) If none of the preceding paragraphs applies, the securities intermediary's  
16 jurisdiction is the jurisdiction in which the office identified in an account statement  
17 as the office serving the entitlement holder's account is located.

18 (5) If none of the preceding paragraphs applies, the securities intermediary's  
19 jurisdiction is the jurisdiction in which the chief executive office of the securities  
20 intermediary is located.

21 (f) A securities intermediary's jurisdiction is not determined by the physical location  
22 of certificates representing financial assets, or by the jurisdiction in which is organized the  
23 issuer of the financial asset with respect to which an entitlement holder has a security  
24 entitlement, or by the location of facilities for data processing or other record keeping  
25 concerning the account.

26 (g) The local law of the issuer's jurisdiction or the securities intermediary's  
27 jurisdiction governs a matter or transaction specified in subsection (a) or (b) even if the  
28 matter or transaction does not bear any relation to the jurisdiction.

29 **Section 41. That § 57A-8-303 be AMENDED:**

30 **57A-8-303.** (a) "Protected purchaser" means a purchaser of a certificated or  
31 uncertificated security, or of an interest therein, who:

32 (1) Gives value;

33 (2) Does not have notice of any adverse claim to the security; and

34 (3) Obtains control of the certificated or uncertificated security.

1 (b) ~~In addition to acquiring the rights of a purchaser, a~~ protected purchaser also  
 2 acquires its interest in the security free of any adverse claim.

3 **Section 42. That § 57A-9-102 be AMENDED:**

4 **57A-9-102.** (a) In this chapter:

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

7 (2) "Account," except as used in "account for," "account statement," "account to,"  
 8 "commodity account," in paragraph (14), "customer's account," "deposit account,"  
 9 "in paragraph (29)," "on account of," and "statement of account," means a right to  
 10 payment of a monetary obligation, whether or not earned by performance, (i) for  
 11 property that has been or is to be sold, leased, licensed, assigned, or otherwise  
 12 disposed of, (ii) for services rendered or to be rendered, (iii) for a policy of  
 13 insurance issued or to be issued, (iv) for a secondary obligation incurred or to be  
 14 incurred, (v) for energy provided or to be provided, (vi) for the use or hire of a  
 15 vessel under a charter or other contract, (vii) arising out of the use of a credit or  
 16 charge card or information contained on or for use with the card, or (viii) as  
 17 winnings in a lottery or other game of chance operated or sponsored by a state,  
 18 governmental unit of a state, or person licensed or authorized to operate the game  
 19 by a state or governmental unit of a state. The term includes controllable accounts  
 20 and health-care-insurance receivables. The term does not include (i) ~~rights to~~  
 21 ~~payment evidenced by chattel paper or an instrument,~~ (ii) commercial tort claims,  
 22 (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters  
 23 of credit, or (vi) rights to payment for money or funds advanced or sold, other than  
 24 rights arising out of the use of a credit or charge card or information contained on  
 25 or for use with the card, or (vii) rights to payment evidenced by an instrument.

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

30 (4) "Accounting," except as used in "accounting for," means a record:

31 (A) ~~Authenticated~~Signed by a secured party;

32 (B) Indicating the aggregate unpaid secured obligations as of a date not more  
 33 than 35 days earlier or 35 days later than the date of the record; and

34 (C) Identifying the components of the obligations in reasonable detail.



- 1 (5) "Agricultural lien" means an interest, other than a security interest, in farm  
 2 products:
- 3 (A) Which secures payment or performance of an obligation for:
- 4 (i) Goods or services furnished in connection with a debtor's farming  
 5 operation; or
- 6 (ii) Rent on real property leased by a debtor in connection with its  
 7 farming operation;
- 8 (B) Which is created by statute in favor of a person that:
- 9 (i) In the ordinary course of its business furnished goods or services to  
 10 a debtor in connection with a debtor's farming operation; or
- 11 (ii) Leased real property to a debtor in connection with the debtor's  
 12 farming operation; and
- 13 (C) Whose effectiveness does not depend on the person's possession of the  
 14 personal property.
- 15 (6) "As-extracted collateral" means:
- 16 (A) Oil, gas, or other minerals that are subject to a security interest that:
- 17 (i) Is created by a debtor having an interest in the minerals before  
 18 extraction; and
- 19 (ii) Attaches to the minerals as extracted; or
- 20 (B) Accounts arising out of the sale at the wellhead or minehead of oil, gas, or  
 21 other minerals in which the debtor had an interest before extraction.
- 22 (7) ~~"Authenticate" means:~~
- 23 ~~(A) To sign; or~~
- 24 ~~(B) With present intent to adopt or accept a record, to attach to or logically associate~~  
 25 ~~with the record an electronic sound, symbol, or process. (Reserved.)~~
- 26 (7A) "Assignee," except as used in "assignee for benefits of creditors," means a person  
 27 (i) in whose favor a security interest that secures an obligation is created or  
 28 provided for under a security agreement, whether or not the obligation is  
 29 outstanding or (ii) to which an account, chattel paper, payment intangible, or  
 30 promissory note has been sold. The term includes a person to which a security  
 31 interest has been transferred by a secured party.
- 32 (7B) "Assignor" means a person that (i) under a security agreement creates or provides  
 33 for a security interest that secures an obligation or (ii) sells an account, chattel  
 34 paper, payment intangible, or promissory note. The term includes a secured party  
 35 that has transferred a security interest to another person.

- 1 (8) "Bank" means an organization that is engaged in the business of banking. The term  
2 includes savings banks, savings and loan associations, credit unions, and trust  
3 companies.
- 4 (9) "Cash proceeds" means proceeds that are money, checks, deposit accounts, or the  
5 like.
- 6 (10) "Certificate of title" means a certificate of title with respect to which a statute  
7 provides for the security interest in question to be indicated on the certificate as a  
8 condition or result of the security interest's obtaining priority over the rights of a  
9 lien creditor with respect to the collateral. The term includes another record  
10 maintained as an alternative to a certificate of title by the governmental unit that  
11 issues certificates of title if a statute permits the security interest in question to be  
12 indicated on the record as a condition or result of the security interest's obtaining  
13 priority over the rights of a lien creditor with respect to the collateral.
- 14 (11) "Chattel paper" means: ~~a record or records that evidence both a monetary~~  
15 ~~obligation and a security interest in specific goods, a security interest in specific~~  
16 ~~goods and software used in the goods, a security interest in specific goods and~~  
17 ~~license of software used in the goods, a lease of specific goods, or a lease of specific~~  
18 ~~goods and license of software used in the goods. In this paragraph, "monetary~~  
19 ~~obligation" means a monetary obligation secured by the goods or owed under a~~  
20 ~~lease of the goods and includes a monetary obligation with respect to software~~  
21 ~~used in the goods. The term does not include (i) charters or other contracts~~  
22 ~~involving the use or hire of a vessel or (ii) records that evidence a right to payment~~  
23 ~~arising out of the use of a credit or charge card or information contained on or for~~  
24 ~~use with the card. If a transaction is evidenced by records that include an~~  
25 ~~instrument or series of instruments, the group of records taken together~~  
26 ~~constitutes chattel paper.~~
- 27 (A) A right to payment of a monetary obligation secured by specific goods, if  
28 the right to payment and security agreement are evidenced by a record; or
- 29 (B) A right to payment of a monetary obligation owed by a lessee under a lease  
30 agreement with respect to specific goods and a monetary obligation owed  
31 by the lessee in connection with the transaction giving rise to the lease, if:
- 32 (i) The right to payment and lease agreement are evidenced by a  
33 record; and
- 34 (ii) The predominant purpose of the transaction giving rise to the lease  
35 was to give the lessee the right to possession and use of the goods.

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

(12) "Collateral" means the property subject to a security interest or agricultural lien.

The term includes:

(A) Proceeds to which a security interest attaches;

(B) Accounts, chattel paper, payment intangibles, and promissory notes that have been sold; and

(C) Goods that are the subject of a consignment.

(13) "Commercial tort claim" means a claim arising in tort with respect to which:

(A) The claimant is an organization; or

(B) The claimant is an individual and the claim:

(i) Arose in the course of the claimant's business or profession; and

(ii) Does not include damages arising out of personal injury to or the death of an individual.

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

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

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

(B) Traded on a foreign commodity board of trade, exchange, or market, and is carried on the books of a commodity intermediary for a commodity customer.

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

(17) "Commodity intermediary" means a person that:

(A) Is registered as a futures commission merchant under federal commodities law; or

(B) In the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities law.

- 1 (18) "Communicate" means:
- 2 (A) To send a written or other tangible record;
- 3 (B) To transmit a record by any means agreed upon by the persons sending
- 4 and receiving the record; or
- 5 (C) In the case of transmission of a record to or by a filing office, to transmit a
- 6 record by any means prescribed by filing-office rule.
- 7 (19) "Consignee" means a merchant to which goods are delivered in a consignment.
- 8 (20) "Consignment" means a transaction, regardless of its form, in which a person
- 9 delivers goods to a merchant for the purpose of sale and:
- 10 (A) The merchant:
- 11 (i) Deals in goods of that kind under a name other than the name of
- 12 the person making delivery;
- 13 (ii) Is not an auctioneer; and
- 14 (iii) Is not generally known by its creditors to be substantially engaged
- 15 in selling the goods of others;
- 16 (B) With respect to each delivery, the aggregate value of the goods is \$1,000
- 17 or more at the time of delivery;
- 18 (C) The goods are not consumer goods immediately before delivery; and
- 19 (D) The transaction does not create a security interest that secures an
- 20 obligation.
- 21 (21) "Consignor" means a person that delivers goods to a consignee in a consignment.
- 22 (22) "Consumer debtor" means a debtor in a consumer transaction.
- 23 (23) "Consumer goods" means goods that are used or bought for use primarily for
- 24 personal, family, or household purposes.
- 25 (24) "Consumer-goods transaction" means a consumer transaction in which:
- 26 (A) An individual incurs an obligation primarily for personal, family, or
- 27 household purposes; and
- 28 (B) A security interest in consumer goods secures the obligation.
- 29 (25) "Consumer obligor" means an obligor who is an individual and who incurred the
- 30 obligation as part of a transaction entered into primarily for personal, family, or
- 31 household purposes.
- 32 (26) "Consumer transaction" means a transaction in which (i) an individual incurs an
- 33 obligation primarily for personal, family, or household purposes, (ii) a security
- 34 interest secures the obligation, and (iii) the collateral is held or acquired primarily

- 1 for personal, family, or household purposes. The term includes consumer-goods  
2 transactions.
- 3 (27) "Continuation statement" means an amendment of a financing statement which:  
4 (A) Identifies, by its file number, the initial financing statement to which it  
5 relates; and  
6 (B) Indicates that it is a continuation statement for, or that it is filed to continue  
7 the effectiveness of, the identified financing statement.
- 8 (27A) "Controllable account" means an account evidenced by a controllable electronic  
9 record that provides that the account debtor undertakes to pay the person that has  
10 control, under section 96 of this Act, of the controllable electronic record.
- 11 (27B) "Controllable payment intangible" means a payment intangible evidenced by a  
12 controllable electronic record that provides that the account debtor undertakes to  
13 pay the person that has control, under section 96 of this Act, of the controllable  
14 electronic record.
- 15 (28) "Debtor" means:  
16 (A) A person having an interest, other than a security interest or other lien, in  
17 the collateral, whether or not the person is an obligor;  
18 (B) A seller of accounts, chattel paper, payment intangibles, or promissory  
19 notes; or  
20 (C) A consignee.
- 21 (29) "Deposit account" means a demand, time, savings, passbook, or similar account  
22 maintained with a bank. The term does not include investment property or  
23 accounts evidenced by an instrument.
- 24 (30) "Document" means a document of title or a receipt of the type described in § 57A-  
25 7-201(b).
- 26 ~~(31) "Electronic chattel paper" means chattel paper evidenced by a record or records~~  
27 ~~consisting of information stored in an electronic medium.~~(Reserved.)
- 28 (31A) "Electronic money" means money in an electronic form.
- 29 (32) "Encumbrance" means a right, other than an ownership interest, in real property.  
30 The term includes mortgages and other liens on real property.
- 31 (33) "Equipment" means goods other than inventory, farm products, or consumer  
32 goods.
- 33 (34) "Farm products" means goods, other than standing timber, with respect to which  
34 the debtor is engaged in a farming operation and which are:  
35 (A) Crops grown, growing, or to be grown, including:

- 1 (i) Crops produced on trees, vines, and bushes; and  
 2 (ii) Aquatic goods produced in aquacultural operations;  
 3 (B) Livestock, born or unborn, including aquatic goods produced in aquacultural  
 4 operations;  
 5 (C) Supplies used or produced in a farming operation; or  
 6 (D) Products of crops or livestock in their unmanufactured states.  
 7 (35) "Farming operation" means raising, cultivating, propagating, fattening, grazing, or  
 8 any other farming, livestock, or aquacultural operation.  
 9 (36) "File number" means the number assigned to an initial financing statement  
 10 pursuant to § 57A-9-519(a).  
 11 (37) "Filing office" means an office designated in § 57A-9-501 as the place to file a  
 12 financing statement.  
 13 (38) "Filing-office rule" means a rule adopted pursuant to § 57A-9-526.  
 14 (39) "Financing statement" means a record or records composed of an initial financing  
 15 statement and any filed record relating to the initial financing statement.  
 16 (40) "Fixture filing" means the filing of a financing statement covering goods that are  
 17 or are to become fixtures and satisfying § 57A-9-502(a) and (b). The term includes  
 18 the filing of a financing statement covering goods of a transmitting utility which  
 19 are or are to become fixtures.  
 20 (41) "Fixtures" means goods that have become so related to particular real property  
 21 that an interest in them arises under real property law.  
 22 (42) "General intangible" means any personal property, including things in action, other  
 23 than accounts, chattel paper, commercial tort claims, deposit accounts,  
 24 documents, goods, instruments, investment property, letter-of-credit rights,  
 25 letters of credit, money, and oil, gas, or other minerals before extraction. The term  
 26 includes controllable electronic records, payment intangibles, and software.  
 27 (43) ~~"Good faith" means honesty in fact and the observance of reasonable commercial~~  
 28 ~~standards of fair dealing.~~ (Reserved.)  
 29 (44) "Goods" means all things that are movable when a security interest attaches. The  
 30 term includes (i) fixtures, (ii) standing timber that is to be cut and removed under  
 31 a conveyance or contract for sale, (iii) the unborn young of animals, (iv) crops  
 32 grown, growing, or to be grown, even if the crops are produced on trees, vines, or  
 33 bushes, and (v) manufactured homes. The term also includes a computer program  
 34 embedded in goods and any supporting information provided in connection with a  
 35 transaction relating to the program if (i) the program is associated with the goods

- 1 in such a manner that it customarily is considered part of the goods, or (ii) by  
2 becoming the owner of the goods, a person acquires a right to use the program in  
3 connection with the goods. The term does not include a computer program  
4 embedded in goods that consist solely of the medium in which the program is  
5 embedded. The term also does not include accounts, chattel paper, commercial  
6 tort claims, deposit accounts, documents, general intangibles, instruments,  
7 investment property, letter-of-credit rights, letters of credit, money, or oil, gas, or  
8 other minerals before extraction.
- 9 (45) "Governmental unit" means a subdivision, agency, department, county, parish,  
10 municipality, or other unit of the government of the United States, a state, or a  
11 foreign country. The term includes an organization having a separate corporate  
12 existence if the organization is eligible to issue debt on which interest is exempt  
13 from income taxation under the laws of the United States.
- 14 (46) "Health-care-insurance receivable" means an interest in or claim under a policy of  
15 insurance which is a right to payment of a monetary obligation for health-care  
16 goods or services provided.
- 17 (47) "Instrument" means a negotiable instrument or any other writing that evidences a  
18 right to the payment of a monetary obligation, is not itself a security agreement or  
19 lease, and is of a type that in ordinary course of business is transferred by delivery  
20 with any necessary indorsement or assignment. The term does not include (i)  
21 investment property, (ii) letters of credit,~~or~~ (iii) writings that evidence a right to  
22 payment arising out of the use of a credit or charge card or information contained  
23 on or for use with the card, or (iv) writings that evidence chattel paper.
- 24 (48) "Inventory" means goods, other than farm products, which:  
25 (A) Are leased by a person as lessor;  
26 (B) Are held by a person for sale or lease or to be furnished under a contract of  
27 service;  
28 (C) Are furnished by a person under a contract of service; or  
29 (D) Consist of raw materials, work in process, or materials used or consumed  
30 in a business.
- 31 (49) "Investment property" means a security, whether certificated or uncertificated,  
32 security entitlement, securities account, commodity contract, or commodity  
33 account.
- 34 (50) "Jurisdiction of organization" with respect to a registered organization, means the  
35 jurisdiction under whose law the organization is formed or organized.

- 1 (51) "Letter-of-credit right" means a right to payment or performance under a letter of  
2 credit, whether or not the beneficiary has demanded or is at the time entitled to  
3 demand payment or performance. The term does not include the right of a  
4 beneficiary to demand payment or performance under a letter of credit.
- 5 (52) "Lien creditor" means:  
6 (A) A creditor that has acquired a lien on the property involved by attachment,  
7 levy, or the like;  
8 (B) An assignee for benefit of creditors from the time of assignment;  
9 (C) A trustee in bankruptcy from the date of the filing of the petition; or  
10 (D) A receiver in equity from the time of appointment.
- 11 (53) "Manufactured home" means a structure, transportable in one or more sections,  
12 which, in the traveling mode, is eight body feet or more in width or 40 body feet  
13 or more in length, or, when erected on site, is 320 or more square feet, and which  
14 is built on a permanent chassis and designed to be used as a dwelling with or  
15 without a permanent foundation when connected to the required utilities, and  
16 includes the plumbing, heating, air-conditioning, and electrical systems contained  
17 therein. The term includes any structure that meets all of the requirements of this  
18 paragraph except the size requirements and with respect to which the  
19 manufacturer voluntarily files a certification required by the United States  
20 Secretary of Housing and Urban Development and complies with the standards  
21 established under Title 42 of the United States Code.
- 22 (54) "Manufactured-home transaction" means a secured transaction:  
23 (A) That creates a purchase-money security interest in a manufactured home,  
24 other than a manufactured home held as inventory; or  
25 (B) In which a manufactured home, other than a manufactured home held as  
26 inventory, is the primary collateral.
- 27 (54A) "Money" has the meaning in § 57A-1-201(b)(24), but does not include (i) a deposit  
28 account or (ii) money in an electronic form that cannot be subjected to control  
29 under section 45 of this Act.
- 30 (55) "Mortgage" means a consensual interest in real property, including fixtures, which  
31 secures payment or performance of an obligation.
- 32 (56) "New debtor" means a person that becomes bound as debtor under § 57A-9-203(d)  
33 by a security agreement previously entered into by another person.
- 34 (57) "New value" means (i) money, (ii) money's worth in property, services, or new  
35 credit, or (iii) release by a transferee of an interest in property previously



- 1 transferred to the transferee. The term does not include an obligation substituted  
2 for another obligation.
- 3 (58) "Noncash proceeds" means proceeds other than cash proceeds.
- 4 (59) "Obligor" means a person that, with respect to an obligation secured by a security  
5 interest in or an agricultural lien on the collateral, (i) owes payment or other  
6 performance of the obligation, (ii) has provided property other than the collateral  
7 to secure payment or other performance of the obligation, or (iii) is otherwise  
8 accountable in whole or in part for payment or other performance of the obligation.  
9 The term does not include issuers or nominated persons under a letter of credit.
- 10 (60) "Original debtor," except as used in § 57A-9-310(c), means a person that, as  
11 debtor, entered into a security agreement to which a new debtor has become  
12 bound under § 57A-9-203(d).
- 13 (61) "Payment intangible" means a general intangible under which the account debtor's  
14 principal obligation is a monetary obligation. The term includes a controllable  
15 payment intangible.
- 16 (62) "Person related to," with respect to an individual, means:
- 17 (A) The spouse of the individual;
- 18 (B) A brother, brother-in-law, sister, or sister-in-law of the individual;
- 19 (C) An ancestor or lineal descendant of the individual or the individual's spouse;
- 20 or
- 21 (D) Any other relative, by blood or marriage, of the individual or the individual's  
22 spouse who shares the same home with the individual.
- 23 (63) "Person related to," with respect to an organization, means:
- 24 (A) A person directly or indirectly controlling, controlled by, or under common  
25 control with the organization;
- 26 (B) An officer or director of, or a person performing similar functions with  
27 respect to, the organization;
- 28 (C) An officer or director of, or a person performing similar functions with  
29 respect to, a person described in subparagraph (A);
- 30 (D) The spouse of an individual described in subparagraph (A), (B), or (C); or
- 31 (E) An individual who is related by blood or marriage to an individual described  
32 in subparagraph (A), (B), (C), or (D) and shares the same home with the  
33 individual.
- 34 (64) "Proceeds," except as used in § 57A-9-609(b), means the following property:

- 1 (A) Whatever is acquired upon the sale, lease, license, exchange, or other  
2 disposition of collateral;
- 3 (B) Whatever is collected on, or distributed on account of, collateral;
- 4 (C) Rights arising out of collateral;
- 5 (D) To the extent of the value of collateral, claims arising out of the loss,  
6 nonconformity, or interference with the use of, defects or infringement of  
7 rights in, or damage to, the collateral; or
- 8 (E) To the extent of the value of collateral and to the extent payable to the  
9 debtor or the secured party, insurance payable by reason of the loss or  
10 nonconformity of, defects or infringement of rights in, or damage to, the  
11 collateral.
- 12 (65) "Promissory note" means an instrument that evidences a promise to pay a  
13 monetary obligation, does not evidence an order to pay, and does not contain an  
14 acknowledgment by a bank that the bank has received for deposit a sum of money  
15 or funds.
- 16 (66) "Proposal" means a record ~~authenticated~~signed by a secured party which includes  
17 the terms on which the secured party is willing to accept collateral in full or partial  
18 satisfaction of the obligation it secures pursuant to §§ 57A-9-620, 57A-9-621, and  
19 57A-9-622.
- 20 (67) "Public-finance transaction" means a secured transaction in connection with which:
- 21 (A) Debt or other securities are issued; and
- 22 (B) The debtor, obligor, secured party, account debtor or other person obligated  
23 on collateral, assignor or assignee of a secured obligation, or assignor or  
24 assignee of a security interest is a state or a governmental unit of a state.
- 25 (68) "Public organic record" means a record that is available to the public for inspection  
26 and is:
- 27 (A) A record consisting of the record initially filed with or issued by a state or  
28 the United States to form or organize an organization and any record filed  
29 with or issued by the state or the United States which amends or restates  
30 the original record;
- 31 (B) An organic record of a business trust consisting of the record initially filed  
32 with a state and any record filed with the state which amends or restates  
33 the initial record, if a statute of the state governing business trusts requires  
34 that the record be filed with the state; or

- 1 (C) A record consisting of legislation enacted by the Legislature of a state or  
2 the Congress of the United States which forms or organizes an organization,  
3 any record amending the legislation, and any record filed with or issued by  
4 the state or the United States which amends or restates the name of the  
5 organization.
- 6 (69) "Pursuant to commitment," with respect to an advance made or other value given  
7 by a secured party, means pursuant to the secured party's obligation, whether or  
8 not a subsequent event of default or other event not within the secured party's  
9 control has relieved or may relieve the secured party from its obligation.
- 10 (70) "Record," except as used in "for record," "of record," "record or legal title," and  
11 "record owner," means information that is inscribed on a tangible medium or which  
12 is stored in an electronic or other medium and is retrievable in perceivable form.
- 13 (71) "Registered organization" means an organization organized solely under the law of  
14 a single state or the United States by the filing of a public organic record with, the  
15 issuance of a public organic record by, or the enactment of legislation by the state  
16 or the United States. The term includes a business trust that is formed or organized  
17 under the law of a single state if a statute of the state governing business trusts  
18 requires that the business trust's organic record be filed with the state.
- 19 (72) "Secondary obligor" means an obligor to the extent that:  
20 (A) The obligor's obligation is secondary; or  
21 (B) The obligor has a right of recourse with respect to an obligation secured by  
22 collateral against the debtor, another obligor, or property of either.
- 23 (73) "Secured party" means:  
24 (A) A person in whose favor a security interest is created or provided for under  
25 a security agreement, whether or not any obligation to be secured is  
26 outstanding;  
27 (B) A person that holds an agricultural lien;  
28 (C) A consignor;  
29 (D) A person to which accounts, chattel paper, payment intangibles, or  
30 promissory notes have been sold;  
31 (E) A trustee, indenture trustee, agent, collateral agent, or other representative  
32 in whose favor a security interest or agricultural lien is created or provided  
33 for; or  
34 (F) A person that holds a security interest arising under §§ 57A-2-401, 57A-2-  
35 505, 57A-2-711(3), 57A-2A-508(5), 57A-4-210, or 57A-5-118.

- 1 (74) "Security agreement" means an agreement that creates or provides for a security  
2 interest.
- 3 ~~(75) "Send," in connection with a record or notification, means:~~
- 4 ~~(A) To deposit in the mail, deliver for transmission, or transmit by any other usual~~  
5 ~~means of communication, with postage or cost of transmission provided for,~~  
6 ~~addressed to any address reasonable under the circumstances; or~~
- 7 ~~(B) To cause the record or notification to be received within the time that it would have~~  
8 ~~been received if properly sent under subparagraph (A). (Reserved.)~~
- 9 (76) "Software" means a computer program and any supporting information provided  
10 in connection with a transaction relating to the program. The term does not include  
11 a computer program that is included in the definition of goods.
- 12 (77) "State" means a state of the United States, the District of Columbia, Puerto Rico,  
13 the United States Virgin Islands, or any territory or insular possession subject to  
14 the jurisdiction of the United States.
- 15 (78) "Supporting obligation" means a letter-of-credit right or secondary obligation that  
16 supports the payment or performance of an account, chattel paper, a document, a  
17 general intangible, an instrument, or investment property.
- 18 ~~(79) "Tangible chattel paper" means chattel paper evidenced by a record or records~~  
19 ~~consisting of information that is inscribed on a tangible medium. (Reserved.)~~
- 20 (79A) "Tangible money" means money in a tangible form.
- 21 (80) "Termination statement" means an amendment of a financing statement which:
- 22 (A) Identifies, by its file number, the initial financing statement to which it  
23 relates; and
- 24 (B) Indicates either that it is a termination statement or that the identified  
25 financing statement is no longer effective.
- 26 (81) "Transmitting utility" means a person primarily engaged in the business of:
- 27 (A) Operating a railroad, subway, street railway, or trolley bus;
- 28 (B) Transmitting communications electrically, electromagnetically, or by light;
- 29 (C) Transmitting goods by pipeline or sewer; or
- 30 (D) Transmitting or producing and transmitting electricity, steam, gas, or water.
- 31 (b) The following definitions in other sections apply to this chapter:
- 32 "Applicant." § 57A-5-102.
- 33 "Broker." § 57A-8-102.
- 34 "Certificated security." § 57A-8-102.
- 35 "Check." § 57A-3-104.

- 1 "Clearing corporation." § 57A-8-102.
- 2 "Contract for sale." § 57A-2-106.
- 3 "Control" (with respect to a document of title) § 57A-7-106.
- 4 "Controllable electronic record." Section 93 of this Act.
- 5 "Customer." § 57A-4-104.
- 6 "Entitlement holder." § 57A-8-102.
- 7 "Financial asset." § 57A-8-102.
- 8 "Holder in due course." § 57A-3-302.
- 9 "Issuer" (with respect to a letter of credit or letter-of-credit right). § 57A-5-102.
- 10 "Issuer" (with respect to a security). § 57A-8-201.
- 11 "Lease." § 57A-2A-103.
- 12 "Lease agreement." § 57A-2A-103.
- 13 "Lease contract." § 57A-2A-103.
- 14 "Leasehold interest." § 57A-2A-103.
- 15 "Lessee." § 57A-2A-103.
- 16 "Lessee in ordinary course of business." § 57A-2A-103.
- 17 "Lessor." § 57A-2A-103.
- 18 "Lessor's residual interest." § 57A-2A-103.
- 19 "Letter of credit." § 57A-5-102.
- 20 "Merchant." § 57A-2-104.
- 21 "Negotiable instrument." § 57A-3-104.
- 22 "Nominated person." § 57A-5-102.
- 23 "Note." § 57A-3-104.
- 24 "Proceeds of a letter of credit." § 57A-5-114.
- 25 "Protected purchaser." § 57A-8-303.
- 26 "Prove." § 57A-3-103.
- 27 "Qualifying purchaser." Section 93 of this Act.
- 28 "Sale." § 57A-2-106.
- 29 "Securities account." § 57A-8-501.
- 30 "Securities intermediary." § 57A-8-102.
- 31 "Security." § 57A-8-102.
- 32 "Security certificate." § 57A-8-102.
- 33 "Security entitlement." § 57A-8-102.
- 34 "Uncertificated security." § 57A-8-102.

1 (c) SDCL chapter 57A-1 contains general definitions and principles of construction  
2 and interpretation applicable throughout this chapter.

3 **Section 43. That § 57A-9-104 be AMENDED:**

4 **57A-9-104.** (a) A secured party has control of a deposit account if:

5 (1) The secured party is the bank with which the deposit account is maintained;  
6 (2) The debtor, secured party, and bank have agreed in ~~an authenticated~~ a signed  
7 record that the bank will comply with instructions originated by the secured party  
8 directing disposition of the funds in the deposit account without further consent by  
9 the debtor; ~~or~~

10 (3) The secured party becomes the bank's customer with respect to the deposit  
11 account; or

12 (4) Another person, other than the debtor:

13 (A) Has control of the deposit account and acknowledges that it has control on  
14 behalf of the secured party; or

15 (B) Obtains control of the deposit account after having acknowledged that it will  
16 obtain control of the deposit account on behalf of the secured party.

17 (b) A secured party that has satisfied subsection (a) has control, even if the debtor  
18 retains the right to direct the disposition of funds from the deposit account.

19 **Section 44. That § 57A-9-105 be AMENDED:**

20 ~~**57A-9-105.** (a) A secured party has control of electronic chattel paper if a system~~  
21 ~~employed for evidencing the transfer of interests in the chattel paper reliably establishes~~  
22 ~~the secured party as the person to which the chattel paper was assigned.~~

23 ~~(b) A system satisfies subsection (a) and a secured party has control of electronic~~  
24 ~~chattel paper, if the record or records comprising the chattel paper are created, stored,~~  
25 ~~and assigned in such a manner that:~~

26 ~~(1) A single authoritative copy of the record or records exists which is unique,~~  
27 ~~identifiable and, except as otherwise provided in paragraphs (4), (5), and (6),~~  
28 ~~unalterable;~~

29 ~~(2) The authoritative copy identifies the secured party as the assignee of the record or~~  
30 ~~records;~~

31 ~~(3) The authoritative copy is communicated to and maintained by the secured party or~~  
32 ~~its designated custodian;~~

1 ~~(4) Copies or amendments that add or change an identified assignee of the~~  
2 ~~authoritative copy can be made only with the consent of the secured party;~~

3 ~~(5) Each copy of the authoritative copy and any copy of a copy is readily identifiable~~  
4 ~~as a copy that is not the authoritative copy; and~~

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

7 (a) A purchaser has control of an authoritative electronic copy of a record  
8 evidencing chattel paper if a system employed for evidencing the assignment of interests  
9 in the chattel paper reliably establishes the purchaser as the person to which the  
10 authoritative electronic copy was assigned.

11 (b) A system satisfies subsection (a) if the record or records evidencing the chattel  
12 paper are created, stored, and assigned in a manner that:

13 (1) A single authoritative copy of the record or records exists which is unique,  
14 identifiable, and, except as otherwise provided in paragraphs (4), (5), and (6),  
15 unalterable;

16 (2) The authoritative copy identifies the purchaser as the assignee of the record or  
17 records;

18 (3) The authoritative copy is communicated to and maintained by the purchaser or its  
19 designated custodian;

20 (4) Copies or amendments that add or change an identified assignee of the  
21 authoritative copy can be made only with the consent of the purchaser;

22 (5) Each copy of the authoritative copy and any copy of a copy is readily identifiable  
23 as a copy that is not the authoritative copy; and

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

26 (c) A system satisfies subsection (a), and a purchaser has control of an  
27 authoritative electronic copy of a record evidencing chattel paper, if the electronic copy,  
28 a record attached to or logically associated with the electronic copy, or a system in which  
29 the electronic copy is recorded:

30 (1) Enables the purchaser readily to identify each electronic copy as either an  
31 authoritative copy or a nonauthoritative copy;

32 (2) Enables the purchaser readily to identify itself in any way, including by name,  
33 identifying number, cryptographic key, office, or account number, as the assignee  
34 of the authoritative electronic copy; and

35 (3) Gives the purchaser exclusive power, subject to subsection (d), to:

1 (A) Prevent others from adding or changing an identified assignee of the  
 2 authoritative electronic copy; and

3 (B) Transfer control of the authoritative electronic copy.

4 (d) Subject to subsection (e), a power is exclusive under subsection (c)(3)(A) and  
 5 (B) even if:

6 (1) The authoritative electronic copy, a record attached to or logically associated with  
 7 the authoritative electronic copy, or a system in which the authoritative electronic  
 8 copy is recorded limits the use of the authoritative electronic copy or has a protocol  
 9 programmed to cause a change, including a transfer or loss of control; or

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

11 (e) A power of a purchaser is not shared with another person under subsection  
 12 (d)(2) and the purchaser's power is not exclusive if:

13 (1) The purchaser can exercise the power only if the power also is exercised by the  
 14 other person; and

15 (2) The other person:

16 (A) Can exercise the power without exercise of the power by the purchaser; or

17 (B) Is the transferor to the purchaser of an interest in the chattel paper.

18 (f) If a purchaser has the powers specified in subsection (c)(3)(A) and (B), the  
 19 powers are presumed to be exclusive.

20 (g) A purchaser has control of an authoritative electronic copy of a record  
 21 evidencing chattel paper if another person, other than the transferor to the purchaser of  
 22 an interest in the chattel paper:

23 (1) Has control of the authoritative electronic copy and acknowledges that it has  
 24 control on behalf of the purchaser; or

25 (2) Obtains control of the authoritative electronic copy after having acknowledged that  
 26 it will obtain control of the electronic copy on behalf of the purchaser.

27 **Section 45. That chapter 57A-9 be amended with a NEW SECTION:**

28 (a) A person has control of electronic money if:

29 (1) The electronic money, a record attached to or logically associated with the  
 30 electronic money, or a system in which the electronic money is recorded gives the  
 31 person:

32 (A) Power to avail itself of substantially all the benefit from the electronic  
 33 money; and

34 (B) Exclusive power, subject to subsection (b), to:



- 1                    (i) Prevent others from availing themselves of substantially all the  
 2                    benefit from the electronic money; and  
 3                    (ii) Transfer control of the electronic money to another person or cause  
 4                    another person to obtain control of other electronic money as a  
 5                    result of the transfer of the electronic money; and  
 6                    (2) The electronic money, a record attached to or logically associated with the  
 7                    electronic money, or a system in which the electronic money is recorded, enables  
 8                    the person readily to identify itself in any way, including by name, identifying  
 9                    number, cryptographic key, office, or account number, as having the powers under  
 10                   paragraph (1).  
 11                   (b) Subject to subsection (c), a power is exclusive under subsection (a)(1)(B)(i)  
 12                   and (ii) even if:  
 13                   (1) The electronic money, a record attached to or logically associated with the  
 14                   electronic money, or a system in which the electronic money is recorded, limits the  
 15                   use of the electronic money or has a protocol programmed to cause a change,  
 16                   including a transfer or loss of control; or  
 17                   (2) The power is shared with another person.  
 18                   (c) A power of a person is not shared with another person under subsection (b)(2)  
 19                   and the person's power is not exclusive if:  
 20                   (1) The person can exercise the power only if the power also is exercised by the other  
 21                   person; and  
 22                   (2) The other person:  
 23                   (A) Can exercise the power without exercise of the power by the person; or  
 24                   (B) Is the transferor to the person of an interest in the electronic money.  
 25                   (d) If a person has the powers specified in subsection (a)(1)(B)(i) and (ii), the  
 26                   powers are presumed to be exclusive.  
 27                   (e) A person has control of electronic money if another person, other than the  
 28                   transferor to the person of an interest in the electronic money:  
 29                   (1) Has control of the electronic money and acknowledges that it has control on behalf  
 30                   of the person; or  
 31                   (2) Obtains control of the electronic money after having acknowledged that it will  
 32                   obtain control of the electronic money on behalf of the person.

33 **Section 46. That chapter 57A-9 be amended with a NEW SECTION:**

1           (a) A secured party has control of a controllable electronic record as provided in  
 2           section 96 of this Act.

3           (b) A secured party has control of a controllable account or controllable payment  
 4           intangible if the secured party has control of the controllable electronic record that  
 5           evidences the controllable account or controllable payment intangible.

6           **Section 47. That chapter 57A-9 be amended with a NEW SECTION:**

7           (a) A person that has control under § 57A-9-104, 57A-9-105, or section 45 of this  
 8           Act is not required to acknowledge that it has control on behalf of another person.

9           (b) If a person acknowledges that it has or will obtain control on behalf of another  
 10          person, unless the person otherwise agrees or law other than this chapter otherwise  
 11          provides, the person does not owe any duty to the other person and is not required to  
 12          confirm the acknowledgement to any other person.

13          **Section 48. That § 57A-9-203 be AMENDED:**

14                   **57A-9-203.** (a) A security interest attaches to collateral when it becomes  
 15                   enforceable against the debtor with respect to the collateral, unless an agreement  
 16                   expressly postpones the time of attachment.

17                   (b) Except as otherwise provided in subsections (c) through (i), a security interest  
 18                   is enforceable against the debtor and third parties with respect to the collateral only if:

- 19                   (1) Value has been given;
- 20                   (2) The debtor has rights in the collateral or the power to transfer rights in the  
 21                   collateral to a secured party; and
- 22                   (3) One of the following conditions is met:
- 23                   (A) The debtor has ~~authenticated~~signed a security agreement that provides a  
 24                   description of the collateral and, if the security interest covers timber to be  
 25                   cut, a description of the land concerned;
- 26                   (B) The collateral is not a certificated security and is in the possession of the  
 27                   secured party under § 57A-9-313 pursuant to the debtor's security  
 28                   agreement;
- 29                   (C) The collateral is a certificated security in registered form and the security  
 30                   certificate has been delivered to the secured party under § 57A-8-301  
 31                   pursuant to the debtor's security agreement;~~or~~
- 32                   (D) The collateral is controllable accounts, controllable electronic records,  
 33                   controllable payment intangibles, deposit accounts, electronic chattel

1 ~~paper, electronic documents, electric money,~~ investment property, or letter-  
2 of-credit rights, ~~or electronic documents,~~ and the secured party has control  
3 under § ~~57A-7-106, 57A-9-104, 57A-9-105~~section 45 of this Act, 57A-9-  
4 106, 57A-9-107, or ~~57A-7-106~~section 46 of this Act pursuant to the debtor's  
5 security agreement-; or

6 (E) The collateral is chattel paper and the secured party has possession and  
7 control under Section 63 of this Act pursuant to the debtor's security  
8 agreement.

9 (c) Subsection (b) is subject to § 57A-4-210 on the security interest of a collecting  
10 bank, § 57A-5-118 on the security interest of a letter-of-credit issuer or nominated  
11 person, § 57A-9-110 on a security interest arising under chapter 57A-2 or 57A-2A, and  
12 § 57A-9-206 on security interests in investment property.

13 (d) A person becomes bound as debtor by a security agreement entered into by  
14 another person if, by operation of law other than this chapter or by contract:

15 (1) The security agreement becomes effective to create a security interest in the  
16 person's property; or

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

20 (e) If a new debtor becomes bound as debtor by a security agreement entered into  
21 by another person:

22 (1) The agreement satisfies subsection (b)(3) with respect to existing or after-acquired  
23 property of the new debtor to the extent the property is described in the  
24 agreement; and

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

27 (f) The attachment of a security interest in collateral gives the secured party the  
28 rights to proceeds provided by § 57A-9-315 and is also attachment of a security interest  
29 in a supporting obligation for the collateral.

30 (g) The attachment of a security interest in a right to payment or performance  
31 secured by a security interest or other lien on personal or real property is also attachment  
32 of a security interest in the security interest, mortgage, or other lien.

33 (h) The attachment of a security interest in a securities account is also attachment  
34 of a security interest in the security entitlements carried in the securities account.

1 (i) The attachment of a security interest in a commodity account is also attachment  
2 of a security interest in the commodity contracts carried in the commodity account.

3 **Section 49. That § 57A-9-204 be AMENDED:**

4 **57A-9-204.** (a) Except as otherwise provided in subsection (b), a security  
5 agreement may create or provide for a security interest in after-acquired collateral.

6 (b) ~~A~~Subject to subsection (b.1), a security interest does not attach under a term  
7 constituting an after-acquired property clause to:

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

11 (2) A commercial tort claim.

12 (b.1) Subsection (b) does not prevent a security interest from attaching:

13 (1) To consumer goods as proceeds under § 57A-9-315(a) or commingled goods under  
14 § 57A-9-336(c);

15 (2) To a commercial tort claim as proceeds under § 57A-9-315(a); or

16 (3) Under an after-acquired property clause to property that is proceeds of consumer  
17 goods or a commercial tort claim.

18 (c) A security agreement may provide that collateral secures, or that accounts,  
19 chattel paper, payment intangibles, or promissory notes are sold in connection with, future  
20 advances or other value, whether or not the advances or value are given pursuant to  
21 commitment.

22 **Section 50. That § 57A-9-207 be AMENDED:**

23 **57A-9-207.** (a) Except as otherwise provided in subsection (d), a secured party  
24 shall use reasonable care in the custody and preservation of collateral in the secured  
25 party's possession. In the case of chattel paper or an instrument, reasonable care includes  
26 taking necessary steps to preserve rights against prior parties unless otherwise agreed.

27 (b) Except as otherwise provided in subsection (d), if a secured party has  
28 possession of collateral:

29 (1) Reasonable expenses, including the cost of insurance and payment of taxes or  
30 other charges, incurred in the custody, preservation, use, or operation of the  
31 collateral are chargeable to the debtor and are secured by the collateral;

32 (2) The risk of accidental loss or damage is on the debtor to the extent of a deficiency  
33 in any effective insurance coverage;

- 1 (3) The secured party shall keep the collateral identifiable, but fungible collateral may  
2 be commingled; and
- 3 (4) The secured party may use or operate the collateral:
- 4 (A) For the purpose of preserving the collateral or its value;
- 5 (B) As permitted by an order of a court having competent jurisdiction; or
- 6 (C) Except in the case of consumer goods, in the manner and to the extent  
7 agreed by the debtor.
- 8 (c) Except as otherwise provided in subsection (d), a secured party having  
9 possession of collateral or control of collateral under § 57A-7-106, 57A-9-104, 57A-9-105,  
10 section 45 of this Act, 57A-9-106, 57A-9-107, or ~~57A-7-106~~ section 46 of this Act:
- 11 (1) May hold as additional security any proceeds, except money or funds, received  
12 from the collateral;
- 13 (2) Shall apply money or funds received from the collateral to reduce the secured  
14 obligation, unless remitted to the debtor; and
- 15 (3) May create a security interest in the collateral.
- 16 (d) If the secured party is a buyer of accounts, chattel paper, payment intangibles,  
17 or promissory notes or a consignor:
- 18 (1) Subsection (a) does not apply unless the secured party is entitled under an  
19 agreement:
- 20 (A) To charge back uncollected collateral; or
- 21 (B) Otherwise to full or limited recourse against the debtor or a secondary  
22 obligor based on the nonpayment or other default of an account debtor or  
23 other obligor on the collateral; and
- 24 (2) Subsections (b) and (c) do not apply.

25 **Section 51. That § 57A-9-208 be AMENDED:**

26 **57A-9-208.** (a) This section applies to cases in which there is no outstanding  
27 secured obligation and the secured party is not committed to make advances, incur  
28 obligations, or otherwise give value.

29 (b) Within ten days after receiving ~~an authenticated~~ a signed demand by the debtor:

- 30 (1) A secured party having control of a deposit account under § 57A-9-104(a)(2) shall  
31 send to the bank with which the deposit account is maintained ~~an authenticated~~  
32 ~~statement~~ a signed record that releases the bank from any further obligation to  
33 comply with instructions originated by the secured party;
- 34 (2) A secured party having control of a deposit account under § 57A-9-104(a)(3) shall:

- 1 (A) Pay the debtor the balance on deposit in the deposit account; or
- 2 (B) Transfer the balance on deposit into a deposit account in the debtor's name;
- 3 ~~(3) A secured party, other than a buyer, having control of electronic chattel paper~~
- 4 ~~under § 57A-9-105 shall:~~
- 5 ~~(A) Communicate the authoritative copy of the electronic chattel paper to the~~
- 6 ~~debtor or its designated custodian;~~
- 7 ~~(B) If the debtor designates a custodian that is the designated custodian with~~
- 8 ~~which the authoritative copy of the electronic chattel paper is maintained~~
- 9 ~~for the secured party, communicate to the custodian an authenticated~~
- 10 ~~record releasing the designated custodian from any further obligation to~~
- 11 ~~comply with instructions originated by the secured party and instructing the~~
- 12 ~~custodian to comply with instructions originated by the debtor; and~~
- 13 ~~(C) Take appropriate action to enable the debtor or its designated custodian to~~
- 14 ~~make copies of or revisions to the authoritative copy which add or change~~
- 15 ~~an identified assignee of the authoritative copy without the consent of the~~
- 16 ~~secured party;~~
- 17 (3) A secured party, other than a buyer, having control under § 57A-9-105 of an
- 18 authoritative electronic copy of a record evidencing chattel paper shall transfer
- 19 control of the electronic copy to the debtor or a person designated by the debtor;
- 20 (4) A secured party having control of investment property under § 57A-8-106(d)(2) or
- 21 57A-9-106(b) shall send to the securities intermediary or commodity intermediary
- 22 with which the security entitlement or commodity contract is maintained ~~an~~
- 23 ~~authenticated~~ a signed record that releases the securities intermediary or
- 24 commodity intermediary from any further obligation to comply with entitlement
- 25 orders or directions originated by the secured party;
- 26 (5) A secured party having control of a letter-of-credit right under § 57A-9-107 shall
- 27 send to each person having an unfulfilled obligation to pay or deliver proceeds of
- 28 the letter of credit to the secured party ~~an authenticated~~ a signed release from any
- 29 further obligation to pay or deliver proceeds of the letter of credit to the secured
- 30 party; ~~and~~
- 31 ~~(6) A secured party having control of an electronic document shall:~~
- 32 ~~(A) Give control of the electronic document to the debtor or its designated~~
- 33 ~~custodian;~~
- 34 ~~(B) If the debtor designates a custodian that is the designated custodian with~~
- 35 ~~which the authoritative copy of the electronic document is maintained for~~

1                   the secured party, communicate to the custodian an authenticated record  
 2                   releasing the designated custodian from any further obligation to comply  
 3                   with instructions originated by the secured party and instructing the  
 4                   custodian to comply with instructions originated by the debtor; and  
 5           (C) ~~Take appropriate action to enable the debtor or its designated custodian to~~  
 6                   make copies of or revisions to the authoritative copy which add or change  
 7                   an identified assignee of the authoritative copy without the consent of the  
 8                   secured party.

9           (6) A secured party having control under § 57A-7-106 of an authoritative electronic  
 10           copy of an electronic document shall transfer control of the electronic copy to the  
 11           debtor or a person designated by the debtor;

12           (7) A secured party having control under section 45 of this Act of electronic money  
 13           shall transfer control of the electronic money to the debtor or a person designated  
 14           by the debtor; and

15           (8) A secured party having control under section 96 of this Act of a controllable  
 16           electronic record, other than a buyer of a controllable account or controllable  
 17           payment intangible evidenced by the controllable electronic record, shall transfer  
 18           control of the controllable electronic record to the debtor or a person designated  
 19           by the debtor.

20    **Section 52. That § 57A-9-209 be AMENDED:**

21           **57A-9-209.** (a) Except as otherwise provided in subsection (c), this section applies  
 22           if:

- 23           (1) There is no outstanding secured obligation; and  
 24           (2) The secured party is not committed to make advances, incur obligations, or  
 25           otherwise give value.

26           (b) Within 10 days after receiving ~~an authenticated~~ a signed demand by the debtor,  
 27           a secured party shall send to an account debtor that has received notification under §  
 28           57A-9-406(a) or section 97 of this Act of an assignment to the secured party as assignee  
 29           ~~under § 57A-9-406(a) an authenticated~~ a signed record that releases the account debtor  
 30           from any further obligation to the secured party.

31           (c) This section does not apply to an assignment constituting the sale of an account,  
 32           chattel paper, or payment intangible.

33    **Section 53. That § 57A-9-210 be AMENDED:**

- 1           **57A-9-210.** (a) In this section:
- 2           (1) "Request" means a record of a type described in paragraph (2), (3), or (4).
- 3           (2) "Request for an accounting" means a record ~~authenticated~~signed by a debtor
- 4           requesting that the recipient provide an accounting of the unpaid obligations
- 5           secured by collateral and reasonably identifying the transaction or relationship that
- 6           is the subject of the request.
- 7           (3) "Request regarding a list of collateral" means a record ~~authenticated~~signed by a
- 8           debtor requesting that the recipient approve or correct a list of what the debtor
- 9           believes to be the collateral securing an obligation and reasonably identifying the
- 10          transaction or relationship that is the subject of the request.
- 11          (4) "Request regarding a statement of account" means a record ~~authenticated~~signed
- 12          by a debtor requesting that the recipient approve or correct a statement indicating
- 13          what the debtor believes to be the aggregate amount of unpaid obligations secured
- 14          by collateral as of a specified date and reasonably identifying the transaction or
- 15          relationship that is the subject of the request.
- 16          (b) Subject to subsections (c), (d), (e), and (f), a secured party, other than a buyer
- 17          of accounts, chattel paper, payment intangibles, or promissory notes or a consignor, shall
- 18          comply with a request within 14 days after receipt:
- 19          (1) In the case of a request for an accounting, by ~~authenticating~~signing and sending
- 20          to the debtor an accounting; and
- 21          (2) In the case of a request regarding a list of collateral or a request regarding a
- 22          statement of account, by ~~authenticating~~signing and sending to the debtor an
- 23          approval or correction.
- 24          (c) A secured party that claims a security interest in all of a particular type of
- 25          collateral owned by the debtor may comply with a request regarding a list of collateral by
- 26          sending to the debtor ~~an authenticated~~a signed record including a statement to that effect
- 27          within 14 days after receipt.
- 28          (d) A person that receives a request regarding a list of collateral, claims no interest
- 29          in the collateral when it receives the request, and claimed an interest in the collateral at
- 30          an earlier time shall comply with the request within 14 days after receipt by sending to
- 31          the debtor ~~an authenticated~~a signed record:
- 32          (1) Disclaiming any interest in the collateral; and
- 33          (2) If known to the recipient, providing the name and mailing address of any assignee
- 34          of or successor to the recipient's interest in the collateral.



(e) A person that receives a request for an accounting or a request regarding a statement of account, claims no interest in the obligations when it receives the request, and claimed an interest in the obligations at an earlier time shall comply with the request within 14 days after receipt by sending to the debtor ~~an authenticated~~ a signed record:

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

(f) A debtor is entitled without charge to one response to a request under this section during any six-month period. The secured party may require payment of a charge not exceeding \$25 for each additional response.

**Section 54. That § 57A-9-301 be AMENDED:**

**57A-9-301.** Except as otherwise provided in §§ 57A-9-303 through ~~57A-9-306~~ section 58 of this Act, the following rules determine the law governing perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral:

- (1) Except as otherwise provided in this section, while a debtor is located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral.
- (2) While collateral is located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a possessory security interest in that collateral.
- (3) Except as otherwise provided in paragraph (4), while ~~tangible-negotiable~~ tangible documents, goods, instruments, or tangible money, ~~or tangible chattel paper~~ is located in a jurisdiction, the local law of that jurisdiction governs:
  - (A) Perfection of a security interest in the goods by filing a fixture filing;
  - (B) Perfection of a security interest in timber to be cut; and
  - (C) The effect of perfection or nonperfection and the priority of a nonpossessory security interest in the collateral.
- (4) The local law of the jurisdiction in which the wellhead or minehead is located governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in as-extracted collateral.

**Section 55. That § 57A-9-304 be AMENDED:**

**57A-9-304.** (a) The local law of a bank's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a deposit account

1 maintained with that bank even if the transaction does not bear any relation to the bank's  
2 jurisdiction.

3 (b) The following rules determine a bank's jurisdiction for purposes of this part:

- 4 (1) If an agreement between the bank and the debtor governing the deposit account  
5 expressly provides that a particular jurisdiction is the bank's jurisdiction for  
6 purposes of this part, this chapter, or the Uniform Commercial Code, that  
7 jurisdiction is the bank's jurisdiction.
- 8 (2) If paragraph (1) does not apply and an agreement between the bank and its  
9 customer governing the deposit account expressly provides that the agreement is  
10 governed by the law of a particular jurisdiction, that jurisdiction is the bank's  
11 jurisdiction.
- 12 (3) If neither paragraph (1) nor paragraph (2) applies and an agreement between the  
13 bank and its customer governing the deposit account expressly provides that the  
14 deposit account is maintained at an office in a particular jurisdiction, that  
15 jurisdiction is the bank's jurisdiction.
- 16 (4) If none of the preceding paragraphs applies, the bank's jurisdiction is the  
17 jurisdiction in which the office identified in an account statement as the office  
18 serving the customer's account is located.
- 19 (5) If none of the preceding paragraphs applies, the bank's jurisdiction is the  
20 jurisdiction in which the chief executive office of the bank is located.

21 **Section 56. That § 57A-9-305 be AMENDED:**

22 **57A-9-305.** (a) Except as otherwise provided in subsection (c), the following rules  
23 apply:

- 24 (1) While a security certificate is located in a jurisdiction, the local law of that  
25 jurisdiction governs perfection, the effect of perfection or nonperfection, and the  
26 priority of a security interest in the certificated security represented thereby.
- 27 (2) The local law of the issuer's jurisdiction as specified in § 57A-8-110(d) governs  
28 perfection, the effect of perfection or nonperfection, and the priority of a security  
29 interest in an uncertificated security.
- 30 (3) The local law of the securities intermediary's jurisdiction as specified in § 57A-8-  
31 110(e) governs perfection, the effect of perfection or nonperfection, and the  
32 priority of a security interest in a security entitlement or securities account.

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

4 (5) Paragraphs (2), (3), and (4) apply even if the transaction does not bear any  
5 relation to the jurisdiction.

6 (b) The following rules determine a commodity intermediary's jurisdiction for  
7 purposes of this part:

8 (1) If an agreement between the commodity intermediary and commodity customer  
9 governing the commodity account expressly provides that a particular jurisdiction  
10 is the commodity intermediary's jurisdiction for purposes of this part, this chapter,  
11 or the Uniform Commercial Code, that jurisdiction is the commodity intermediary's  
12 jurisdiction.

13 (2) If paragraph (1) does not apply and an agreement between the commodity  
14 intermediary and commodity customer governing the commodity account  
15 expressly provides that the agreement is governed by the law of a particular  
16 jurisdiction, that jurisdiction is the commodity intermediary's jurisdiction.

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

22 (4) If none of the preceding paragraphs applies, the commodity intermediary's  
23 jurisdiction is the jurisdiction in which the office identified in an account statement  
24 as the office serving the commodity customer's account is located.

25 (5) If none of the preceding paragraphs applies, the commodity intermediary's  
26 jurisdiction is the jurisdiction in which the chief executive office of the commodity  
27 intermediary is located.

28 (c) The local law of the jurisdiction in which the debtor is located governs:

29 (1) perfection of a security interest in investment property by filing;

30 (2) automatic perfection of a security interest in investment property created by a  
31 broker or securities intermediary; and

32 (3) automatic perfection of a security interest in a commodity contract or commodity  
33 account created by a commodity intermediary.

34 **Section 57. That chapter 57A-9 be amended with a NEW SECTION:**

1           (a) Except as provided in subsection (d), if chattel paper is evidenced only by an  
2 authoritative electronic copy of the chattel paper or is evidenced by an authoritative  
3 electronic copy and an authoritative tangible copy, the local law of the chattel paper's  
4 jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority  
5 of a security interest in the chattel paper, even if the transaction does not bear any relation  
6 to the chattel paper's jurisdiction.

7           (b) The following rules determine the chattel paper's jurisdiction under this section:

8       (1) If the authoritative electronic copy of the record evidencing chattel paper, or a  
9 record attached to or logically associated with the electronic copy and readily  
10 available for review, expressly provides that a particular jurisdiction is the chattel  
11 paper's jurisdiction for purposes of this section, this chapter, or title 57A, that  
12 jurisdiction is the chattel paper's jurisdiction.

13       (2) If paragraph (1) does not apply and the rules of the system in which the  
14 authoritative electronic copy is recorded are readily available for review and  
15 expressly provide that a particular jurisdiction is the chattel paper's jurisdiction for  
16 purposes of this section, this chapter, or title 57A, that jurisdiction is the chattel  
17 paper's jurisdiction.

18       (3) If paragraphs (1) and (2) do not apply and the authoritative electronic copy, or a  
19 record attached to or logically associated with the electronic copy and readily  
20 available for review, expressly provides that the chattel paper is governed by the  
21 law of a particular jurisdiction, that jurisdiction is the chattel paper's jurisdiction.

22       (4) If paragraphs (1), (2), and (3) do not apply and the rules of the system in which  
23 the authoritative electronic copy is recorded are readily available for review and  
24 expressly provide that the chattel paper or the system is governed by the law of a  
25 particular jurisdiction, that jurisdiction is the chattel paper's jurisdiction.

26       (5) If paragraphs (1) through (4) do not apply, the chattel paper's jurisdiction is the  
27 jurisdiction in which the debtor is located.

28           (c) If an authoritative tangible copy of a record evidences chattel paper and the  
29 chattel paper is not evidenced by an authoritative electronic copy, while the authoritative  
30 tangible copy of the record evidencing chattel paper is located in a jurisdiction, the local  
31 law of that jurisdiction governs:

32       (1) Perfection of a security interest in the chattel paper by possession under section  
33 63 of this Act; and

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

1           (d) The local law of the jurisdiction in which the debtor is located governs perfection  
 2           of a security interest in chattel paper by filing.

3           **Section 58. That chapter 57A-9 be amended with a NEW SECTION:**

4           (a) Except as provided in subsection (b), the local law of the controllable electronic  
 5           record's jurisdiction specified in section 98 of this Act governs perfection, the effect of  
 6           perfection or nonperfection, and the priority of a security interest in a controllable  
 7           electronic record and a security interest in a controllable account or controllable payment  
 8           intangible evidenced by the controllable electronic record.

9           (b) The local law of the jurisdiction in which the debtor is located governs:

10          (1) Perfection of a security interest in a controllable account, controllable electronic  
 11          record, or controllable payment intangible by filing; and

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

14          **Section 59. That § 57A-9-310 be AMENDED:**

15                 **57A-9-310.** (a) Except as otherwise provided in subsection (b) and § 57A-9-  
 16                 312(b), a financing statement must be filed to perfect all security interests and agricultural  
 17                 liens.

18                 (b) The filing of a financing statement is not necessary to perfect a security  
 19                 interest:

20                 (1) That is perfected under § 57A-9-308(d), (e), (f), or (g);

21                 (2) That is perfected under § 57A-9-309 when it attaches;

22                 (3) In property subject to a statute, regulation, or treaty described in § 57A-9-311(a);

23                 (4) In goods in possession of a bailee which is perfected under § 57A-9-312(d)(1) or  
 24                 (2);

25                 (5) In certificated securities, documents, goods, or instruments which is perfected  
 26                 without filing, control, or possession under § 57A-9-312(e), (f), or (g);

27                 (6) In collateral in the secured party's possession under § 57A-9-313;

28                 (7) In a certificated security which is perfected by delivery of the security certificate to  
 29                 the secured party under § 57A-9-313;

30                 (8) In controllable accounts, controllable electronic records, controllable payment  
 31                 intangibles, deposit accounts, ~~electronic chattel paper,~~ investment property, or  
 32                 letter-of-credit rights which is perfected by control under § 57A-9-314;

1 (8.1) In chattel paper which is perfected by possession and control under section 63 of  
 2 this Act;

3 (9) In proceeds which is perfected under § 57A-9-315;

4 (10) That is perfected under § 57A-9-316; or

5 (11) Subject to §§ 49-34-11 to 49-34-11.4, inclusive.

6 (c) If a secured party assigns a perfected security interest or agricultural lien, a  
 7 filing under this chapter is not required to continue the perfected status of the security  
 8 interest against creditors of and transferees from the original debtor.

9 **Section 60. That § 57A-9-312 be AMENDED:**

10 **57A-9-312.** (a) A security interest in chattel paper, ~~negotiable~~  
 11 ~~documents, controllable accounts, controllable electronic records, controllable payment~~  
 12 ~~intangibles,~~ instruments, ~~or investment property,~~ or negotiable documents may be  
 13 perfected by filing.

14 (b) Except as otherwise provided in § 57A-9-315(c) and (d) for proceeds:

15 (1) A security interest in a deposit account may be perfected only by control under  
 16 § 57A-9-314;

17 (2) And except as otherwise provided in § 57A-9-308(d), a security interest in a letter-  
 18 of-credit right may be perfected only by control under § 57A-9-314; ~~and~~

19 (3) A security interest in tangible money may be perfected only by the secured party's  
 20 taking possession under § 57A-9-313; and

21 (4) A security interest in electronic money may be perfected only by control under §  
 22 57A-9-314.

23 (c) While goods are in the possession of a bailee that has issued a negotiable  
 24 document covering the goods:

25 (1) A security interest in the goods may be perfected by perfecting a security interest  
 26 in the document; and

27 (2) A security interest perfected in the document has priority over any security interest  
 28 that becomes perfected in the goods by another method during that time.

29 (d) While goods are in the possession of a bailee that has issued a nonnegotiable  
 30 document covering the goods, a security interest in the goods may be perfected by:

31 (1) Issuance of a document in the name of the secured party;

32 (2) The bailee's receipt of notification of the secured party's interest; or

33 (3) Filing as to the goods.

1 (e) A security interest in certificated securities, negotiable documents, or  
2 instruments is perfected without filing or the taking of possession or control for a period  
3 of twenty days from the time it attaches to the extent that it arises for new value given  
4 under ~~an authenticated~~ a signed security agreement.

5 (f) A perfected security interest in a negotiable document or goods in possession  
6 of a bailee, other than one that has issued a negotiable document for the goods, remains  
7 perfected for twenty days without filing if the secured party makes available to the debtor  
8 the goods or documents representing the goods for the purpose of:

9 (1) Ultimate sale or exchange; or

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

12 (g) A perfected security interest in a certificated security or instrument remains  
13 perfected for twenty days without filing if the secured party delivers the security certificate  
14 or instrument to the debtor for the purpose of:

15 (1) Ultimate sale or exchange; or

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

17 (h) After the twenty-day period specified in subsection (e), (f), or (g) expires,  
18 perfection depends upon compliance with this chapter.

19 **Section 61. That § 57A-9-313 be AMENDED:**

20 **57A-9-313.** (a) Except as otherwise provided in subsection (b), a secured party  
21 may perfect a security interest in ~~tangible negotiable documents, goods, instruments,~~  
22 negotiable tangible documents, or tangible money, ~~or tangible chattel paper~~ by taking  
23 possession of the collateral. A secured party may perfect a security interest in certificated  
24 securities by taking delivery of the certificated securities under § 57A-8-301.

25 (b) With respect to goods covered by a certificate of title issued by this state, a  
26 secured party may perfect a security interest in the goods by taking possession of the  
27 goods only in the circumstances described in § 57A-9-316(d).

28 (c) With respect to collateral other than certificated securities and goods covered  
29 by a document, a secured party takes possession of collateral in the possession of a person  
30 other than the debtor, the secured party, or a lessee of the collateral from the debtor in  
31 the ordinary course of the debtor's business, when:

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

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

4 (d) If perfection of a security interest depends upon possession of the collateral by  
 5 a secured party, perfection occurs no earlier than the time the secured party takes  
 6 possession and continues only while the secured party retains possession.

7 (e) A security interest in a certificated security in registered form is perfected by  
 8 delivery when delivery of the certificated security occurs under § 57A-8-301 and remains  
 9 perfected by delivery until the debtor obtains possession of the security certificate.

10 (f) A person in possession of collateral is not required to acknowledge that it holds  
 11 possession for a secured party's benefit.

12 (g) If a person acknowledges that it holds possession for the secured party's  
 13 benefit:

14 (1) The acknowledgment is effective under subsection (c) or § 57A-8-301(a), even if  
 15 the acknowledgment violates the rights of a debtor; and

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

19 (h) A secured party having possession of collateral does not relinquish possession  
 20 by delivering the collateral to a person other than the debtor or a lessee of the collateral  
 21 from the debtor in the ordinary course of the debtor's business if the person was instructed  
 22 before the delivery or is instructed contemporaneously with the delivery:

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

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

25 (i) A secured party does not relinquish possession, even if a delivery under  
 26 subsection (h) violates the rights of a debtor. A person to which collateral is delivered  
 27 under subsection (h) does not owe any duty to the secured party and is not required to  
 28 confirm the delivery to another person unless the person otherwise agrees or law other  
 29 than this article otherwise provides.

30 **Section 62. That § 57A-9-314 be AMENDED:**

31 **57A-9-314.** (a) A security interest in ~~investment property, deposit accounts,~~  
 32 ~~letter-of-credit rights, electronic chattel paper, or electronic documents~~controllable  
 33 accounts, controllable electronic records, controllable payment intangibles, deposit  
 34 accounts, electronic documents, electronic money, investment property, or letter-of-credit



1 rights may be perfected by control of the collateral under § 57A-7-106, 57A-9-104, ~~57A-~~  
 2 ~~9-105~~section 45 of this Act, 57A-9-106, 57A-9-107, or ~~57A-7-106~~ section 46 of this Act.

3 (b) A security interest in ~~deposit accounts, electronic chattel paper, letter of credit~~  
 4 ~~rights, or electronic documents~~controllable accounts, controllable electronic records,  
 5 controllable payment intangibles, deposit accounts, electronic documents, electronic  
 6 money, or letter-of-credit rights is perfected by control under § 57A-7-106, 57A-9-104,  
 7 ~~57A-9-105~~ section 45 of this Act, 57A-9-107, or ~~57A-7-206~~section 46 of this Act when not  
 8 earlier than the time the secured party obtains control and remains perfected by control  
 9 only while the secured party retains control.

10 (c) A security interest in investment property is perfected by control under § 57A-  
 11 9-106 ~~from~~not earlier than the time the secured party obtains control and remains  
 12 perfected by control until:

13 (1) The secured party does not have control; and

14 (2) One of the following occurs:

15 (A) If the collateral is a certificated security, the debtor has or acquires  
 16 possession of the security certificate;

17 (B) If the collateral is an uncertificated security, the issuer has registered or  
 18 registers the debtor as the registered owner; or

19 (C) If the collateral is a security entitlement, the debtor is or becomes the  
 20 entitlement holder.

21 **Section 63. That chapter 57A-9 be amended with a NEW SECTION:**

22 (a) A secured party may perfect a security interest in chattel paper by taking  
 23 possession of each authoritative tangible copy of the record evidencing the chattel paper  
 24 and obtaining control of each authoritative electronic copy of the electronic record  
 25 evidencing chattel paper.

26 (b) A security interest is perfected under subsection (a) not earlier than the time  
 27 the secured party takes possession and obtains control and remains perfected under  
 28 subsection (a) only while the secured party retains possession and control.

29 (c) Section 57A-9-313(c) and (f) through (i) applies to perfection by possession of  
 30 an authoritative tangible copy of a record evidencing chattel paper.

31 **Section 64. That § 57A-9-316 be AMENDED:**

1           **57A-9-316.** (a) A security interest perfected pursuant to the law of the jurisdiction  
2 designated in § 57A-9-301(1), ~~or 57A-9-305(c)~~, section 57 of this Act, or section 58 of  
3 this Act remains perfected until the earliest of:

- 4 (1) The time perfection would have ceased under the law of that jurisdiction;
- 5 (2) The expiration of four months after a change of the debtor's location to another  
6 jurisdiction; or
- 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) If a security interest described in subsection (a) becomes perfected under the  
10 law of the other jurisdiction before the earliest time or event described in that subsection,  
11 it remains perfected thereafter. If the security interest does not become perfected under  
12 the law of the other jurisdiction before the earliest time or event, it becomes unperfected  
13 and is deemed never to have been perfected as against a purchaser of the collateral for  
14 value.

15           (c) A possessory security interest in collateral, other than goods covered by a  
16 certificate of title and as-extracted collateral consisting of goods, remains continuously  
17 perfected if:

- 18 (1) The collateral is located in one jurisdiction and subject to a security interest  
19 perfected under the law of that jurisdiction;
- 20 (2) Thereafter the collateral is brought into another jurisdiction; and
- 21 (3) Upon entry into the other jurisdiction, the security interest is perfected under the  
22 law of the other jurisdiction.

23           (d) Except as otherwise provided in subsection (e), a security interest in goods  
24 covered by a certificate of title which is perfected by any method under the law of another  
25 jurisdiction when the goods become covered by a certificate of title from this State remains  
26 perfected until the security interest would have become unperfected under the law of the  
27 other jurisdiction had the goods not become so covered.

28           (e) A security interest described in subsection (d) becomes unperfected as against  
29 a purchaser of the goods for value and is deemed never to have been perfected as against  
30 a purchaser of the goods for value if the applicable requirements for perfection under  
31 § 57A-9-311(b) or 57A-9-313 are not satisfied before the earlier of:

- 32 (1) The time the security interest would have become unperfected under the law of  
33 the other jurisdiction had the goods not become covered by a certificate of title  
34 from this state; or
- 35 (2) The expiration of four months after the goods had become so covered.

1 (f) A security interest in chattel paper, controllable accounts, controllable electronic  
2 records, controllable payment intangibles, deposit accounts, letter-of-credit rights, or  
3 investment property which is perfected under the law of the chattel paper's jurisdiction,  
4 the controllable electronic record's jurisdiction, the bank's jurisdiction, the issuer's  
5 jurisdiction, a nominated person's jurisdiction, the securities intermediary's jurisdiction,  
6 or the commodity intermediary's jurisdiction, as applicable, remains perfected until the  
7 earlier of:

- 8 (1) The time the security interest would have become unperfected under the law of  
9 that jurisdiction; or  
10 (2) The expiration of four months after a change of the applicable jurisdiction to  
11 another jurisdiction.

12 (g) If a security interest described in subsection (f) becomes perfected under the  
13 law of the other jurisdiction before the earlier of the time or the end of the period described  
14 in that subsection, it remains perfected thereafter. If the security interest does not become  
15 perfected under the law of the other jurisdiction before the earlier of that time or the end  
16 of that period, it becomes unperfected and is deemed never to have been perfected as  
17 against a purchaser of the collateral for value.

18 (h) The following rules apply to collateral to which a security interest attaches  
19 within four months after the debtor changes its location to another jurisdiction:

- 20 (1) A financing statement filed before the change pursuant to the law of the jurisdiction  
21 designated in § 57A-9-301(1) or 57A-9-305(c) is effective to perfect a security  
22 interest in the collateral if the financing statement would have been effective to  
23 perfect a security interest in the collateral had the debtor not changed its location;  
24 (2) If a security interest perfected by a financing statement that is effective under  
25 paragraph (1) becomes perfected under the law of the other jurisdiction before the  
26 earlier of the time the financing statement would have become ineffective under  
27 the law of the jurisdiction designated in § 57A-9-301(1) or 57A-9-305(c) or the  
28 expiration of the four-month period, it remains perfected thereafter. If the security  
29 interest does not become perfected under the law of the other jurisdiction before  
30 the earlier time or event, it becomes unperfected and is deemed never to have  
31 been perfected as against a purchaser of the collateral for value.

32 (i) If a financing statement naming an original debtor is filed pursuant to the law  
33 of the jurisdiction designated in § 57A-9-301(1) or 57A-9-305(c) and the new debtor is  
34 located in another jurisdiction, the following rules apply:

- 1 (1) The financing statement is effective to perfect a security interest in collateral in  
 2 which the new debtor has or acquires rights before or within four months after the  
 3 new debtor becomes bound under § 57A-9-203(d), if the financing statement  
 4 would have been effective to perfect a security interest in the collateral if the  
 5 collateral been acquired by the original debtor.
- 6 (2) A security interest perfected by the financing statement and which becomes  
 7 perfected under the law of the other jurisdiction before the earlier of the expiration  
 8 of the four-month period or the time the financing statement would have become  
 9 ineffective under the law of the jurisdiction designated in § 57A-9-301(1) or 57A-  
 10 9-305(c) remains perfected thereafter. A security interest that is perfected by the  
 11 financing statement but which does not become perfected under the law of the  
 12 other jurisdiction before the earlier time or event becomes unperfected and is  
 13 deemed never to have been perfected as against a purchaser of the collateral for  
 14 value.

15 **Section 65. That § 57A-9-317 be AMENDED:**

- 16 **57A-9-317.** (a) A security interest or agricultural lien is subordinate to the rights  
 17 of:
- 18 (1) A person entitled to priority under § 57A-9-322; and  
 19 (2) Except as otherwise provided in subsection (e), a person that becomes a lien  
 20 creditor before the earlier of the time:
- 21 (A) The security interest or agricultural lien is perfected; or  
 22 (B) One of the conditions specified in § 57A-9-203(b)(3) is met and a financing  
 23 statement covering the collateral is filed.
- 24 (b) Except as otherwise provided in subsection (e), a buyer, other than a secured  
 25 party, ~~of tangible chattel paper, tangible documents,~~of goods, instruments, tangible  
 26 documents, or a certified security takes free of a security interest or agricultural lien if the  
 27 buyer gives value and receives delivery of the collateral without knowledge of the security  
 28 interest or agricultural lien and before it is perfected.
- 29 (c) Except as otherwise provided in subsection (e), a lessee of goods takes free of  
 30 a security interest or agricultural lien if the lessee gives value and receives delivery of the  
 31 collateral without knowledge of the security interest or agricultural lien and before it is  
 32 perfected.
- 33 (d) Subject to subsections (f) through (i), a licensee of a general intangible or a  
 34 buyer, other than a secured party, of collateral other than ~~tangible chattel paper,~~electronic

1 ~~money, tangible documents,~~ goods, instruments, tangible documents, or a certificated  
 2 security takes free of a security interest if the licensee or buyer gives value without  
 3 knowledge of the security interest and before it is perfected.

4 (e) Except as otherwise provided in § 57A-9-320 and 57A-9-321, if a person files  
 5 a financing statement with respect to a purchase-money security interest before or within  
 6 20 days after the debtor receives delivery of the collateral, the security interest takes  
 7 priority over the rights of a buyer, lessee, or lien creditor which arise between the time  
 8 the security interest attaches and the time of filing.

9 (f) A buyer, other than a secured party, of chattel paper takes free of a security  
 10 interest if, without knowledge of the security interest and before it is perfected, the buyer  
 11 gives value and:

12 (1) Receives delivery of each authoritative tangible copy of the record evidencing the  
 13 chattel paper; and

14 (2) If each authoritative electronic copy of the record evidencing the chattel paper can  
 15 be subjected to control under § 57A-9-105, obtains control of each authoritative  
 16 electronic copy.

17 (g) A buyer of an electronic document takes free of a security interest if, without  
 18 knowledge of the security interest and before it is perfected, the buyer gives value and, if  
 19 each authoritative electronic copy of the document can be subjected to control under §  
 20 57A-7-106, obtains control of each authoritative electronic copy.

21 (h) A buyer of a controllable electronic record takes free of a security interest if,  
 22 without knowledge of the security interest and before it is perfected, the buyer gives value  
 23 and obtains control of each controllable electronic record.

24 (i) A buyer, other than a secured party, of a controllable account or a controllable  
 25 payment intangible takes free of a security interest if, without knowledge of the security  
 26 interest and before it is perfected, the buyer gives value and obtains control of the  
 27 controllable account or controllable payment intangible.

28 **Section 66. That § 57A-9-323 be AMENDED:**

29 **57A-9-323.** (a) Except as otherwise provided in subsection (c), for purposes of  
 30 determining the priority of a perfected security interest under § 57A-9-322(a)(1),  
 31 perfection of the security interest dates from the time an advance is made to the extent  
 32 that the security interest secures an advance that:

33 (1) Is made while the security interest is perfected only:

34 (A) Under § 57A-9-309 when it attaches; or

- 1 (B) Temporarily under § 57A-9-312(e), (f), or (g); and  
 2 (2) Is not made pursuant to a commitment entered into before or while the security  
 3 interest is perfected by a method other than under § 57A-9-309 or 57A-9-312(e),  
 4 (f), or (g).

5 (b) Except as otherwise provided in subsection (c), a security interest is  
 6 subordinate to the rights of a person that becomes a lien creditor to the extent that the  
 7 security interest secures an advance made more than forty-five days after the person  
 8 becomes a lien creditor unless the advance is made:

- 9 (1) Without knowledge of the lien; or  
 10 (2) Pursuant to a commitment entered into without knowledge of the lien.

11 (c) Subsections (a) and (b) do not apply to a security interest held by a secured  
 12 party that is a buyer of accounts, chattel paper, payment intangibles, or promissory notes  
 13 or a consignor.

14 (d) Except as otherwise provided in subsection (e), a buyer of goods ~~other than a~~  
 15 ~~buyer in ordinary course of business~~ takes free of a security interest to the extent that it  
 16 secures advances made after the earlier of:

- 17 (1) The time the secured party acquires knowledge of the buyer's purchase; or  
 18 (2) Forty-five days after the purchase.

19 (e) Subsection (d) does not apply if the advance is made pursuant to a commitment  
 20 entered into without knowledge of the buyer's purchase and before the expiration of the  
 21 forty-five-day period.

22 (f) Except as otherwise provided in subsection (g), a lessee of goods, ~~other than a~~  
 23 ~~lessee in ordinary course of business~~, takes the leasehold interest free of a security  
 24 interest to the extent that it secures advances made after the earlier of:

- 25 (1) The time the secured party acquires knowledge of the lease; or  
 26 (2) Forty-five days after the lease contract becomes enforceable.

27 (g) Subsection (f) does not apply if the advance is made pursuant to a commitment  
 28 entered into without knowledge of the lease and before the expiration of the forty-five-day  
 29 period.

30 **Section 67. That § 57A-9-324 be AMENDED:**

31 **57A-9-324.** (a) Except as otherwise provided in subsection (g), a perfected  
 32 purchase-money security interest in goods other than inventory or livestock has priority  
 33 over a conflicting security interest in the same goods, and, except as otherwise provided  
 34 in § 57A-9-327, a perfected security interest in its identifiable proceeds also has priority,

1 if the purchase-money security interest is perfected when the debtor receives possession  
2 of the collateral or within twenty days thereafter.

3 (b) Subject to subsection (c) and except as otherwise provided in subsection (g),  
4 a perfected purchase-money security interest in inventory has priority over a conflicting  
5 security interest in the same inventory, has priority over a conflicting security interest in  
6 chattel paper or an instrument constituting proceeds of the inventory and in proceeds of  
7 the chattel paper, if so provided in § 57A-9-330, and, except as otherwise provided in  
8 § 57A-9-327, also has priority in identifiable cash proceeds of the inventory to the extent  
9 the identifiable cash proceeds are received on or before the delivery of the inventory to a  
10 buyer, if:

- 11 (1) The purchase-money security interest is perfected when the debtor receives  
12 possession of the inventory;
- 13 (2) The purchase-money secured party sends ~~an authenticated~~ a signed notification to  
14 the holder of the conflicting security interest;
- 15 (3) The holder of the conflicting security interest receives the notification within five  
16 years before the debtor receives possession of the inventory; and
- 17 (4) The notification states that the person sending the notification has or expects to  
18 acquire a purchase-money security interest in inventory of the debtor and  
19 describes the inventory.

20 (c) Subsections (b)(2) through (4) apply only if the holder of the conflicting security  
21 interest had filed a financing statement covering the same types of inventory:

- 22 (1) If the purchase-money security interest is perfected by filing, before the date of  
23 the filing; or
- 24 (2) If the purchase-money security interest is temporarily perfected without filing or  
25 possession under § 57A-9-312(f), before the beginning of the twenty-day period  
26 thereunder.

27 (d) Subject to subsection (e) and except as otherwise provided in subsection (g),  
28 a perfected purchase-money security interest in livestock that are farm products has  
29 priority over a conflicting security interest in the same livestock, and, except as otherwise  
30 provided in § 57A-9-327, a perfected security interest in their identifiable proceeds and  
31 identifiable products in their unmanufactured states also has priority, if:

- 32 (1) The purchase-money security interest is perfected when the debtor receives  
33 possession of the livestock;
- 34 (2) The purchase-money secured party sends ~~an authenticated~~ a signed notification to  
35 the holder of the conflicting security interest;

1 (3) The holder of the conflicting security interest receives the notification within six  
2 months before the debtor receives possession of the livestock; and

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

6 (e) Subsections (d)(2) through (4) apply only if the holder of the conflicting security  
7 interest had filed a financing statement covering the same types of livestock:

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

10 (2) If the purchase-money security interest is temporarily perfected without filing or  
11 possession under § 57A-9-312(f), before the beginning of the twenty-day period  
12 thereunder.

13 (f) Except as otherwise provided in subsection (g), a perfected purchase-money  
14 security interest in software has priority over a conflicting security interest in the same  
15 collateral, and, except as otherwise provided in § 57A-9-327, a perfected security interest  
16 in its identifiable proceeds also has priority, to the extent that the purchase-money  
17 security interest in the goods in which the software was acquired for use has priority in  
18 the goods and proceeds of the goods under this section.

19 (g) If more than one security interest qualifies for priority in the same collateral  
20 under subsection (a), (b), (d), or (f):

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

24 (2) In all other cases, § 57A-9-322(a) applies to the qualifying security interests.

25 **Section 68. That chapter 57A-9 be amended with a NEW SECTION:**

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

30 **Section 69. That § 57A-9-330 be AMENDED:**

31 **57A-9-330.** (a) A purchaser of chattel paper has priority over a security interest  
32 in the chattel paper which is claimed merely as proceeds of inventory subject to a security  
33 interest if:



1 (1) In good faith and in the ordinary course of the purchaser's business, the purchaser  
 2 gives new value ~~and~~, takes possession of each authoritative tangible copy of the  
 3 record evidencing the chattel paper or, and obtains control of ~~under § 57A-9-105~~  
 4 of each authoritative electronic copy of the record evidencing the chattel paper  
 5 under § 57A-9-105; and

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

9 (b) A purchaser of chattel paper has priority over a security interest in the chattel  
 10 paper which is claimed other than merely as proceeds of inventory subject to a security  
 11 interest if the purchaser gives new value ~~and~~, takes possession of each authoritative  
 12 tangible copy of the record evidencing the chattel paper or, and obtains control of ~~under §~~  
 13 57A-9-105 of each authoritative electronic copy of the record evidencing the chattel paper  
 14 ~~under § 57A-9-105~~ in good faith, in the ordinary course of the purchaser's business, and  
 15 without knowledge that the purchase violates the rights of the secured party.

16 (c) Except as otherwise provided in § 57A-9-327, a purchaser having priority in  
 17 chattel paper under subsection (a) or (b) also has priority in proceeds of the chattel paper  
 18 to the extent that:

- 19 (1) Section 57A-9-322 provides for priority in the proceeds; or  
 20 (2) The proceeds consist of the specific goods covered by the chattel paper or cash  
 21 proceeds of the specific goods, even if the purchaser's security interest in the  
 22 proceeds is unperfected.

23 (d) Except as otherwise provided in § 57A-9-331(a), a purchaser of an instrument  
 24 has priority over a security interest in the instrument perfected by a method other than  
 25 possession if the purchaser gives value and takes possession of the instrument in good  
 26 faith and without knowledge that the purchase violates the rights of the secured party.

27 (e) For purposes of subsections (a) and (b), the holder of a purchase-money  
 28 security interest in inventory gives new value for chattel paper constituting proceeds of  
 29 the inventory.

30 (f) For purposes of subsections (b) and (d), if the authoritative copies of the record  
 31 evidencing chattel paper or an instrument indicates ~~indicate~~ that ~~the~~ chattel paper or  
 32 instrument has been assigned to an identified secured party other than the purchaser, a  
 33 purchaser of the chattel paper or instrument has knowledge that the purchase violates  
 34 the rights of the secured party.

35 **Section 70. That § 57A-9-331 be AMENDED:**

1           **57A-9-331.** (a) This chapter does not limit the rights of a holder in due course of  
2 a negotiable instrument, a holder to which a negotiable document of title has been duly  
3 negotiated, ~~or a protected purchaser of a security,~~ or a qualifying purchaser of a  
4 controllable account, controllable electronic record, or controllable payment intangible.  
5 These holders or purchasers take priority over an earlier security interest, even if  
6 perfected, to the extent provided in chapters 57A-3, 57A-7, ~~and 57A-8,~~ and sections 92  
7 to 98 of this Act, inclusive.

8           (b) This chapter does not limit the rights of or impose liability on a person to the  
9 extent that the person is protected against the assertion of a claim under chapter 57A-8  
10 or sections 92 to 98 of this Act, inclusive.

11           (c) Filing under this article does not constitute notice of a claim or defense to the  
12 holders, or purchasers, or persons described in subsections (a) and (b).

13 **Section 71. That § 57A-9-332 be AMENDED:**

14           **57A-9-332.** (a) A transferee of tangible money takes the money free of a security  
15 interest ~~unless the transferee acts~~ if the transferee receives possession of the money  
16 without acting in collusion with the debtor in violating the rights of the secured party.

17           (b) A transferee of funds from a deposit account takes the funds free of a security  
18 interest in the deposit account ~~unless the transferee acts~~ if the transferee receives the  
19 funds without acting in collusion with the debtor in violating the rights of the secured  
20 party.

21           (c) A transferee of electronic money takes the money free of a security interest if  
22 the transferee obtains control of the money without acting in collusion with the debtor in  
23 violating the rights of the secured party.

24 **Section 72. That § 57A-9-334 be AMENDED:**

25           **57A-9-334.** (a) A security interest under this chapter may be created in goods  
26 that are fixtures or may continue in goods that become fixtures. A security interest does  
27 not exist under this article in ordinary building materials incorporated into an improvement  
28 on land.

29           (b) This chapter does not prevent creation of an encumbrance upon fixtures under  
30 real property law.

31           (c) In cases not governed by subsections (d) through (h), a security interest in  
32 fixtures is subordinate to a conflicting interest of an encumbrancer or owner of the related  
33 real property other than the debtor.

1 (d) Except as otherwise provided in subsection (h), a perfected security interest in  
2 fixtures has priority over a conflicting interest of an encumbrancer or owner of the real  
3 property if the debtor has an interest of record in or is in possession of the real property  
4 and:

- 5 (1) The security interest is a purchase-money security interest;
- 6 (2) The interest of the encumbrancer or owner arises before the goods become  
7 fixtures; and
- 8 (3) The security interest is perfected by a fixture filing before the goods become  
9 fixtures or within twenty days thereafter.

10 (e) A perfected security interest in fixtures has priority over a conflicting interest  
11 of an encumbrancer or owner of the real property if:

- 12 (1) The debtor has an interest of record in the real property or is in possession of the  
13 real property and the security interest:
  - 14 (A) Is perfected by a fixture filing before the interest of the encumbrancer or  
15 owner is of record; and
  - 16 (B) Has priority over any conflicting interest of a predecessor in title of the  
17 encumbrancer or owner;
- 18 (2) Before the goods become fixtures, the security interest is perfected by any method  
19 permitted by this article and the fixtures are readily removable:
  - 20 (A) Factory or office machines;
  - 21 (B) Equipment that is not primarily used or leased for use in the operation of  
22 the real property; or
  - 23 (C) Replacements of domestic appliances that are consumer goods;
- 24 (3) The conflicting interest is a lien on the real property obtained by legal or equitable  
25 proceedings after the security interest was perfected by any method permitted by  
26 this article; or
- 27 (4) The security interest is:
  - 28 (A) Created in a manufactured home in a manufactured-home transaction; and
  - 29 (B) Perfected pursuant to a statute described in § 57A-9-311(a)(2).

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

- 32 (1) The encumbrancer or owner has, in ~~an authenticated~~ a signed record, consented to  
33 the security interest or disclaimed an interest in the goods as fixtures; or
- 34 (2) The debtor has a right to remove the goods as against the encumbrancer or owner.

1 (g) The priority of the security interest under paragraph (f)(2) continues for a  
2 reasonable time if the debtor's right to remove the goods as against the encumbrancer or  
3 owner terminates.

4 (h) A mortgage is a construction mortgage to the extent that it secures an  
5 obligation incurred for the construction of an improvement on land, including the  
6 acquisition cost of the land, if a recorded record of the mortgage so indicates. Except as  
7 otherwise provided in subsections (e) and (f), a security interest in fixtures is subordinate  
8 to a construction mortgage if a record of the mortgage is recorded before the goods  
9 become fixtures and the goods become fixtures before the completion of the construction.  
10 A mortgage has this priority to the same extent as a construction mortgage to the extent  
11 that it is given to refinance a construction mortgage.

12 (i) A perfected security interest in crops growing on real property has priority over  
13 a conflicting interest of an encumbrancer or owner of the real property if the debtor has  
14 an interest of record in or is in possession of the real property.

15 (j) Subsection (i) prevails over any inconsistent statute.

16 **Section 73. That § 57A-9-341 be AMENDED:**

17 **57A-9-341.** Except as otherwise provided in § 57A-9-340(c), and unless the bank  
18 otherwise agrees in ~~an authenticated~~ a signed record, a bank's rights and duties with  
19 respect to a deposit account maintained with the bank are not terminated, suspended, or  
20 modified by:

- 21 (1) The creation, attachment, or perfection of a security interest in the deposit  
22 account;  
23 (2) The bank's knowledge of the security interest; or  
24 (3) The bank's receipt of instructions from the secured party.

25 **Section 74. That § 57A-9-404 be AMENDED:**

26 **57A-9-404.** (a) Unless an account debtor has made an enforceable agreement not  
27 to assert defenses or claims, and subject to subsections (b) through (e), the rights of an  
28 assignee are subject to:

- 29 (1) All terms of the agreement between the account debtor and assignor and any  
30 defense or claim in recoupment arising from the transaction that gave rise to the  
31 contract; and

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

4 (b) Subject to subsection (c) and except as otherwise provided in subsection (d),  
5 the claim of an account debtor against an assignor may be asserted against an assignee  
6 under subsection (a) only to reduce the amount the account debtor owes.

7 (c) This section is subject to law other than this article which establishes a different  
8 rule for an account debtor who is an individual and who incurred the obligation primarily  
9 for personal, family, or household purposes.

10 (d) In a consumer transaction, if a record evidences the account debtor's  
11 obligation, law other than this chapter requires that the record include a statement to the  
12 effect that the account debtor's recovery against an assignee with respect to claims and  
13 defenses against the assignor may not exceed amounts paid by the account debtor under  
14 the record, and the record does not include such a statement, the extent to which a claim  
15 of an account debtor against the assignor may be asserted against an assignee is  
16 determined as if the record included such a statement.

17 (e) This section does not apply to an assignment of a health-care-insurance  
18 receivable.

19 **Section 75. That § 57A-9-406 be AMENDED:**

20 **57A-9-406.** (a) Subject to subsections (b) through (i) and (l), an account debtor  
21 on an account, chattel paper, or a payment intangible may discharge its obligation by  
22 paying the assignor until, but not after, the account debtor receives a notification,  
23 ~~authenticated~~signed by the assignor or the assignee, that the amount due or to become  
24 due has been assigned and that payment is to be made to the assignee. After receipt of  
25 the notification, the account debtor may discharge its obligation by paying the assignee  
26 and may not discharge the obligation by paying the assignor.

27 (b) Subject to ~~subsection~~subsections (h) and (l), notification is ineffective under  
28 subsection (a):

29 (1) If it does not reasonably identify the rights assigned;

30 (2) To the extent that an agreement between an account debtor and a seller of a  
31 payment intangible limits the account debtor's duty to pay a person other than the  
32 seller and the limitation is effective under law other than this article; or

1 (3) At the option of an account debtor, if the notification notifies the account debtor to  
2 make less than the full amount of any installment or other periodic payment to the  
3 assignee, even if:

4 (A) Only a portion of the account, chattel paper, or payment intangible has been  
5 assigned to that assignee;

6 (B) A portion has been assigned to another assignee; or

7 (C) The account debtor knows that the assignment to that assignee is limited.

8 (c) Subject to ~~subsection~~subsections (h) and (l), if requested by the account  
9 debtor, an assignee shall seasonably furnish reasonable proof that the assignment has  
10 been made. Unless the assignee complies, the account debtor may discharge its obligation  
11 by paying the assignor, even if the account debtor has received a notification under  
12 subsection (a).

13 (d) In this subsection, "promissory note" includes a negotiable instrument that  
14 evidences chattel paper. Except as otherwise provided in ~~subsection~~subsections (e) and  
15 (k) and §§ 57A-2A-303 and 57A-9-407, and subject to subsection (h), a term in an  
16 agreement between an account debtor and an assignor or in a promissory note is  
17 ineffective to the extent that it:

18 (1) Prohibits, restricts, or requires the consent of the account debtor or person  
19 obligated on the promissory note to the assignment or transfer of, or the creation,  
20 attachment, perfection, or enforcement of a security interest in, the account,  
21 chattel paper, payment intangible, or promissory note; or

22 (2) Provides that the assignment or transfer or the creation, attachment, perfection,  
23 or enforcement of the security interest may give rise to a default, breach, right of  
24 recoupment, claim, defense, termination, right of termination, or remedy under  
25 the account, chattel paper, payment intangible, or promissory note.

26 (e) Subsection (d) does not apply to the sale of a payment intangible or promissory  
27 note other than a sale pursuant to a disposition under § 57A-9-610 or an acceptance of  
28 collateral under § 57A-9-620.

29 (f) Except as otherwise provided in subsection (k) and §§ 57A-2A-303 and 57A-9-  
30 407 and subject to subsections (h) and (i), a rule of law, statute, or regulation that  
31 prohibits, restricts, or requires the consent of a government, governmental body or  
32 official, or account debtor to the assignment or transfer of, or creation of a security interest  
33 in, an account or chattel paper is ineffective to the extent that the rule of law, statute, or  
34 regulation:

1 (1) Prohibits, restricts, or requires the consent of the government, governmental body  
 2 or official, or account debtor to the assignment or transfer of, or the creation,  
 3 attachment, perfection, or enforcement of a security interest in the account or  
 4 chattel paper; or

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

9 (g) Subject to ~~subsection~~subsections (h) and (l), an account debtor may not waive  
 10 or vary its option under subsection (b)(3).

11 (h) This section is subject to law other than this article which establishes a different  
 12 rule for an account debtor who is an individual and who incurred the obligation primarily  
 13 for personal, family, or household purposes.

14 (i) This section does not apply to an assignment of a health-care-insurance  
 15 receivable.

16 (j) This section prevails over any inconsistent statute.

17 (k) Subsections (d), (f), and (j) do not apply to a security interest in an ownership  
 18 interest in a general partnership, limited partnership, or limited liability company.

19 (l) Subsections (a), (b), (c), and (g) do not apply to a controllable account or  
 20 controllable payment intangible.

21 **Section 76. That § 57A-9-408 be AMENDED:**

22 **57A-9-408.** (a) Except as otherwise provided in ~~subsection~~subsections (b) and  
 23 (f), a term in a promissory note or in an agreement between an account debtor and a  
 24 debtor which relates to a health-care-insurance receivable or a general intangible,  
 25 including a contract, permit, license, or franchise, and which term prohibits, restricts, or  
 26 requires the consent of the person obligated on the promissory note or the account debtor  
 27 to, the assignment or transfer of, or creation, attachment, or perfection of a security  
 28 interest in, the promissory note, health-care-insurance receivable, or general intangible,  
 29 is ineffective to the extent that the term:

30 (1) Would impair the creation, attachment, or perfection of a security interest; or

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

1 (b) Subsection (a) applies to a security interest in a payment intangible or  
2 promissory note only if the security interest arises out of a sale of the payment intangible  
3 or promissory note, other than a sale pursuant to a disposition under § 57A-9-610 or an  
4 acceptance of collateral under § 57A-9-620.

5 (c) Except as otherwise provided in subsection (f), a rule of law, statute, or  
6 regulation that prohibits, restricts, or requires the consent of a government, governmental  
7 body or official, person obligated on a promissory note, or account debtor to the  
8 assignment or transfer of, or creation of a security interest in, a promissory note, health-  
9 care-insurance receivable, or general intangible, including a contract, permit, license, or  
10 franchise between an account debtor and a debtor, is ineffective to the extent that the  
11 rule of law, statute, or regulation:

- 12 (1) Would impair the creation, attachment, or perfection of a security interest; or  
13 (2) Provides that the assignment or transfer or the creation, attachment, or perfection  
14 of the security interest may give rise to a default, breach, right of recoupment,  
15 claim, defense, termination, right of termination, or remedy under the promissory  
16 note, health-care-insurance receivable, or general intangible.

17 (d) To the extent that a term in a promissory note or in an agreement between an  
18 account debtor and a debtor which relates to a health-care-insurance receivable or general  
19 intangible or a rule of law, statute, or regulation described in subsection (c) would be  
20 effective under law other than this article but is ineffective under subsection (a) or (c),  
21 the creation, attachment, or perfection of a security interest in the promissory note,  
22 health-care-insurance receivable, or general intangible:

- 23 (1) Is not enforceable against the person obligated on the promissory note or the  
24 account debtor;  
25 (2) Does not impose a duty or obligation on the person obligated on the promissory  
26 note or the account debtor;  
27 (3) Does not require the person obligated on the promissory note or the account debtor  
28 to recognize the security interest, pay or render performance to the secured party,  
29 or accept payment or performance from the secured party;  
30 (4) Does not entitle the secured party to use or assign the debtor's rights under the  
31 promissory note, health-care-insurance receivable, or general intangible, including  
32 any related information or materials furnished to the debtor in the transaction  
33 giving rise to the promissory note, health-care-insurance receivable, or general  
34 intangible;



1 (5) Does not entitle the secured party to use, assign, possess, or have access to any  
 2 trade secrets or confidential information of the person obligated on the promissory  
 3 note or the account debtor; and

4 (6) Does not entitle the secured party to enforce the security interest in the promissory  
 5 note, health-care-insurance receivable, or general intangible.

6 (e) This section prevails over any inconsistent statute.

7 (f) This section does not apply to a security interest in an ownership interest in a  
 8 general partnership, limited partnership, or limited liability company.

9 (g) In this section, "promissory note" includes a negotiable instrument that  
 10 evidences chattel paper.

11 **Section 77. That § 57A-9-509 be AMENDED:**

12 **57A-9-509.** (a) A person may file an initial financing statement, amendment that  
 13 adds collateral covered by a financing statement, or amendment that adds a debtor to a  
 14 financing statement only if:

15 (1) The debtor authorizes the filing in ~~an authenticated~~ a signed record or pursuant to  
 16 subsection (b) or (c); or

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

20 (b) By ~~authenticating~~ signing or becoming bound as debtor by a security  
 21 agreement, a debtor or new debtor authorizes the filing of an initial financing statement,  
 22 and an amendment, covering:

23 (1) The collateral described in the security agreement; and

24 (2) Property that becomes collateral under § 57A-9-315(a)(2), whether or not the  
 25 security agreement expressly covers proceeds.

26 (c) By acquiring collateral in which a security interest or agricultural lien continues  
 27 under § 57A-9-315(a)(1), a debtor authorizes the filing of an initial financing statement,  
 28 and an amendment, covering the collateral and property that becomes collateral under  
 29 § 57A-9-315(a)(2).

30 (d) A person may file an amendment other than an amendment that adds collateral  
 31 covered by a financing statement or an amendment that adds a debtor to a financing  
 32 statement only if:

33 (1) The secured party of record authorizes the filing; or

1 (2) The amendment is a termination statement for a financing statement as to which  
 2 the secured party of record has failed to file or send a termination statement as  
 3 required by § 57A-9-513(a) or (c), the debtor authorizes the filing, and the  
 4 termination statement indicates that the debtor authorized it to be filed.

5 (e) If there is more than one secured party of record for a financing statement,  
 6 each secured party of record may authorize the filing of an amendment under subsection  
 7 (d).

8 **Section 78. That § 57A-9-513 be AMENDED:**

9 **57A-9-513.** (a) A secured party shall cause the secured party of record for a  
 10 financing statement to file a termination statement for the financing statement if the  
 11 financing statement covers consumer goods and:

12 (1) There is no obligation secured by the collateral covered by the financing statement  
 13 and no commitment to make an advance, incur an obligation, or otherwise give  
 14 value; or

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

16 (b) To comply with subsection (a), a secured party shall cause the secured party  
 17 of record to file the termination statement:

18 (1) Within one month after there is no obligation secured by the collateral covered by  
 19 the financing statement and no commitment to make an advance, incur an  
 20 obligation, or otherwise give value; or

21 (2) If earlier, within twenty days after the secured party receives ~~an authenticated~~  
 22 signed demand from a debtor.

23 (c) In cases not governed by subsection (a), within twenty days after a secured  
 24 party receives ~~an authenticated~~ signed demand from a debtor, the secured party shall  
 25 cause the secured party of record for a financing statement to send to the debtor a  
 26 termination statement for the financing statement or file the termination statement in the  
 27 filing office if:

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

32 (2) The financing statement covers accounts or chattel paper that has been sold but  
 33 as to which the account debtor or other person obligated has discharged its  
 34 obligation;

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

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

4 (d) Except as otherwise provided in § 57A-9-510, upon the filing of a termination  
5 statement with the filing office, the financing statement to which the termination  
6 statement relates ceases to be effective. Except as otherwise provided in § 57A-9-510,  
7 for purposes of §§ 57A-9-519(g), 57A-9-522(a), and 57A-9-523(c), the filing with the  
8 filing office of a termination statement relating to a financing statement that indicates that  
9 the debtor is a transmitting utility also causes the effectiveness of the financing statement  
10 to lapse.

11 **Section 79. That § 57A-9-601 be AMENDED:**

12 **57A-9-601.** (a) After default, a secured party has the rights provided in this part  
13 and, except as otherwise provided in § 57A-9-602, those provided by agreement of the  
14 parties. A secured party:

15 (1) May reduce a claim to judgment, foreclose, or otherwise enforce the claim, security  
16 interest, or agricultural lien by any available judicial procedure; and

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

19 (b) A secured party in possession of collateral or control of collateral under § ~~57A-~~  
20 ~~7-106,~~ 57A-9-104, 57A-9-105, section 45 of this Act, 57A-9-106, 57A-9-107, or ~~57A-7-~~  
21 ~~106~~section 46 of this Act has the rights and duties provided in § 57A-9-207.

22 (c) The rights under subsections (a) and (b) are cumulative and may be exercised  
23 simultaneously.

24 (d) Except as otherwise provided in subsection (g) and § 57A-9-605, after default,  
25 a debtor and an obligor have the rights provided in this part and by agreement of the  
26 parties.

27 (e) If a secured party has reduced its claim to judgment, the lien of any levy that  
28 may be made upon the collateral by virtue of an execution based upon the judgment  
29 relates back to the earliest of:

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

31 (2) The date of filing a financing statement covering the collateral; or

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

33 (f) A sale pursuant to an execution is a foreclosure of the security interest or  
34 agricultural lien by judicial procedure within the meaning of this section. A secured party

1 may purchase at the sale and thereafter hold the collateral free of any other requirements  
2 of this chapter.

3 (g) Except as otherwise provided in § 57A-9-607(c), this part imposes no duties  
4 upon a secured party that is a consignor or is a buyer of accounts, chattel paper, payment  
5 intangibles, or promissory notes.

6 **Section 80. That § 57A-9-605 be AMENDED:**

7 **57A-9-605.** A(a) Except as provided in subsection (b), a secured party does not  
8 owe a duty based on its status as secured party:

9 (1) To a person that is a debtor or obligor, unless the secured party knows:

10 (A) That the person is a debtor or obligor;

11 (B) The identity of the person; and

12 (C) How to communicate with the person; or

13 (2) To a secured party or lienholder that has filed a financing statement against a  
14 person, unless the secured party knows:

15 (A) That the person is a debtor; and

16 (B) The identity of the person.

17 (b) A secured party owes a duty based on its status as a secured party to a person  
18 if, at the time the secured party obtains control of collateral that is a controllable account,  
19 controllable electronic record, or controllable payment intangible or at the time the  
20 security interest attaches to the collateral, whichever is later:

21 (1) The person is a debtor or obligor; and

22 (2) The secured party knows that the information in subsection (a)(1)(A), (B), or (C)  
23 relating to the person is not provided by the collateral, a record attached to or  
24 logically associated with the collateral, or the system in which the collateral is  
25 recorded.

26 **Section 81. That § 57A-9-608 be AMENDED:**

27 **57A-9-608.** (a) If a security interest or agricultural lien secures payment or  
28 performance of an obligation, the following rules apply:

29 (1) A secured party shall apply or pay over for application the cash proceeds of  
30 collection or enforcement under § 57A-9-607 in the following order to:

31 (A) The reasonable expenses of collection and enforcement and, to the extent  
32 provided for by agreement and not prohibited by law, reasonable attorney's  
33 fees and legal expenses incurred by the secured party;

- 1 (B) The satisfaction of obligations secured by the security interest or  
 2 agricultural lien under which the collection or enforcement is made; and  
 3 (C) The satisfaction of obligations secured by any subordinate security interest  
 4 in or other lien on the collateral subject to the security interest or  
 5 agricultural lien under which the collection or enforcement is made if the  
 6 secured party receives ~~an authenticated~~ a signed demand for proceeds  
 7 before distribution of the proceeds is completed.
- 8 (2) If requested by a secured party, a holder of a subordinate security interest or other  
 9 lien shall furnish reasonable proof of the interest or lien within a reasonable time.  
 10 Unless the holder complies, the secured party need not comply with the holder's  
 11 demand under paragraph (1)(C).
- 12 (3) A secured party need not apply or pay over for application noncash proceeds of  
 13 collection and enforcement under § 57A-9-607 unless the failure to do so would be  
 14 commercially unreasonable. A secured party that applies or pays over for  
 15 application noncash proceeds shall do so in a commercially reasonable manner.
- 16 (4) A secured party shall account to and pay a debtor for any surplus, and the obligor  
 17 is liable for any deficiency.
- 18 (b) If the underlying transaction is a sale of accounts, chattel paper, payment  
 19 intangibles, or promissory notes, the debtor is not entitled to any surplus, and the obligor  
 20 is not liable for any deficiency.

21 **Section 82. That § 57A-9-611 be AMENDED:**

- 22 **57A-9-611.** (a) In this section, "notification date" means the earlier of the date  
 23 on which:
- 24 (1) A secured party sends to the debtor and any secondary obligor ~~an authenticated~~  
 25 signed notification of disposition; or
- 26 (2) The debtor and any secondary obligor waive the right to notification.
- 27 (b) Except as otherwise provided in subsection (d), a secured party that disposes  
 28 of collateral under § 57A-9-610 shall send to the persons specified in subsection (c) a  
 29 reasonable ~~authenticated~~ signed notification of disposition.
- 30 (c) To comply with subsection (b), the secured party shall send ~~an authenticated~~  
 31 signed notification of disposition to:
- 32 (1) The debtor;
- 33 (2) Any secondary obligor; and
- 34 (3) If the collateral is other than consumer goods:

- 1 (A) Any other person from which the secured party has received, before the  
 2 notification date, ~~an authenticated~~ a signed notification of a claim of an  
 3 interest in the collateral;
- 4 (B) Any other secured party or lienholder that, ten days before the notification  
 5 date, held a security interest in or other lien on the collateral perfected by  
 6 the filing of a financing statement that:
- 7 (i) Identified the collateral;
- 8 (ii) Was indexed under the debtor's name as of that date; and
- 9 (iii) Was filed in the office in which to file a financing statement against  
 10 the debtor covering the collateral as of that date; and
- 11 (C) Any other secured party that, ten days before the notification date, held a  
 12 security interest in the collateral perfected by compliance with a statute,  
 13 regulation, or treaty described in § 57A-9-311(a).
- 14 (d) Subsection (b) does not apply if the collateral is perishable or threatens to  
 15 decline speedily in value or is of a type customarily sold on a recognized market.
- 16 (e) A secured party complies with the requirement for notification prescribed by  
 17 subsection (c)(3)(B) if:
- 18 (1) Not later than twenty days or earlier than thirty days before the notification date,  
 19 the secured party requests, in a commercially reasonable manner, information  
 20 concerning financing statements indexed under the debtor's name in the office  
 21 indicated in subsection (c)(3)(B); and
- 22 (2) Before the notification date, the secured party:
- 23 (A) Did not receive a response to the request for information; or
- 24 (B) Received a response to the request for information and sent ~~an~~  
 25 ~~authenticated~~ a signed notification of disposition to each secured party or  
 26 other lienholder named in that response whose financing statement covered  
 27 the collateral.

28 **Section 83. That § 57A-9-613 be AMENDED:**

- 29 **57A-9-613. (a)** Except in a consumer-goods transaction, the following rules apply:
- 30 (1) The contents of a notification of disposition are sufficient if the notification:
- 31 (A) Describes the debtor and the secured party;
- 32 (B) Describes the collateral that is the subject of the intended disposition;
- 33 (C) States the method of intended disposition;

- 1 (D) States that the debtor is entitled to an accounting of the unpaid  
 2 indebtedness and states the charge, if any, for an accounting; and  
 3 (E) States the time and place of a public disposition or the time after which any  
 4 other disposition is to be made.

5 (2) Whether the contents of a notification that lacks any of the information specified  
 6 in paragraph (1) are nevertheless sufficient is a question of fact.

7 (3) The contents of a notification providing substantially the information specified in  
 8 paragraph (1) are sufficient, even if the notification includes:

9 (A) Information not specified by that paragraph; or

10 (B) Minor errors that are not seriously misleading.

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

12 (5) The following form of notification and the form appearing in § ~~57A-9-614(3)~~57A-  
 13 9-614(a)(3), when completed in accordance with the instructions in subsection (b)  
 14 and § 57A-9-614(b), each provides sufficient information:

15 ~~NOTIFICATION OF DISPOSITION OF COLLATERAL~~

16 To: ~~[Name of debtor, obligor, or other person to which the notification is sent]~~

17 From: ~~[Name, address, and telephone number of secured party]~~

18 Name of Debtor(s): ~~[Include only if debtor(s) are not an addressee]~~

19 ~~[For a public disposition:]~~

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

22 Day and Date: % #40 \_\_\_\_\_

23 Time: % #40 \_\_\_\_\_

24 Place: % #40 \_\_\_\_\_

25 ~~[For a private disposition:]~~

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

28 You are entitled to an accounting of the unpaid indebtedness secured by the  
 29 property that we intend to sell ~~[or lease or license, as applicable]~~ ~~[for a charge of \$\_\_\_\_\_]~~.

30 You may request an accounting by calling us at ~~[telephone number]~~.

31 NOTIFICATION OF DISPOSITION OF COLLATERAL

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

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

34 {1} Name of any debtor that is not an addressee: (Name of each debtor)

1           {2} We will sell (describe collateral) (to the highest qualified bidder) at public sale.

2           A sale could include a lease or license. The sale will be held as follows:

3           (Date)

4           (Time)

5           (Place)

6           {3} We will sell (describe collateral) at private sale sometime after (date). A sale  
 7           could include a lease or license.

8           {4} You are entitled to an accounting of the unpaid indebtedness secured by the  
 9           property that we intend to sell or, as applicable, lease or license.

10          {5} If you request an accounting, you must pay a charge of \$ (amount).

11          {6} You may request an accounting by calling us at (telephone number).

12          [END OF FORM]

13          (b) The following instructions apply to the form of notification in subsection (a)(5):

14          (1) The instructions in this subsection refer to the numbers in braces before items in  
 15          the form of notification in subsection (a)(5). Do not include numbers or braces in  
 16          the notification. The numbers and braces are used only for the purpose of these  
 17          instructions;

18          (2) Include and complete {1} only if there is a debtor that is not an addressee of the  
 19          notification and list the name or names;

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

24          (4) Include and complete items {4} and {6}; and

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

27           **Section 84. That § 57A-9-614 be AMENDED:**

28           **57A-9-614. (a)** In a consumer-goods transaction, the following rules apply:

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

30           (A) The information specified in § ~~57A-9-613(1)~~57A-9-613(a)(1);

31           (B) A description of any liability for a deficiency of the person to which the  
 32           notification is sent;

33           (C) A telephone number from which the amount that must be paid to the  
 34           secured party to redeem the collateral under § 57A-9-623 is available; and



1 (D) A telephone number or mailing address from which additional information  
2 concerning the disposition and the obligation secured is available.

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

4 (3) The following form of notification, when completed in accordance with the  
5 instructions in subsection (b), provides sufficient information:

6 ~~[Name and address of secured party]~~

7 ~~[Date]~~

8 NOTICE OF OUR PLAN TO SELL PROPERTY

9 ~~[Name and address of any obligor who is also a debtor]~~

10 Subject: ~~[Identification of Transaction]~~

11 We have your ~~[describe collateral]~~, because you broke promises in our agreement.

12 ~~[For a public disposition:]~~

13 We will sell ~~[describe collateral]~~ at public sale. A sale could include a lease or  
14 license. The sale will be held as follows:

15 Date: % #40 \_\_\_\_\_

16 Time: % #40 \_\_\_\_\_

17 Place: % #40 \_\_\_\_\_

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

19 ~~[For a private disposition:]~~

20 We will sell ~~[describe collateral]~~ at private sale sometime after ~~[date]~~. A sale could  
21 include a lease or license.

22 The money that we get from the sale (after paying our costs) will reduce the  
23 amount you owe. If we get less money than you owe, you ~~[will or will not, as applicable]~~  
24 still owe us the difference. If we get more money than you owe, you will get the extra  
25 money, unless we must pay it to someone else.

26 You can get the property back at any time before we sell it by paying us the full  
27 amount you owe (not just the past due payments), including our expenses. To learn the  
28 exact amount you must pay, call us at ~~[ telephone number]~~.

29 If you want us to explain to you in writing how we have figured the amount that  
30 you owe us, you may call us at ~~[telephone number]~~ ~~[or write us at [secured party's~~  
31 ~~address]]~~ and request a written explanation. ~~[We will charge you \$\_\_\_\_\_ for the explanation~~  
32 ~~if we sent you another written explanation of the amount you owe us within the last six~~  
33 ~~months.]~~

34 If you need more information about the sale call us at ~~[telephone number]]~~ ~~[or~~  
35 ~~write us at [secured party's address]]~~.

1 ~~We are sending this notice to the following other people who have an interest in~~  
 2 ~~[describe collateral] or who owe money under your agreement:~~

3 ~~[Names of all other debtors and obligors, if any]~~

4 (Name and address of secured party)

5 (Date)

6 NOTICE OF OUR PLAN TO SELL PROPERTY

7 (Name and address of any obligor who is also a debtor)

8 Subject: (Identify transaction)

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

10 {1} We will sell (describe collateral) at public sale. A sale could include a lease or  
 11 license. The sale will be held as follows:

12 (Date)

13 (Time)

14 (Place)

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

16 {2} We will sell (describe collateral) at private sale sometime after (date). A sale  
 17 could include a lease or license.

18 {3} The money that we get from the sale, after paying our costs, will reduce the  
 19 amount you owe. If we get less money than you owe, you (will or will not, as applicable)  
 20 still owe us the difference. If we get more money than you owe, you will get the extra  
 21 money, unless we must pay it to someone else.

22 {4} You can get the property back at any time before we sell it by paying us the  
 23 full amount you owe, not just the past due payments, including our expenses. To learn  
 24 the exact amount you must pay, call us at (telephone number).

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

31 {8} We will charge you \$ (amount) for the explanation if we sent you another  
 32 written explanation of the amount you owe use within the last six months.

33 {9} If you need more information about the sale, (call us at (telephone number))  
 34 (or) (write us at (secured party's address)) (or contact us by (description of electronic  
 35 communication method)).

1           {10} We are sending this notice to the following other people who have interest in  
2 (describe collateral) or who owe money under your agreement:  
3 (Names of all other debtors and obligors, if any)

4           [END OF FORM]

5 (4) A notification in the form of paragraph (3) is sufficient, even if additional  
6 information appears at the end of the form.

7 (5) A notification in the form of paragraph (3) is sufficient, even if it includes errors in  
8 information not required by paragraph (1), unless the error is misleading with  
9 respect to rights arising under this chapter.

10 (6) If a notification under this section is not in the form of paragraph (3), law other  
11 than this article determines the effect of including information not required by  
12 paragraph (1).

13           (b) The following instructions apply to the form of notification in subsection (a)(3):

14 (1) The instructions in this subsection refer to the numbers in braces before items in  
15 the form of notification in subsection (a)(3). Do not include the numbers or braces  
16 in the notification. The numbers and braces are used only for the purpose of these  
17 instructions;

18 (2) Include and complete either item {1}, if the notification relates to a public  
19 disposition of the collateral, or item {2}, if the notification relates to a private  
20 disposition of the collateral;

21 (3) Include and complete items {3}, {4}, {5}, {6}, and {7};

22 (4) In item {5}, include and complete any one of the three alternative methods for  
23 the explanation, writing, writing or electronic record, or electronic record;

24 (5) In item {6}, include the telephone number. In addition, the sender may include  
25 and complete either or both of the two additional alternative methods of  
26 communication, writing or electronic communication, for the recipient of the  
27 notification to communicate with the sender. Neither of the two additional methods  
28 of communication is required to be included;

29 (6) In item {7}, include and complete the method or methods for the explanation,  
30 writing, writing or electronic record, or electronic record, included in item {5};

31 (7) Include and complete item {8} only if a written explanation is included in item {5}  
32 as a method for communicating the explanation and the sender will charge the  
33 recipient for another written explanation;

34 (8) In item {9}, include either the telephone number or the address or both the  
35 telephone number and the address. In addition, the sender may include and

1 complete the additional method of communication, electronic communication, for  
 2 the recipient of the notification to communicate with the sender. That additional  
 3 method of electronic communication is not required to be included; and  
 4 (9) If item {10} does not apply, insert "None" after "agreement:".

5 **Section 85. That § 57A-9-615 be AMENDED:**

6 **57A-9-615.** (a) A secured party shall apply or pay over for application the cash  
 7 proceeds of disposition under § 57A-9-610 in the following order to:

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

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

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

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 before  
 18 distribution of the proceeds is completed; and

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

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

25 (b) If requested by a secured party, a holder of a subordinate security interest or  
 26 other lien shall furnish reasonable proof of the interest or lien within a reasonable time.  
 27 Unless the holder does so, the secured party need not comply with the holder's demand  
 28 under subsection (a)(3).

29 (c) A secured party need not apply or pay over for application noncash proceeds  
 30 of disposition under § 57A-9-610 unless the failure to do so would be commercially  
 31 unreasonable. A secured party that applies or pays over for application noncash proceeds  
 32 shall do so in a commercially reasonable manner.

1 (d) If the security interest under which a disposition is made secures payment or  
2 performance of an obligation, after making the payments and applications required by  
3 subsection (a) and permitted by subsection (c):

4 (1) Unless subsection (a)(4) requires the secured party to apply or pay over cash  
5 proceeds to a consignor, the secured party shall account to and pay a debtor for  
6 any surplus; and

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

8 (e) If the underlying transaction is a sale of accounts, chattel paper, payment  
9 intangibles, or promissory notes:

10 (1) The debtor is not entitled to any surplus; and

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

12 (f) The surplus or deficiency following a disposition is calculated based on the  
13 amount of proceeds that would have been realized in a disposition complying with this  
14 part to a transferee other than the secured party, a person related to the secured party,  
15 or a secondary obligor if:

16 (1) The transferee in the disposition is the secured party, a person related to the  
17 secured party, or a secondary obligor; and

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

21 (g) A secured party that receives cash proceeds of a disposition in good faith and  
22 without knowledge that the receipt violates the rights of the holder of a security interest  
23 or other lien that is not subordinate to the security interest or agricultural lien under which  
24 the disposition is made:

25 (1) Takes the cash proceeds free of the security interest or other lien;

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

28 (3) Is not obligated to account to or pay the holder of the security interest or other  
29 lien for any surplus.

30 **Section 86. That § 57A-9-616 be AMENDED:**

31 **57A-9-616.** (a) In this section:

32 (1) "Explanation" means a ~~writing~~record that:

33 (A) States the amount of the surplus or deficiency;

- 1 (B) Provides an explanation in accordance with subsection (c) of how the  
 2 secured party calculated the surplus or deficiency;
- 3 (C) States, if applicable, that future debits, credits, charges, including additional  
 4 credit service charges or interest, rebates, and expenses may affect the  
 5 amount of the surplus or deficiency; and
- 6 (D) Provides a telephone number or mailing address from which additional  
 7 information concerning the transaction is available.
- 8 (2) "Request" means a record:
- 9 (A) ~~Authenticated~~Signed by a debtor or consumer obligor;
- 10 (B) Requesting that the recipient provide an explanation; and
- 11 (C) Sent after disposition of the collateral under § 57A-9-610.
- 12 (b) In a consumer-goods transaction in which the debtor is entitled to a surplus or  
 13 a consumer obligor is liable for a deficiency under § 57A-9-615, the secured party shall:
- 14 (1) Send an explanation to the debtor or consumer obligor, as applicable, after the  
 15 disposition and:
- 16 (A) Before or when the secured party accounts to the debtor and pays any  
 17 surplus or first makes ~~written demand~~ in a record on the consumer obligor  
 18 after the disposition for payment of the deficiency; and
- 19 (B) Within fourteen days after receipt of a request; or
- 20 (2) In the case of a consumer obligor who is liable for a deficiency, within fourteen  
 21 days after receipt of a request, send to the consumer obligor a record waiving the  
 22 secured party's right to a deficiency.
- 23 (c) To comply with subsection (a)(1)(B), ~~a writing~~an explanation must provide the  
 24 following information in the following order:
- 25 (1) The aggregate amount of obligations secured by the security interest under which  
 26 the disposition was made, and, if the amount reflects a rebate of unearned interest  
 27 or credit service charge, an indication of that fact, calculated as of a specified date:
- 28 (A) If the secured party takes or receives possession of the collateral after  
 29 default, not more than thirty-five days before the secured party takes or  
 30 receives possession; or
- 31 (B) If the secured party takes or receives possession of the collateral before  
 32 default or does not take possession of the collateral, not more than  
 33 thirty-five days before the disposition;
- 34 (2) The amount of proceeds of the disposition;
- 35 (3) The aggregate amount of the obligations after deducting the amount of proceeds;

1 (4) The amount, in the aggregate or by type, and types of expenses, including  
 2 expenses of retaking, holding, preparing for disposition, processing, and disposing  
 3 of the collateral, and attorney's fees secured by the collateral which are known to  
 4 the secured party and relate to the current disposition;

5 (5) The amount, in the aggregate or by type, and types of credits, including rebates  
 6 of interest or credit service charges, to which the obligor is known to be entitled  
 7 and which are not reflected in the amount in paragraph (1); and

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

9 (d) A particular phrasing of the explanation is not required. An explanation  
 10 complying substantially with the requirements of subsection (a) is sufficient, even if it  
 11 includes minor errors that are not seriously misleading.

12 (e) A debtor or consumer obligor is entitled without charge to one response to a  
 13 request under this section during any six-month period in which the secured party did not  
 14 send to the debtor or consumer obligor an explanation pursuant to subsection (b)(1). The  
 15 secured party may require payment of a charge not exceeding twenty-five dollars for each  
 16 additional response.

17 **Section 87. That § 57A-9-619 be AMENDED:**

18 **57A-9-619.** (a) In this section, "transfer statement" means a record  
 19 ~~authenticated~~signed by a secured party stating:

20 (1) That the debtor has defaulted in connection with an obligation secured by specified  
 21 collateral;

22 (2) That the secured party has exercised its post-default remedies with respect to the  
 23 collateral;

24 (3) That, by reason of the exercise, a transferee has acquired the rights of the debtor  
 25 in the collateral; and

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

27 (b) A transfer statement entitles the transferee to the transfer of record of all rights  
 28 of the debtor in the collateral specified in the statement in any official filing, recording,  
 29 registration, or certificate-of-title system covering the collateral. If a transfer statement  
 30 is presented with the applicable fee and request form to the official or office responsible  
 31 for maintaining the system, the official or office shall:

32 (1) Accept the transfer statement;

33 (2) Promptly amend its records to reflect the transfer; and

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

3 (c) A transfer of the record or legal title to collateral to a secured party under  
4 subsection (b) or otherwise is not of itself a disposition of collateral under this chapter and  
5 does not of itself relieve the secured party of its duties under this chapter.

6 **Section 88. That § 57A-9-620 be AMENDED:**

7 **57A-9-620.** (a) Except as otherwise provided in subsection (g), a secured party  
8 may accept collateral in full or partial satisfaction of the obligation it secures only if:

9 (1) The debtor consents to the acceptance under subsection (c);

10 (2) The secured party does not receive, within the time set forth in subsection (d), a  
11 notification of objection to the proposal ~~authenticated~~signed by:

12 (A) A person to which the secured party was required to send a proposal under  
13 § 57A-9-621; or

14 (B) Any other person, other than the debtor, holding an interest in the collateral  
15 subordinate to the security interest that is the subject of the proposal;

16 (3) If the collateral is consumer goods, the collateral is not in the possession of the  
17 debtor when the debtor consents to the acceptance; and

18 (4) Subsection (e) does not require the secured party to dispose of the collateral or  
19 the debtor waives the requirement pursuant to § 57A-9-624.

20 (b) A purported or apparent acceptance of collateral under this section is ineffective  
21 unless:

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

24 (2) The conditions of subsection (a) are met.

25 (c) For purposes of this section:

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

29 (2) A debtor consents to an acceptance of collateral in full satisfaction of the obligation  
30 it secures only if the debtor agrees to the terms of the acceptance in a record  
31 ~~authenticated~~signed after default or the secured party:

32 (A) Sends to the debtor after default a proposal that is unconditional or subject  
33 only to a condition that collateral not in the possession of the secured party  
34 be preserved or maintained;



- 1 (B) In the proposal, proposes to accept collateral in full satisfaction of the  
 2 obligation it secures; and
- 3 (C) Does not receive a notification of objection ~~authenticated~~signed by the  
 4 debtor within twenty days after the proposal is sent.
- 5 (d) To be effective under subsection (a)(2), a notification of objection must be  
 6 received by the secured party:
- 7 (1) In the case of a person to which the proposal was sent pursuant to § 57A-9-621,  
 8 within twenty days after notification was sent to that person; and
- 9 (2) In other cases:
- 10 (A) Within twenty days after the last notification was sent pursuant to § 57A-  
 11 9-621; or
- 12 (B) If a notification was not sent, before the debtor consents to the acceptance  
 13 under subsection (c).
- 14 (e) A secured party that has taken possession of collateral shall dispose of the  
 15 collateral pursuant to § 57A-9-610 within the time specified in subsection (f) if:
- 16 (1) Sixty percent of the cash price has been paid in the case of a purchase-money  
 17 security interest in consumer goods; or
- 18 (2) Sixty percent of the principal amount of the obligation secured has been paid in  
 19 the case of a non-purchase-money security interest in consumer goods .
- 20 (f) To comply with subsection (e), the secured party shall dispose of the collateral:
- 21 (1) Within ninety days after taking possession; or
- 22 (2) Within any longer period to which the debtor and all secondary obligors have  
 23 agreed in an agreement to that effect entered into and ~~authenticated~~signed after  
 24 default.
- 25 (g) In a consumer transaction, a secured party may not accept collateral in partial  
 26 satisfaction of the obligation it secures.

27 **Section 89. That § 57A-9-621 be AMENDED:**

- 28 **57A-9-621.** (a) A secured party that desires to accept collateral in full or partial  
 29 satisfaction of the obligation it secures shall send its proposal to:
- 30 (1) Any person from which the secured party has received, before the debtor  
 31 consented to the acceptance, ~~an authenticated~~a signed notification of a claim of an  
 32 interest in the collateral;

- 1 (2) Any other secured party or lienholder that, ten days before the debtor consented  
 2 to the acceptance, held a security interest in or other lien on the collateral perfected  
 3 by the filing of a financing statement that:
- 4 (A) Identified the collateral;
  - 5 (B) Was indexed under the debtor's name as of that date; and
  - 6 (C) Was filed in the office or offices in which to file a financing statement against  
 7 the debtor covering the collateral as of that date; and
- 8 (3) Any other secured party that, ten days before the debtor consented to the  
 9 acceptance, held a security interest in the collateral perfected by compliance with  
 10 a statute, regulation, or treaty described in § 57A-9-311(a).
- 11 (b) A secured party that desires to accept collateral in partial satisfaction of the  
 12 obligation it secures shall send its proposal to any secondary obligor in addition to the  
 13 persons described in subsection (a).

14 **Section 90. That § 57A-9-624 be AMENDED:**

- 15 **57A-9-624.** (a) A debtor or secondary obligor may waive the right to notification  
 16 of disposition of collateral under § 57A-9-611 only by an agreement to that effect entered  
 17 into and ~~authenticated~~signed after default.
- 18 (b) A debtor may waive the right to require disposition of collateral under § 57A-  
 19 9-620(e) only by an agreement to that effect entered into and ~~authenticated~~signed after  
 20 default.
- 21 (c) Except in a consumer-goods transaction, a debtor or secondary obligor may  
 22 waive the right to redeem collateral under § 57A-9-623 only by an agreement to that  
 23 effect entered into and ~~authenticated~~signed after default.

24 **Section 91. That § 57A-9-628 be AMENDED:**

- 25 **57A-9-628.** (a) ~~Unless~~Subject to subsection (f), unless a secured party knows  
 26 that a person is a debtor or obligor, knows the identity of the person, and knows how to  
 27 communicate with the person:
- 28 (1) The secured party is not liable to the person, or to a secured party or lienholder  
 29 that has filed a financing statement against the person, for failure to comply with  
 30 this chapter; and
  - 31 (2) The secured party's failure to comply with this chapter does not affect the liability  
 32 of the person for a deficiency.

1 (b) ~~A~~Subject to subsection (f), a secured party is not liable because of its status as  
2 secured party:

3 (1) To a person that is a debtor or obligor, unless the secured party knows:

4 (A) That the person is a debtor or obligor;

5 (B) The identity of the person; and

6 (C) How to communicate with the person; or

7 (2) To a secured party or lienholder that has filed a financing statement against a  
8 person, unless the secured party knows:

9 (A) That the person is a debtor; and

10 (B) The identity of the person.

11 (c) A secured party is not liable to any person, and a person's liability for a  
12 deficiency is not affected, because of any act or omission arising out of the secured party's  
13 reasonable belief that a transaction is not a consumer-goods transaction or a consumer  
14 transaction or that goods are not consumer goods, if the secured party's belief is based  
15 on its reasonable reliance on:

16 (1) A debtor's representation concerning the purpose for which collateral was to be  
17 used, acquired, or held; or

18 (2) An obligor's representation concerning the purpose for which a secured obligation  
19 was incurred.

20 (d) A secured party is not liable to any person under § 57A-9-625(c)(2) for its  
21 failure to comply with § 57A-9-616.

22 (e) A secured party is not liable under § 57A-9-625(c)(2) more than once with  
23 respect to any one secured obligation.

24 (f) Subsections (a) and (b) do not apply to limit the liability of a secured party to  
25 a person if, at the time the secured party obtains control of collateral that is a controllable  
26 account, controllable electronic record, or controllable payment intangible or at the time  
27 the security interest attaches to the collateral, whichever is later:

28 (1) The person is a debtor or obligor; and

29 (2) The secured party knows that the information in subsection (b)(1)(A), (B), or (C)  
30 relating to the person is not provided by the collateral, a record attached to or  
31 logically associated with the collateral, or the system in which the collateral is  
32 recorded.

33 **Section 92. That a NEW SECTION be added to title 57A:**

1           This article may be cited as Uniform Commercial Code--Controllable Electronic  
2           Records.

3           **Section 93. That a NEW SECTION be added to title 57A:**

4           (a) In this chapter:

5           (1) "Controllable electronic record" means a record stored in an electronic medium that  
6           can be subjected to control under section 96 of this Act. The term does not include  
7           a controllable account, a controllable payment intangible, a deposit account, an  
8           electronic copy of a record evidencing chattel paper, an electronic document of  
9           title, electronic money, investment property, or a transferable record.

10          (2) "Qualifying purchaser" means a purchaser of a controllable electronic record or an  
11          interest in a controllable electronic record that obtains control of the controllable  
12          electronic record for value, in good faith, and without notice of a claim of a property  
13          right in the controllable electronic record.

14          (3) "Transferable record" has the meaning provided for that term in:

15           (A) Section 201(a)(1) of the Electronic Signatures in Global and National  
16           Commerce Act, 15 U.S.C. § 7021(a)(1), as amended and in effect January  
17           1, 2024; or

18           (B) As defined in § 53-12-40.

19          (4) "Value" has the meaning provided in § 57A-3-303(a), as if references in that  
20          subsection to an "instrument" were references to a controllable account,  
21          controllable electronic record, or controllable payment intangible.

22          (b) The definitions in chapter 57A-9 of "account debtor," "controllable account,"  
23          "controllable payment intangible," "chattel paper," "deposit account," "electronic money,"  
24          and "investment property" apply to this chapter.

25          (c) Chapter 57A-1 contains general definitions and principles of construction and  
26          interpretation applicable throughout this chapter.

27          **Section 94. That a NEW SECTION be added to title 57A:**

28          (a) If there is a conflict between this chapter and chapter 57A-9, chapter 57A-9  
29          governs.

30          (b) A transaction subject to this chapter is subject to any applicable rule of law that  
31          establishes a different rule for consumers and to (i) title 51A and title 54 and (ii) chapter  
32          37-23.

1 **Section 95. That a NEW SECTION be added to title 57A:**

2 (a) This section applies to the acquisition and purchase of rights in a controllable  
3 account or controllable payment intangible, including the rights and benefits under  
4 subsections (c), (d), (e), (g), and (h) of a purchaser and qualifying purchaser, in the same  
5 manner this section applies to a controllable electronic record.

6 (b) To determine whether a purchaser of a controllable account or a controllable  
7 payment intangible is a qualifying purchaser, the purchaser obtains control of the account  
8 or payment intangible if it obtains control of the controllable electronic record that  
9 evidences the account or payment intangible.

10 (c) Except as provided in this section, law other than this chapter determines  
11 whether a person acquires a right in a controllable electronic record and the right the  
12 person acquires.

13 (d) A purchaser of a controllable electronic record acquires all rights in the  
14 controllable electronic record that the transferor had or had power to transfer, except that  
15 a purchaser of a limited interest in a controllable electronic record acquires rights only to  
16 the extent of the interest purchased.

17 (e) A qualifying purchaser acquires its rights in the controllable electronic record  
18 free of a claim of a property right in the controllable electronic record.

19 (f) Except as provided in subsections (a) and (e) for a controllable account and a  
20 controllable payment intangible or law other than this chapter, a qualifying purchaser  
21 takes a right to payment, right to performance, or other interest in property evidenced by  
22 the controllable electronic record subject to a claim of a property right in the right to  
23 payment, right to performance, or other interest in property.

24 (g) An action may not be asserted against a qualifying purchaser based on both a  
25 purchase by the qualifying purchaser of a controllable electronic record and a claim of a  
26 property right in another controllable electronic record, whether the action is framed in  
27 conversion, replevin, constructive trust, equitable lien, or other theory.

28 (h) Filing of a financing statement under chapter 57A-9 is not notice of a claim of  
29 a property right in a controllable electronic record.

30 **Section 96. That a NEW SECTION be added to title 57A:**

31 (a) A person has control of a controllable electronic record if the electronic record,  
32 a record attached to or logically associated with the electronic record, or a system in which  
33 the electronic record is recorded:

- 1       (1) Gives the person:
- 2           (A) Power to avail itself of substantially all the benefit from the electronic
- 3           record; and
- 4           (B) Exclusive power, subject to subsection (b), to:
- 5               (i) Prevent others from availing themselves of substantially all the
- 6               benefit from the electronic record; and
- 7               (ii) Transfer control of the electronic record to another person or cause
- 8               another person to obtain control of another controllable electronic
- 9               record as a result of the transfer of the electronic record; and
- 10       (2) Enables the person readily to identify itself in any way, including by name,
- 11       identifying number, cryptographic key, office, or account number, as having the
- 12       powers specified in paragraph (1).
- 13       (b) Subject to subsection (c), a power is exclusive under subsection (a)(1)(B)(i)
- 14       and (ii) even if:
- 15           (1) The controllable electronic record, a record attached to or logically associated with
- 16           the electronic record, or a system in which the electronic record is recorded limits
- 17           the use of the electronic record or has a protocol programmed to cause a change,
- 18           including a transfer or loss of control or a modification of benefits afforded by the
- 19           electronic record; or
- 20           (2) The power is shared with another person.
- 21       (c) A power of a person is not shared with another person under subsection (b)(2)
- 22       and the person's power is not exclusive if:
- 23           (1) The person can exercise the power only if the power also is exercised by the other
- 24           person; and
- 25           (2) The other person:
- 26               (A) Can exercise the power without exercise of the power by the person; or
- 27               (B) Is the transferor to the person of an interest in the controllable electronic
- 28               record or a controllable account or controllable payment intangible
- 29               evidenced by the controllable electronic record.
- 30       (d) If a person has the powers specified in subsection (a)(1)(B)(i) and (ii), the
- 31       powers are presumed to be exclusive.
- 32       (e) A person has control of a controllable electronic record if another person, other
- 33       than the transferor to the person of an interest in the controllable electronic record or a
- 34       controllable account or controllable payment intangible evidenced by the controllable
- 35       electronic record:

1 (1) Has control of the electronic record and acknowledges that it has control on behalf  
2 of the person; or

3 (2) Obtains control of the electronic record after having acknowledged that it will obtain  
4 control of the electronic record on behalf of the person.

5 (f) A person that has control under this section is not required to acknowledge that  
6 it has control on behalf of another person.

7 (g) If a person acknowledges that it has or will obtain control of behalf of another  
8 person, unless the person otherwise agrees or law other than this chapter or chapter 57A-  
9 9 otherwise provides, the person does not owe any duty to the other person and is not  
10 required to confirm the acknowledgement to any other person.

11 **Section 97. That a NEW SECTION be added to title 57A:**

12 (a) An account debtor on a controllable account or controllable payment intangible  
13 may discharge its obligation by paying:

14 (1) The person having control of the controllable electronic record that evidences the  
15 controllable account or controllable payment intangible; or

16 (2) Except as provided in subsection (b), a person that formerly had control of the  
17 controllable electronic record.

18 (b) Subject to subsection (d), the account debtor may not discharge its obligation  
19 by paying a person that formerly had control of the controllable electronic record if the  
20 account debtor receives a notification that:

21 (1) Is signed by a person that formerly had control or the person to which control was  
22 transferred;

23 (2) Reasonably identifies the controllable account or controllable payment intangible;

24 (3) Notifies the account debtor that control of the controllable electronic record that  
25 evidences the controllable account or controllable payment intangible was  
26 transferred;

27 (4) Identifies the transferee, in any reasonable way, including by name, identifying  
28 number, cryptographic key, office, or account number; and

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

31 (c) After receipt of a notification that complies with subsection (b), the account  
32 debtor may discharge its obligation by paying in accordance with the notification and may  
33 not discharge the obligation by paying a person that formerly had control.

34 (d) Subject to subsection (h), notification is ineffective under subsection (b):

1 (1) Unless, before the notification is sent, the account debtor and the person that, at  
2 that time, had control of the controllable electronic record that evidences the  
3 controllable account or controllable payment intangible, agree in a signed record  
4 to a commercially reasonable method by which a person may furnish reasonable  
5 proof that control has been transferred;

6 (2) To the extent an agreement between the account debtor and seller of a payment  
7 intangible limits the account debtor's duty to pay a person other than the seller,  
8 and the limitation is effective under law other than this chapter; or

9 (3) At the option of the account debtor, if the notification notifies the account debtor  
10 to:

11 (A) Divide a payment;

12 (B) Make less than the full amount of an installment or other periodic payment;

13 or

14 (C) Pay any part of a payment by more than one method or to more than one  
15 person.

16 (e) Subject to subsection (h), if requested by the account debtor, the person giving  
17 the notification under subsection (b) seasonably shall furnish reasonable proof, using the  
18 method in the agreement referred to in subsection (d)(1), that control of the controllable  
19 electronic record has been transferred. Unless the person complies with the request, the  
20 account debtor may discharge its obligation by paying a person that formerly had control,  
21 even if the account debtor has received a notification under subsection (b).

22 (f) A person furnishes reasonable proof under subsection (e) that control has been  
23 transferred if the person demonstrates, using the method in the agreement referred to in  
24 subsection (d)(1), that the transferee has the power to:

25 (1) Avail itself of substantially all the benefit from the controllable electronic record;

26 (2) Prevent others from availing themselves of substantially all the benefit from the  
27 controllable electronic record; and

28 (3) Transfer the powers specified in paragraphs (1) and (2) to another person.

29 (g) Subject to subsection (h), an account debtor may not waive or vary its rights  
30 under subsection (d)(1) and (e) or its option under subsection (d)(3).

31 (h) This section is subject to law other than this chapter that establishes a different  
32 rule for an account debtor who is an individual and who incurred the obligation primarily  
33 for personal, family, or household purposes.

34 **Section 98. That a NEW SECTION be added to title 57A:**



1           (a) Except as provided in subsection (b), the local law of a controllable electronic  
2 record's jurisdiction governs a matter covered by this chapter.

3           (b) For a controllable electronic record that evidences a controllable account or  
4 controllable payment intangible, the local law of the controllable electronic record's  
5 jurisdiction governs a matter covered by section 97 of this Act unless an effective  
6 agreement determines that the local law of another jurisdiction governs.

7           (c) The following rules determine a controllable electronic record's jurisdiction  
8 under this section:

9           (1) If the controllable electronic record, or a record attached to or logically associated  
10 with the controllable electronic record and readily available for review, expressly  
11 provides that a particular jurisdiction is the controllable electronic record's  
12 jurisdiction for purposes of this chapter or title 57A, that jurisdiction is the  
13 controllable electronic record's jurisdiction.

14           (2) If paragraph (1) does not apply and the rules of the system in which the  
15 controllable electronic record is recorded are readily available for review and  
16 expressly provide that a particular jurisdiction is the controllable electronic record's  
17 jurisdiction for purposes of this chapter or title 57A, that jurisdiction is the  
18 controllable electronic record's jurisdiction.

19           (3) If paragraphs (1) and (2) do not apply and the controllable electronic record, or a  
20 record attached to or logically associated with the controllable electronic record  
21 and readily available for review, expressly provides that the controllable electronic  
22 record is governed by the law of a particular jurisdiction, that jurisdiction is the  
23 controllable electronic record's jurisdiction.

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

29           (5) If paragraphs (1) through (4) do not apply, the controllable electronic record's  
30 jurisdiction is the District of Columbia.

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

1           (e) To the extent subsections (a) and (b) provide that the local law of the  
2           controllable electronic record's jurisdiction governs a matter covered by this chapter, that  
3           law governs even if the matter or a transaction to which the matter relates does not bear  
4           any relation to the controllable electronic record's jurisdiction.

5           (f) The rights acquired under section 95 of this Act by a purchaser or qualifying  
6           purchaser are governed by the law applicable under this section at the time of purchase.

7           **Section 99.**

8           Sections 92 through 98 of this Act, inclusive, will become chapter 57A-12 and will be  
9           titled Controllable Electronic Records. Sections 100 to 109 of this Act, inclusive, will  
10          become chapter 57A-13 and will be titled Transitional Provisions for Uniform Commercial  
11          Code Amendments (2022).

12          **Section 100. That a NEW SECTION be added to title 57A:**

13                 This chapter may be cited as Transitional Provisions for Uniform Commercial Code  
14                 Amendments (2022).

15          **Section 101. That a NEW SECTION be added to title 57A:**

16                 (a) In this chapter:

17                 (1) "Adjustment date" means July 1, 2025, or the date that is one year after July 1,  
18                 2024, whichever is later.

19                 (2) "Article 12" means Article 12 of the Uniform Commercial Code as adopted under  
20                 sections 92 to 98 of this Act, inclusive.

21                 (3) "Article 12 property" means a controllable account, controllable electronic record,  
22                 or controllable payment intangible.

23                 (b) The following definitions in other articles of title 57A apply to this chapter.

24                 "Controllable account." § 57A-9-102.

25                 "Controllable electronic record." Section 93 of this Act.

26                 "Controllable payment intangible." § 57A-9-102.

27                 "Electronic money." § 57A-9-102.

28                 "Financing statement." § 57A-9-102.

29                 (c) Chapter 57A-1 contains general definitions and principles of construction and  
30                 interpretation applicable throughout this chapter.

31          **Section 102. That a NEW SECTION be added to title 57A:**

1           Except as provided in sections 103 to 108 of this Act, inclusive, a transaction validly  
2           entered into before July 1, 2024, and the rights, duties, and interests flowing from the  
3           transaction remain valid thereafter and may be terminated, completed, consummated, or  
4           enforced as required or permitted by law other than title 57A or, if applicable, title 57A,  
5           as though this chapter had not taken effect.

6           **Section 103. That a NEW SECTION be added to title 57A:**

7           (a) Except as provided in this section, chapter 57A-9 as amended by this Act and  
8           sections 92 to 98 of this Act, inclusive, apply to a transaction, lien, or other interest in  
9           property, even if the transaction, lien, or interest was entered into, created, or acquired  
10          before July 1, 2024.

11          (b) Except as provided in subsection (c) and sections 104 to 108 of this Act,  
12          inclusive:

13          (1) A transaction, lien, or interest in property that was validly entered into, created,  
14          or transferred before July 1, 2024, and was not governed by title 57A, but would  
15          be subject to chapter 57A-9 as amended by this Act or sections 92 to 98 of this  
16          Act, inclusive, if it had been entered into, created, or transferred on or after July 1  
17          2024, including the rights, duties, and interests flowing from the transaction, lien,  
18          or interest, remains valid on and after July 1, 2024;

19          (2) The transaction, lien, or interest may be terminated, completed, consummated,  
20          and enforced as required or permitted by this Act or by the law that would apply if  
21          this Act had not taken effect.

22          (c) This Act does not affect an action, case, or proceeding commenced before July  
23          1, 2024.

24          **Section 104. That a NEW SECTION be added to title 57A:**

25          (a) A security interest that is enforceable and perfected immediately before July 1,  
26          2024, is a perfected security interest under this Act if, on July 1, 2024, the requirements  
27          for enforceability and perfection under this Act are satisfied without further action.

28          (b) If a security interest is enforceable and perfected immediately before July 1,  
29          2024, but the requirements for enforceability or perfection under this Act are not satisfied  
30          on July 1, 2024, the security interest:

31          (1) Is a perfected security interest until the earlier of the time perfection would have  
32          ceased under the law in effect immediately before July 1, 2024, or the adjustment  
33          date;

1       (2) Remains enforceable thereafter only if the security interest satisfies the  
2       requirements for enforceability under § 57A-9-203, as amended by this Act, before  
3       the adjustment date; and

4       (3) Remains perfected thereafter only if the requirements for perfection under this Act  
5       are satisfied before the time specified in paragraph (1).

6       **Section 105. That a NEW SECTION be added to title 57A:**

7               A security interest that is enforceable immediately before July 1, 2024, but is  
8       unperfected at that time:

9       (1) Remains an enforceable security interest until the adjustment date;

10       (2) Remains enforceable thereafter if the security interest become enforceable under  
11       § 57A-9-203, as amended by this Act, on July 1, 2024, or before the adjustment  
12       date; and

13       (3) Becomes perfected:

14               (A) Without further action, on July 1, 2024, if the requirements for perfection  
15               under this Act are satisfied before or at that time; or

16               (B) When the requirements for perfection are satisfied if the requirements are  
17               satisfied after that time.

18       **Section 106. That a NEW SECTION be added to title 57A:**

19               (a) If action, other than the filing of a financing statement, is taken before July 1,  
20       2024, and the action would have resulted in perfection of the security interest had the  
21       security interest become enforceable before July 1, 2024, the action is effective to perfect  
22       a security interest that attaches under this Act before the adjustment date. An attached  
23       security interest becomes unperfected on the adjustment date unless the security interest  
24       becomes a perfected security interest under this Act before the adjustment date.

25               (b) The filing of a financing statement before July 1, 2024, is effective to perfect a  
26       security interest on July 1, 2024, to the extent the filing would satisfy the requirements  
27       for perfection under this Act.

28               (c) The taking of an action before July 1, 2024, is sufficient for the enforceability  
29       of a security interest on July 1, 2024, if the action would satisfy the requirements for  
30       enforceability under this Act.

31       **Section 107. That a NEW SECTION be added to title 57A:**

1           (a) Subject to subsections (b) and (c), this Act determines the priority of conflicting  
2 claims to collateral.

3           (b) Subject to subsection (c), if the priorities of claims to collateral were established  
4 before July 1, 2024, chapter 57A-9 as in effect before July 1, 2024, determines priority.

5           (c) On the adjustment date, to the extent the priorities determined by chapter 57A-  
6 9 as amended by this Act modify the priorities established before July 1, 2024, the  
7 priorities of claims to Article 12 property and electronic money established before July 1,  
8 2024, cease to apply.

9   **Section 108. That a NEW SECTION be added to title 57A:**

10           (a) Subject to subsection (b) and (c), sections 92 to 98, inclusive, of this Act,  
11 determines the priority of conflicting claims to Article 12 property when the priority rules  
12 of chapter 57A-9 as amended by this Act do not apply.

13           (b) Subject to subsection (c), when the priority rules of chapter 57A-9 as amended  
14 by this Act do not apply, to the extent the priorities determined by this Act modify the  
15 priorities established before July 1, 2024, the priorities of claims to Article 12 property  
16 were established before July 1, 2024, law other than sections 92 to 98, inclusive, of this  
17 Act, determines priority.

18           (c) When the priority rules of chapter 57A-9 as amended by this Act do not apply,  
19 to the extent the priorities determined by this Act modify the priorities established before  
20 July 1, 2024, the priorities of claims to Article 12 property established before July 1, 2024,  
21 cease to apply on the adjustment date.

22   **Section 109. That a NEW SECTION be added to title 57A:**

23           This Act takes effect on July 1, 2024.