

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1305*

Short Title: Revise Article 9 of the UCC.

(Public)

Sponsors: Senator Hartsell.

Referred to: Judiciary I.

May 18, 2000

A BILL TO BE ENTITLED

AN ACT TO ENACT REVISED ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE, CONFORMING AMENDMENTS TO OTHER ARTICLES OF THE UNIFORM COMMERCIAL CODE, AND CONFORMING AMENDMENTS TO OTHER SECTIONS OF THE GENERAL STATUTES AND TO INCREASE CERTAIN FEES UNDER CURRENT ARTICLE 9, AS RECOMMENDED BY THE GENERAL STATUTES COMMISSION.

The General Assembly of North Carolina enacts:

PART I. REVISED ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE.

Section 1. Article 9 of Chapter 25 of the General Statutes is rewritten to read:

"ARTICLE 9.

"SECURED TRANSACTIONS.

"PART 1.

"GENERAL PROVISIONS.

**"SUBPART 1. SHORT TITLE, DEFINITIONS,
AND GENERAL CONCEPTS.**

"§ 25-9-101. Short title.

This Article may be cited as Uniform Commercial Code-Secured Transactions.

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

(a) Article 9 definitions. – In this Article:

- 1 (1) 'Accession' means goods that are physically united with other goods in
2 such a manner that the identity of the original goods is not lost.
- 3 (2) 'Account', except as used in 'account for', means a right to payment of a
4 monetary obligation, whether or not earned by performance, (i) for
5 property that has been or is to be sold, leased, licensed, assigned, or
6 otherwise disposed of, (ii) for services rendered or to be rendered, (iii)
7 for a policy of insurance issued or to be issued, (iv) for a secondary
8 obligation incurred or to be incurred, (v) for energy provided or to be
9 provided, (vi) for the use or hire of a vessel under a charter or other
10 contract, (vii) arising out of the use of a credit or charge card or
11 information contained on or for use with the card, or (viii) as winnings
12 in a lottery or other game of chance operated or sponsored by a state,
13 governmental unit of a state, or person licensed or authorized to operate
14 the game by a state or governmental unit of a state. The term includes
15 health-care-insurance receivables. The term does not include (i) rights
16 to payment evidenced by chattel paper or an instrument, (ii) commercial
17 tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-
18 credit rights or letters of credit, or (vi) rights to payment for money or
19 funds advanced or sold, other than rights arising out of the use of a
20 credit or charge card or information contained on or for use with the
21 card.
- 22 (3) 'Account debtor' means a person obligated on an account, chattel paper,
23 or general intangible. The term does not include persons obligated to
24 pay a negotiable instrument, even if the instrument constitutes part of
25 chattel paper.
- 26 (4) 'Accounting', except as used in 'accounting for', means a record:
27 a. Authenticated by a secured party;
28 b. Indicating the aggregate unpaid secured obligations as of a date
29 not more than 35 days earlier or 35 days later than the date of the
30 record; and
31 c. Identifying the components of the obligations in reasonable
32 detail.
- 33 (5) 'Agricultural lien' means an interest, other than a security interest, in
34 farm products:
35 a. Which secures payment or performance of an obligation for:
36 1. Goods or services furnished in connection with a debtor's
37 farming operation; or
38 2. Rent on real property leased by a debtor in connection
39 with its farming operation;
40 b. Which is created by statute in favor of a person that:
41 1. In the ordinary course of its business furnished goods or
42 services to a debtor in connection with a debtor's farming
43 operation; or

- 1 2. Leased real property to a debtor in connection with the
2 debtor's farming operation; and
3 c. Whose effectiveness does not depend on the person's possession
4 of the personal property.
5 (6) 'As-extracted collateral' means:
6 a. Oil, gas, or other minerals that are subject to a security interest
7 that:
8 1. Is created by a debtor having an interest in the minerals
9 before extraction; and
10 2. Attaches to the minerals as extracted; or
11 b. Accounts arising out of the sale at the wellhead or minehead of
12 oil, gas, or other minerals in which the debtor had an interest
13 before extraction.
14 (7) 'Authenticate' means:
15 a. To sign; or
16 b. To execute or otherwise adopt a symbol, or encrypt or similarly
17 process a record in whole or in part, with the present intent of the
18 authenticating person to identify the person and adopt or accept a
19 record.
20 (8) 'Bank' means an organization that is engaged in the business of banking.
21 The term includes savings banks, savings and loan associations, credit
22 unions, and trust companies.
23 (9) 'Cash proceeds' means proceeds that are money, checks, deposit
24 accounts, or the like.
25 (10) 'Certificate of title' means a certificate of title with respect to which a
26 statute provides for the security interest in question to be indicated on
27 the certificate as a condition or result of the security interest's obtaining
28 priority over the rights of a lien creditor with respect to the collateral.
29 (11) 'Chattel paper' means a record or records that evidence both a monetary
30 obligation and a security interest in specific goods, a security interest in
31 specific goods and software used in the goods, a security interest in
32 specific goods and license of software used in the goods, a lease of
33 specific goods, or a lease of specific goods and license of software used
34 in the goods. In this subdivision, 'monetary obligation' means a
35 monetary obligation secured by the goods or owed under a lease of the
36 goods and includes a monetary obligation with respect to software used
37 in the goods. The term does not include (i) charters or other contracts
38 involving the use or hire of a vessel or (ii) records that evidence a right
39 to payment arising out of the use of a credit or charge card or
40 information contained on or for use with the card. If a transaction is
41 evidenced by records that include an instrument or series of instruments,
42 the group of records taken together constitutes chattel paper.

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

- 1 (20) 'Consignment' means a transaction, regardless of its form, in which a
2 person delivers goods to a merchant for the purpose of sale and:
3 a. The merchant:
4 1. Deals in goods of that kind under a name other than the
5 name of the person making delivery;
6 2. Is not an auctioneer; and
7 3. Is not generally known by its creditors to be substantially
8 engaged in selling the goods of others;
9 b. With respect to each delivery, the aggregate value of the goods is
10 one thousand dollars (\$1,000) or more at the time of delivery;
11 c. The goods are not consumer goods immediately before delivery;
12 and
13 d. The transaction does not create a security interest that secures an
14 obligation.
15 (21) 'Consignor' means a person that delivers goods to a consignee in a
16 consignment.
17 (22) 'Consumer debtor' means a debtor in a consumer transaction.
18 (23) 'Consumer goods' means goods that are used or bought for use primarily
19 for personal, family, or household purposes.
20 (24) 'Consumer-goods transaction' means a consumer transaction in which:
21 a. An individual incurs an obligation primarily for personal, family,
22 or household purposes; and
23 b. A security interest in consumer goods secures the obligation.
24 (25) 'Consumer obligor' means an obligor who is an individual and who
25 incurred the obligation as part of a transaction entered into primarily for
26 personal, family, or household purposes.
27 (26) 'Consumer transaction' means a transaction in which (i) an individual
28 incurs an obligation primarily for personal, family, or household
29 purposes, (ii) a security interest secures the obligation, and (iii) the
30 collateral is held or acquired primarily for personal, family, or
31 household purposes. The term includes consumer-goods transactions.
32 (27) 'Continuation statement' means an amendment of a financing statement
33 which:
34 a. Identifies, by its file number, the initial financing statement to
35 which it relates; and
36 b. Indicates that it is a continuation statement for, or that it is filed
37 to continue the effectiveness of, the identified financing
38 statement.
39 (28) 'Debtor' means:
40 a. A person having an interest, other than a security interest or other
41 lien, in the collateral, whether or not the person is an obligor;
42 b. A seller of accounts, chattel paper, payment intangibles, or
43 promissory notes; or

- 1 c. A consignee.
- 2 (29) 'Deposit account' means a demand, time, savings, passbook, or similar
- 3 account maintained with a bank. The term does not include investment
- 4 property or accounts evidenced by an instrument.
- 5 (30) 'Document' means a document of title or a receipt of the type described
- 6 in G.S. 25-7-201(2).
- 7 (31) 'Electronic chattel paper' means chattel paper evidenced by a record or
- 8 records consisting of information stored in an electronic medium.
- 9 (32) 'Encumbrance' means a right, other than an ownership interest, in real
- 10 property. The term includes mortgages and other liens on real property.
- 11 (33) 'Equipment' means goods other than inventory, farm products, or
- 12 consumer goods.
- 13 (34) 'Farm products' means goods, other than standing timber, with respect to
- 14 which the debtor is engaged in a farming operation and which are:
- 15 a. Crops grown, growing, or to be grown, including:
- 16 1. Crops produced on trees, vines, and bushes; and
- 17 2. Aquatic goods produced in aquacultural operations;
- 18 b. Livestock, born or unborn, including aquatic goods produced in
- 19 aquacultural operations;
- 20 c. Supplies used or produced in a farming operation; or
- 21 d. Products of crops or livestock in their unmanufactured states.
- 22 (35) 'Farming operation' means raising, cultivating, propagating, fattening,
- 23 grazing, or any other farming, livestock, or aquacultural operation.
- 24 (36) 'File number' means the number assigned to an initial financing
- 25 statement pursuant to G.S. 25-9-519(a).
- 26 (37) 'Filing office' means an office designated in G.S. 25-9-501 as the place
- 27 to file a financing statement.
- 28 (38) 'Filing-office rule' means a rule adopted pursuant to G.S. 25-9-526.
- 29 (39) 'Financing statement' means a record or records composed of an initial
- 30 financing statement and any filed record relating to the initial financing
- 31 statement.
- 32 (40) 'Fixture filing' means the filing of a financing statement covering goods
- 33 that are or are to become fixtures and satisfying G.S. 25-9-502(a) and
- 34 (b). The term includes the filing of a financing statement covering
- 35 goods of a transmitting utility which are or are to become fixtures.
- 36 (41) 'Fixtures' means goods that have become so related to particular real
- 37 property that an interest in them arises under real property law.
- 38 (42) 'General intangible' means any personal property, including things in
- 39 action, other than accounts, chattel paper, commercial tort claims,
- 40 deposit accounts, documents, goods, instruments, investment property,
- 41 letter-of-credit rights, letters of credit, money, and oil, gas, or other
- 42 minerals before extraction. The term includes payment intangibles and
- 43 software.

- 1 (43) 'Good faith' means honesty in fact and the observance of reasonable
2 commercial standards of fair dealing.
- 3 (44) 'Goods' means all things that are movable when a security interest
4 attaches. The term includes (i) fixtures, (ii) standing timber that is to be
5 cut and removed under a conveyance or contract for sale, (iii) the
6 unborn young of animals, (iv) crops grown, growing, or to be grown,
7 even if the crops are produced on trees, vines, or bushes, and (v)
8 manufactured homes. The term also includes a computer program
9 embedded in goods and any supporting information provided in
10 connection with a transaction relating to the program if (i) the program
11 is associated with the goods in such a manner that it customarily is
12 considered part of the goods, or (ii) by becoming the owner of the
13 goods, a person acquires a right to use the program in connection with
14 the goods. The term does not include a computer program embedded in
15 goods that consist solely of the medium in which the program is
16 embedded. The term also does not include accounts, chattel paper,
17 commercial tort claims, deposit accounts, documents, general
18 intangibles, instruments, investment property, letter-of-credit rights,
19 letters of credit, money, or oil, gas, or other minerals before extraction.
- 20 (45) 'Governmental unit' means a subdivision, agency, department, county,
21 parish, municipality, or other unit of the government of the United
22 States, a state, or a foreign country. The term includes an organization
23 having a separate corporate existence if the organization is eligible to
24 issue debt on which interest is exempt from income taxation under the
25 laws of the United States.
- 26 (46) 'Health-care-insurance receivable' means an interest in or claim under a
27 policy of insurance which is a right to payment of a monetary obligation
28 for health-care goods or services provided.
- 29 (47) 'Instrument' means a negotiable instrument or any other writing that
30 evidences a right to the payment of a monetary obligation, is not itself a
31 security agreement or lease, and is of a type that in ordinary course of
32 business is transferred by delivery with any necessary indorsement or
33 assignment. The term does not include (i) investment property, (ii)
34 letters of credit, or (iii) writings that evidence a right to payment arising
35 out of the use of a credit or charge card or information contained on or
36 for use with the card.
- 37 (48) 'Inventory' means goods, other than farm products, which:
38 a. Are leased by a person as lessor;
39 b. Are held by a person for sale or lease or to be furnished under a
40 contract of service;
41 c. Are furnished by a person under a contract of service; or
42 d. Consist of raw materials, work in process, or materials used or
43 consumed in a business.

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

1 previously transferred to the transferee. The term does not include an
2 obligation substituted 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
5 security interest in or an agricultural lien on the collateral, (i) owes
6 payment or other performance of the obligation, (ii) has provided
7 property other than the collateral to secure payment or other
8 performance of the obligation, or (iii) is otherwise accountable in whole
9 or in part for payment or other performance of the obligation. The term
10 does not include issuers or nominated persons under a letter of credit.

11 (60) 'Original debtor', except as used in G.S. 25-9-310(c), means a person
12 that, as debtor, entered into a security agreement to which a new debtor
13 has become bound under G.S. 25-9-203(d).

14 (61) 'Payment intangible' means a general intangible under which the
15 account debtor's principal obligation is a monetary obligation.

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
19 individual;

20 c. An ancestor or lineal descendant of the individual or the
21 individual's spouse; or

22 d. Any other relative, by blood or marriage, of the individual or the
23 individual's spouse who shares the same home with the
24 individual.

25 (63) 'Person related to', with respect to an organization, means:

26 a. A person directly or indirectly controlling, controlled by, or
27 under common control with the organization;

28 b. An officer or director of, or a person performing similar
29 functions with respect to, the organization;

30 c. An officer or director of, or a person performing similar
31 functions with respect to, a person described in sub-subdivision
32 a. of this subdivision;

33 d. The spouse of an individual described in sub-subdivision a., b.,
34 or c. of this subdivision; or

35 e. An individual who is related by blood or marriage to an
36 individual described in sub-subdivision a., b., c., or d. of this
37 subdivision and shares the same home with the individual.

38 (64) 'Proceeds', except as used in G.S. 25-9-609(b), means the following
39 property:

40 a. Whatever is acquired upon the sale, lease, license, exchange, or
41 other disposition of collateral;

42 b. Whatever is collected on, or distributed on account of, collateral;

43 c. Rights arising out of collateral;

- 1 d. To the extent of the value of collateral, claims arising out of the
2 loss, nonconformity, or interference with the use of, defects or
3 infringement of rights in, or damage to, the collateral; or
4 e. To the extent of the value of collateral and to the extent payable
5 to the debtor or the secured party, insurance payable by reason of
6 the loss or nonconformity of, defects or infringement of rights in,
7 or damage to, the collateral.

8 (65) 'Production-money crops' means crops that secure a production-money
9 obligation incurred with respect to the production of those crops.

10 (66) 'Production-money obligation' means an obligation of an obligor
11 incurred for new value given to enable the debtor to produce crops if the
12 value is in fact used for the production of the crops.

13 (67) 'Production of crops' includes tilling and otherwise preparing land for
14 growing, planting, cultivating, fertilizing, irrigating, harvesting,
15 gathering, and curing crops, and protecting them from damage or
16 disease.

17 (68) 'Promissory note' means an instrument that evidences a promise to pay a
18 monetary obligation, does not evidence an order to pay, and does not
19 contain an acknowledgment by a bank that the bank has received for
20 deposit a sum of money or funds.

21 (69) 'Proposal' means a record authenticated by a secured party which
22 includes the terms on which the secured party is willing to accept
23 collateral in full or partial satisfaction of the obligation it secures
24 pursuant to G.S. 25-9-620, 25-9-621, and 25-9-622.

25 (70) 'Public-finance transaction' means a secured transaction in connection
26 with which:

27 a. Debt securities are issued;

28 b. All or a portion of the securities issued have an initial stated
29 maturity of at least 20 years; and

30 c. The debtor, obligor, secured party, account debtor or other
31 person obligated on collateral, assignor or assignee of a secured
32 obligation, or assignor or assignee of a security interest is a state
33 or a governmental unit of a state.

34 (71) 'Pursuant to commitment', with respect to an advance made or other
35 value given by a secured party, means pursuant to the secured party's
36 obligation, whether or not a subsequent event of default or other event
37 not within the secured party's control has relieved or may relieve the
38 secured party from its obligation.

39 (72) 'Record', except as used in 'for record', 'of record', 'record or legal title',
40 and 'record owner', means information that is inscribed on a tangible
41 medium or that is stored in an electronic or other medium and is
42 retrievable in perceivable form.

- 1 (73) 'Registered organization' means an organization organized solely under
2 the law of a single state or the United States and as to which the state or
3 the United States must maintain a public record showing the
4 organization to have been organized.
- 5 (74) 'Secondary obligor' means an obligor to the extent that:
6 a. The obligor's obligation is secondary; or
7 b. The obligor has a right of recourse with respect to an obligation
8 secured by collateral against the debtor, another obligor, or
9 property of either.
- 10 (75) 'Secured party' means:
11 a. A person in whose favor a security interest is created or provided
12 for under a security agreement, whether or not any obligation to
13 be secured is outstanding;
14 b. A person that holds an agricultural lien;
15 c. A consignor;
16 d. A person to which accounts, chattel paper, payment intangibles,
17 or promissory notes have been sold;
18 e. A trustee, indenture trustee, agent, collateral agent, or other
19 representative in whose favor a security interest or agricultural
20 lien is created or provided for; or
21 f. A person that holds a security interest arising under G.S. 25-2-
22 401, 25-2-505, 25-2-711(3), 25-2A-508(5), 25-4-208, or 25-5-
23 118.
- 24 (76) 'Security agreement' means an agreement that creates or provides for a
25 security interest.
- 26 (77) 'Send', in connection with a record or notification, means:
27 a. To deposit in the mail, deliver for transmission, or transmit by
28 any other usual means of communication, with postage or cost of
29 transmission provided for, addressed to any address reasonable
30 under the circumstances; or
31 b. To cause the record or notification to be received within the time
32 that it would have been received if properly sent under sub-
33 subdivision a. of this subdivision.
- 34 (78) 'Software' means a computer program and any supporting information
35 provided in connection with a transaction relating to the program. The
36 term does not include a computer program that is included in the
37 definition of goods.
- 38 (79) 'State' means a state of the United States, the District of Columbia,
39 Puerto Rico, the United States Virgin Islands, or any territory or insular
40 possession subject to the jurisdiction of the United States.
- 41 (80) 'Supporting obligation' means a letter-of-credit right or secondary
42 obligation that supports the payment or performance of an account,

- 1 chattel paper, a document, a general intangible, an instrument, or
2 investment property.
- 3 (81) 'Tangible chattel paper' means chattel paper evidenced by a record or
4 records consisting of information that is inscribed on a tangible
5 medium.
- 6 (82) 'Termination statement' means an amendment of a financing statement
7 which:
- 8 a. Identifies, by its file number, the initial financing statement to
9 which it relates; and
- 10 b. Indicates either that it is a termination statement or that the
11 identified financing statement is no longer effective.
- 12 (83) 'Transmitting utility' means a person primarily engaged in the business
13 of:
- 14 a. Operating a railroad, subway, street railway, or trolley bus;
15 b. Transmitting communications electrically, electromagnetically,
16 or by light;
- 17 c. Transmitting goods by pipeline or sewer; or
18 d. Transmitting or producing and transmitting electricity, steam,
19 gas, or water.
- 20 (b) Definitions in other articles. – The following definitions in other Articles of
21 this Chapter apply to this Article:
- 22 'Applicant' G.S. 25-5-102.
23 'Beneficiary' G.S. 25-5-102.
24 'Broker' G.S. 25-8-102.
25 'Certificated security' G.S. 25-8-102.
26 'Check' G.S. 25-3-104.
27 'Clearing corporation' G.S. 25-8-102.
28 'Contract for sale' G.S. 25-2-106.
29 'Customer' G.S. 25-4-104.
30 'Entitlement holder' G.S. 25-8-102.
31 'Financial asset' G.S. 25-8-102.
32 'Holder in due course' G.S. 25-3-302.
33 'Issuer' (with respect to a letter
34 of credit or letter-of-credit right) G.S. 25-5-102.
35 'Issuer' (with respect to a security) G.S. 25-8-201.
36 'Lease' G.S. 25-2A-103.
37 'Lease agreement' G.S. 25-2A-103.
38 'Lease contract' G.S. 25-2A-103.
39 'Leasehold interest' G.S. 25-2A-103.
40 'Lessee' G.S. 25-2A-103.
41 'Lessee in ordinary course of
42 business' G.S. 25-2A-103. 'Lessor' G.S. 25-2A-103.
43 'Lessor's residual interest' G.S. 25-2A-103.

1 'Letter of credit' G.S. 25-5-102.

2 'Merchant' G.S. 25-2-104.

3 'Negotiable instrument' G.S. 25-3-104.

4 'Nominated person' G.S. 25-5-102.

5 'Note' G.S. 25-3-104.

6 'Proceeds of a letter of credit' G.S. 25-5-114.

7 'Prove' G.S. 25-3-103.

8 'Sale' G.S. 25-2-106.

9 'Securities account' G.S. 25-8-501.

10 'Securities intermediary' G.S. 25-8-102.

11 'Security' G.S. 25-8-102.

12 'Security certificate' G.S. 25-8-102.

13 'Security entitlement' G.S. 25-8-102.

14 'Uncertificated security' G.S. 25-8-102.

15 (c) Article 1 definitions and principles. – Article 1 of this Chapter contains general
16 definitions and principles of construction and interpretation applicable throughout this
17 Article.

18 **§ 25-9-103. Purchase-money security interest; application of payments; burden of**
19 **establishing.**

20 (a) Definitions. – In this section:

21 (1) 'Purchase-money collateral' means goods or software that secures a
22 purchase-money obligation incurred with respect to that collateral; and

23 (2) 'Purchase-money obligation' means an obligation of an obligor incurred
24 as all or part of the price of the collateral or for value given to enable the
25 debtor to acquire rights in or the use of the collateral if the value is in
26 fact so used.

27 (b) Purchase-money security interest in goods. – A security interest in goods is a
28 purchase-money security interest:

29 (1) To the extent that the goods are purchase-money collateral with respect
30 to that security interest;

31 (2) If the security interest is in inventory that is or was purchase-money
32 collateral, also to the extent that the security interest secures a purchase-
33 money obligation incurred with respect to other inventory in which the
34 secured party holds or held a purchase-money security interest; and

35 (3) Also to the extent that the security interest secures a purchase-money
36 obligation incurred with respect to software in which the secured party
37 holds or held a purchase-money security interest.

38 (c) Purchase-money security interest in software. – A security interest in software
39 is a purchase-money security interest to the extent that the security interest also secures a
40 purchase-money obligation incurred with respect to goods in which the secured party
41 holds or held a purchase-money security interest if:

42 (1) The debtor acquired its interest in the software in an integrated
43 transaction in which it acquired an interest in the goods; and

1 (2) The debtor acquired its interest in the software for the principal purpose
2 of using the software in the goods.

3 (d) Consignor's inventory purchase-money security interest. – The security interest
4 of a consignor in goods that are the subject of a consignment is a purchase-money
5 security interest in inventory.

6 (e) Application of payment in non-consumer-goods transaction. – In a transaction
7 other than a consumer-goods transaction, if the extent to which a security interest is a
8 purchase-money security interest depends on the application of a payment to a particular
9 obligation, the payment must be applied:

10 (1) In accordance with any reasonable method of application to which the
11 parties agree;

12 (2) In the absence of the parties' agreement to a reasonable method, in
13 accordance with any intention of the obligor manifested at or before the
14 time of payment; or

15 (3) In the absence of an agreement to a reasonable method and a timely
16 manifestation of the obligor's intention, in the following order:

17 a. To obligations that are not secured; and

18 b. If more than one obligation is secured, to obligations secured by
19 purchase-money security interests in the order in which those
20 obligations were incurred.

21 (f) No loss of status of purchase-money security interest in non-consumer-goods
22 transaction. – In a transaction other than a consumer-goods transaction, a purchase-
23 money security interest does not lose its status as such, even if:

24 (1) The purchase-money collateral also secures an obligation that is not a
25 purchase-money obligation;

26 (2) Collateral that is not purchase-money collateral also secures the
27 purchase-money obligation; or

28 (3) The purchase-money obligation has been renewed, refinanced,
29 consolidated, or restructured.

30 (g) Burden of proof in non-consumer-goods transaction. – In a transaction other
31 than a consumer-goods transaction, a secured party claiming a purchase-money security
32 interest has the burden of establishing the extent to which the security interest is a
33 purchase-money security interest.

34 (h) Non-consumer-goods transactions; no inference. – The limitation of the rules
35 in subsections (e), (f), and (g) of this section to transactions other than consumer-goods
36 transactions is intended to leave to the court the determination of the proper rules in
37 consumer-goods transactions. The court may not infer from that limitation the nature of
38 the proper rule in consumer-goods transactions and may continue to apply established
39 approaches.

40 **"§ 25-9-103.1. Production-money crops; production-money obligation; production-**
41 **money security interest; burden of establishing.**

42 (a) Production-money crops. – A security interest in crops is a production-money
43 security interest to the extent that the crops are production-money crops.

1 **(b) Production-money obligation.** – If the extent to which a security interest is a
2 production-money security interest depends on the application of a payment to a
3 particular obligation, the payment must be applied:

4 (1) In accordance with any reasonable method of application to which the
5 parties agree;

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

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

11 a. To obligations that are not secured; and

12 b. If more than one obligation is secured, to obligations secured by
13 production-money security interests in the order in which those
14 obligations were incurred.

15 **(c) Production-money security interest.** – A production-money security interest
16 does not lose its status as such, even if:

17 (1) The production-money crops also secure an obligation that is not a
18 production-money obligation;

19 (2) Collateral that is not production-money crops also secures the
20 production-money obligation; or

21 (3) The production-money obligation has been renewed, refinanced, or
22 restructured.

23 **(d) Burden of proof.** – A secured party claiming a production-money security
24 interest has the burden of establishing the extent to which the security interest is a
25 production-money security interest.

26 **"§ 25-9-104. Control of deposit account.**

27 **(a) Requirements for control.** – A secured party has control of a deposit account if:

28 (1) The secured party is the bank with which the deposit account is
29 maintained;

30 (2) The debtor, secured party, and bank have agreed in an authenticated
31 record that the bank will comply with instructions originated by the
32 secured party directing disposition of the funds in the deposit account
33 without further consent by the debtor; or

34 (3) The secured party becomes the bank's customer with respect to the
35 deposit account.

36 **(b) Debtor's right to direct disposition.** – A secured party that has satisfied
37 subsection (a) of this section has control, even if the debtor retains the right to direct the
38 disposition of funds from the deposit account.

39 **"§ 25-9-105. Control of electronic chattel paper.**

40 A secured party has control of electronic chattel paper if the record or records
41 comprising the chattel paper are created, stored, and assigned in such a manner that:

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

15 **"§ 25-9-106. Control of investment property.**

16 (a) Control under G.S. 25-8-106. – A person has control of a certificated security,
17 uncertificated security, or security entitlement as provided in G.S. 25-8-106.

18 (b) Control of commodity contract. – A secured party has control of a commodity
19 contract if:

- 20 (1) The secured party is the commodity intermediary with which the
21 commodity contract is carried; or
22 (2) The commodity customer, secured party, and commodity intermediary
23 have agreed that the commodity intermediary will apply any value
24 distributed on account of the commodity contract as directed by the
25 secured party without further consent by the commodity customer.

26 (c) Effect of control of securities account or commodity account. – A secured
27 party having control of all security entitlements or commodity contracts carried in a
28 securities account or commodity account has control over the securities account or
29 commodity account.

30 **"§ 25-9-107. Control of letter-of-credit right.**

31 A secured party has control of a letter-of-credit right to the extent of any right to
32 payment or performance by the issuer or any nominated person if the issuer or nominated
33 person has consented to an assignment of proceeds of the letter of credit under G.S. 25-5-
34 114(c) or otherwise applicable law or practice.

35 **"§ 25-9-108. Sufficiency of description.**

36 (a) Sufficiency of description. – Except as otherwise provided in subsections (c),
37 (d), and (e) of this section, a description of personal or real property is sufficient, whether
38 or not it is specific, if it reasonably identifies what is described.

39 (b) Examples of reasonable identification. – Except as otherwise provided in
40 subsection (d) of this section, a description of collateral reasonably identifies the
41 collateral if it identifies the collateral by:

- 42 (1) Specific listing;
43 (2) Category;

1 (3) Except as otherwise provided in subsection (e) of this section, a type of
2 collateral defined in this Chapter;

3 (4) Quantity;

4 (5) Computational or allocational formula or procedure; or

5 (6) Except as otherwise provided in subsection (c) of this section, any other
6 method, if the identity of the collateral is objectively determinable.

7 (c) Supergeneric description not sufficient. – A description of collateral as 'all the
8 debtor's assets' or 'all the debtor's personal property' or using words of similar import
9 does not reasonably identify the collateral.

10 (d) Investment property. – Except as otherwise provided in subsection (e) of this
11 section, a description of a security entitlement, securities account, or commodity account
12 is sufficient if it describes:

13 (1) The collateral by those terms or as investment property; or

14 (2) The underlying financial asset or commodity contract.

15 (e) When description by type insufficient. – A description only by type of
16 collateral defined in this Chapter is an insufficient description of:

17 (1) A commercial tort claim; or

18 (2) In a consumer transaction, consumer goods, a security entitlement, a
19 securities account, or a commodity account.

20 **"SUBPART 2. APPLICABILITY OF ARTICLE.**

21 **"§ 25-9-109. Scope.**

22 (a) General scope of Article. – Except as otherwise provided in subsections (c) and
23 (d) of this section, this Article applies to:

24 (1) A transaction, regardless of its form, that creates a security interest in
25 personal property or fixtures by contract;

26 (2) An agricultural lien;

27 (3) A sale of accounts, chattel paper, payment intangibles, or promissory
28 notes;

29 (4) A consignment;

30 (5) A security interest arising under G.S. 25-2-401, 25-2-505, 25-2-711(3),
31 or 25-2A-508(5), as provided in G.S. 25-9-110; and

32 (6) A security interest arising under G.S. 25-4-208 or G.S. 25-5-118.

33 (b) Security interest in secured obligation. – The application of this Article to a
34 security interest in a secured obligation is not affected by the fact that the obligation is
35 itself secured by a transaction or interest to which this Article does not apply.

36 (c) Extent to which Article does not apply. – This Article does not apply to the
37 extent that:

38 (1) A statute, regulation, or treaty of the United States preempts this Article;

39 (2) Another statute of this State expressly governs the creation, perfection,
40 priority, or enforcement of a security interest created by this State or a
41 governmental unit of this State;

42 (3) A statute of another state, a foreign country, or a governmental unit of
43 another state or a foreign country, other than a statute generally

- 1 applicable to security interests, expressly governs creation, perfection,
2 priority, or enforcement of a security interest created by the state,
3 country, or governmental unit; or
4 (4) The rights of a transferee beneficiary or nominated person under a letter
5 of credit are independent and superior under G.S. 25-5-114.
6 (d) Inapplicability of Article. – This Article does not apply to:
7 (1) A landlord's lien, other than an agricultural lien;
8 (2) A lien, other than an agricultural lien, given by statute or other rule of
9 law for services or materials, but G.S. 25-9-333 applies with respect to
10 priority of the lien;
11 (3) An assignment of a claim for wages, salary, or other compensation of an
12 employee;
13 (4) A sale of accounts, chattel paper, payment intangibles, or promissory
14 notes as part of a sale of the business out of which they arose;
15 (5) An assignment of accounts, chattel paper, payment intangibles, or
16 promissory notes which is for the purpose of collection only;
17 (6) An assignment of a right to payment under a contract to an assignee that
18 is also obligated to perform under the contract;
19 (7) An assignment of a single account, payment intangible, or promissory
20 note to an assignee in full or partial satisfaction of a preexisting
21 indebtedness;
22 (8) A transfer of an interest in or an assignment of a claim under a policy of
23 insurance, other than an assignment by or to a health-care provider of a
24 health-care-insurance receivable and any subsequent assignment of the
25 right to payment, but G.S. 25-9-315 and G.S. 25-9-322 apply with
26 respect to proceeds and priorities in proceeds;
27 (9) An assignment of a right represented by a judgment, other than a
28 judgment taken on a right to payment that was collateral;
29 (10) A right of recoupment or setoff, but:
30 a. G.S. 25-9-340 applies with respect to the effectiveness of rights
31 of recoupment or setoff against deposit accounts; and
32 b. G.S. 25-9-404 applies with respect to defenses or claims of an
33 account debtor;
34 (11) The creation or transfer of an interest in or lien on real property,
35 including a lease or rents thereunder, except to the extent that provision
36 is made for:
37 a. Liens on real property in G.S. 25-9-203 and G.S. 25-9-308;
38 b. Fixtures in G.S. 25-9-334;
39 c. Fixture filings in G.S. 25-9-501, 25-9-502, 25-9-512, 25-9-516,
40 and 25-9-519; and
41 d. Security agreements covering personal and real property in G.S.
42 25-9-604;

1 (2) Extend the application of the rule of law, statute, or regulation to a
2 transaction not otherwise subject to it.

3 **"§ 25-9-202. Title to collateral immaterial.**

4 Except as otherwise provided with respect to consignments or sales of accounts,
5 chattel paper, payment intangibles, or promissory notes, the provisions of this Article
6 with regard to rights and obligations apply whether title to collateral is in the secured
7 party or the debtor.

8 **"§ 25-9-203. Attachment and enforceability of security interest; proceeds;**
9 **supporting obligations; formal requisites.**

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

13 (b) Enforceability. – Except as otherwise provided in subsections (c) through (i) of
14 this section, a security interest is enforceable against the debtor and third parties with
15 respect to the collateral only if:

16 (1) Value has been given;

17 (2) The debtor has rights in the collateral or the power to transfer rights in
18 the collateral to a secured party; and

19 (3) One of the following conditions is met:

20 a. The debtor has authenticated a security agreement that provides a
21 description of the collateral and, if the security interest covers
22 timber to be cut, a description of the land concerned;

23 b. The collateral is not a certificated security and is in the
24 possession of the secured party under G.S. 25-9-313 pursuant to
25 the debtor's security agreement;

26 c. The collateral is a certificated security in registered form and the
27 security certificate has been delivered to the secured party under
28 G.S. 25-8-301 pursuant to the debtor's security agreement; or

29 d. The collateral is deposit accounts, electronic chattel paper,
30 investment property, or letter-of-credit rights, and the secured
31 party has control under G.S. 25-9-104, 25-9-105, 25-9-106, or
32 25-9-107 pursuant to the debtor's security agreement.

33 (c) Other UCC provisions. – Subsection (b) of this section is subject to G.S. 25-4-
34 208 on the security interest of a collecting bank, G.S. 25-5-118 on the security interest of
35 a letter-of-credit issuer or nominated person, G.S. 25-9-110 on a security interest arising
36 under Article 2 or 2A of this Chapter, and G.S. 25-9-206 on security interests in
37 investment property.

38 (d) When person becomes bound by another person's security agreement. – A
39 person becomes bound as debtor by a security agreement entered into by another person
40 if, by operation of law other than this Article or by contract:

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

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

5 (e) Effect of new debtor becoming bound. – If a new debtor becomes bound as
6 debtor by a security agreement entered into by another person:

7 (1) The agreement satisfies subdivision (b)(3) of this section with respect to
8 existing or after-acquired property of the new debtor to the extent the
9 property is described in the agreement; and

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

12 (f) Proceeds and supporting obligations. – The attachment of a security interest in
13 collateral gives the secured party the rights to proceeds provided by G.S. 25-9-315 and is
14 also attachment of a security interest in a supporting obligation for the collateral.

15 (g) Lien securing right to payment. – The attachment of a security interest in a
16 right to payment or performance secured by a security interest or other lien on personal or
17 real property is also attachment of a security interest in the security interest, mortgage, or
18 other lien.

19 (h) Security entitlement carried in securities account. – The attachment of a
20 security interest in a securities account is also attachment of a security interest in the
21 security entitlements carried in the securities account.

22 (i) Commodity contracts carried in commodity account. – The attachment of a
23 security interest in a commodity account is also attachment of a security interest in the
24 commodity contracts carried in the commodity account.

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

26 (a) After-acquired collateral. – Except as otherwise provided in subsection (b) of
27 this section, a security agreement may create or provide for a security interest in after-
28 acquired collateral.

29 (b) When after-acquired property clause not effective. – A security interest does
30 not attach under a term constituting an after-acquired property clause to:

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

34 (2) A commercial tort claim.

35 (c) Future advances and other value. – A security agreement may provide that
36 collateral secures, or that accounts, chattel paper, payment intangibles, or promissory
37 notes are sold in connection with future advances or other value, whether or not the
38 advances or value are given pursuant to commitment.

39 **"§ 25-9-205. Use or disposition of collateral permissible.**

40 (a) When security interest not invalid or fraudulent. – A security interest is not
41 invalid or fraudulent against creditors solely because:

42 (1) The debtor has the right or ability to:

- 1 a. Use, commingle, or dispose of all or part of the collateral,
2 including returned or repossessed goods;
3 b. Collect, compromise, enforce, or otherwise deal with collateral;
4 c. Accept the return of collateral or make repossessions; or
5 d. Use, commingle, or dispose of proceeds; or
6 (2) The secured party fails to require the debtor to account for proceeds or
7 replace collateral.

8 (b) Requirements of possession not relaxed. – This section does not relax the
9 requirements of possession if attachment, perfection, or enforcement of a security interest
10 depends upon possession of the collateral by the secured party.

11 **"§ 25-9-206. Security interest arising in purchase or delivery of financial asset.**

12 (a) Security interest when person buys through securities intermediary. – A
13 security interest in favor of a securities intermediary attaches to a person's security
14 entitlement if:

- 15 (1) The person buys a financial asset through the securities intermediary in
16 a transaction in which the person is obligated to pay the purchase price
17 to the securities intermediary at the time of the purchase; and
18 (2) The securities intermediary credits the financial asset to the buyer's
19 securities account before the buyer pays the securities intermediary.

20 (b) Security interest secures obligation to pay for financial asset. – The security
21 interest described in subsection (a) of this section secures the person's obligation to pay
22 for the financial asset.

23 (c) Security interest in payment against delivery transaction. – A security interest
24 in favor of a person that delivers a certificated security or other financial asset
25 represented by a writing attaches to the security or other financial asset if:

- 26 (1) The security or other financial asset:
27 a. In the ordinary course of business is transferred by delivery with
28 any necessary indorsement or assignment; and
29 b. Is delivered under an agreement between persons in the business
30 of dealing with such securities or financial assets; and
31 (2) The agreement calls for delivery against payment.

32 (d) Security interest secures obligation to pay for delivery. – The security interest
33 described in subsection (c) of this section secures the obligation to make payment for the
34 delivery.

35 **"SUBPART 2. RIGHTS AND DUTIES.**

36 **"§ 25-9-207. Rights and duties of secured party having possession or control of**
37 **collateral.**

38 (a) Duty of care when secured party in possession. – Except as otherwise provided
39 in subsection (d) of this section, a secured party shall use reasonable care in the custody
40 and preservation of collateral in the secured party's possession. In the case of chattel
41 paper or an instrument, reasonable care includes taking necessary steps to preserve rights
42 against prior parties unless otherwise agreed.

1 **(b) Expenses, risks, duties, and rights when secured party in possession.** – Except
2 as otherwise provided in subsection (d) of this section, if a secured party has possession
3 of collateral:

4 **(1) Reasonable expenses, including the cost of insurance and payment of**
5 taxes or other charges, incurred in the custody, preservation, use, or
6 operation of the collateral are chargeable to the debtor and are secured
7 by the collateral;

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

10 **(3) The secured party shall keep the collateral identifiable, but fungible**
11 collateral may be commingled; and

12 **(4) The secured party may use or operate the collateral:**

13 a. For the purpose of preserving the collateral or its value;

14 b. As permitted by an order of a court having competent
15 jurisdiction; or

16 c. Except in the case of consumer goods, in the manner and to the
17 extent agreed by the debtor.

18 **(c) Rights and duties when secured party in possession or control.** – Except as
19 otherwise provided in subsection (d) of this section, a secured party having possession of
20 collateral or control of collateral under G.S. 25-9-104, 25-9-105, 25-9-106, or 25-9-107:

21 **(1) May hold as additional security any proceeds, except money or funds,**
22 received from the collateral;

23 **(2) Shall apply money or funds received from the collateral to reduce the**
24 secured obligation, unless remitted to the debtor; and

25 **(3) May create a security interest in the collateral.**

26 **(d) Buyer of certain rights to payment.** – If the secured party is a buyer of
27 accounts, chattel paper, payment intangibles, or promissory notes or a consignor:

28 **(1) Subsection (a) of this section does not apply unless the secured party is**
29 entitled under an agreement:

30 a. To charge back uncollected collateral; or

31 b. Otherwise to full or limited recourse against the debtor or a
32 secondary obligor based on the nonpayment or other default of
33 an account debtor or other obligor on the collateral; and

34 **(2) Subsections (b) and (c) of this section do not apply.**

35 **"§ 25-9-208. Additional duties of secured party having control of collateral.**

36 **(a) Applicability of section.** – This section applies to cases in which there is no
37 outstanding secured obligation and the secured party is not committed to make advances,
38 incur obligations, or otherwise give value.

39 **(b) Duties of secured party after receiving demand from debtor.** – Within 10 days
40 after receiving an authenticated demand by the debtor:

41 **(1) A secured party having control of a deposit account under G.S. 25-9-**
42 104(a)(2) shall send to the bank with which the deposit account is
43 maintained an authenticated statement that releases the bank from any

1 further obligation to comply with instructions originated by the secured
2 party;

3 (2) A secured party having control of a deposit account under G.S. 25-9-
4 104(a)(3) shall:

5 a. Pay the debtor the balance on deposit in the deposit account; or

6 b. Transfer the balance on deposit into a deposit account in the
7 debtor's name;

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

10 a. Communicate the authoritative copy of the electronic chattel
11 paper to the debtor or its designated custodian;

12 b. If the debtor designates a custodian that is the designated
13 custodian with which the authoritative copy of the electronic
14 chattel paper is maintained for the secured party, communicate to
15 the custodian an authenticated record releasing the designated
16 custodian from any further obligation to comply with instructions
17 originated by the secured party and instructing the custodian to
18 comply with instructions originated by the debtor; and

19 c. Take appropriate action to enable the debtor or its designated
20 custodian to make copies of or revisions to the authoritative copy
21 which add or change an identified assignee of the authoritative
22 copy without the consent of the secured party;

23 (4) A secured party having control of investment property under G.S. 25-8-
24 106(d)(2) or G.S. 25-9-106(b) shall send to the securities intermediary
25 or commodity intermediary with which the security entitlement or
26 commodity contract is maintained an authenticated record that releases
27 the securities intermediary or commodity intermediary from any further
28 obligation to comply with entitlement orders or directions originated by
29 the secured party; and

30 (5) A secured party having control of a letter-of-credit right under G.S. 25-
31 9-107 shall send to each person having an unfulfilled obligation to pay
32 or deliver proceeds of the letter of credit to the secured party an
33 authenticated release from any further obligation to pay or deliver
34 proceeds of the letter of credit to the secured party.

35 **"§ 25-9-209. Duties of secured party if account debtor has been notified of**
36 **assignment.**

37 (a) Applicability of section. – Except as otherwise provided in subsection (c) of
38 this section, this section applies if:

39 (1) There is no outstanding secured obligation; and

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

42 (b) Duties of secured party after receiving demand from debtor. – Within 10 days
43 after receiving an authenticated demand by the debtor, a secured party shall send to an

1 account debtor that has received notification of an assignment to the secured party as
2 assignee under G.S. 25-9-406(a) an authenticated record that releases the account debtor
3 from any further obligation to the secured party.

4 (c) Inapplicability to sales. – This section does not apply to an assignment
5 constituting the sale of an account, chattel paper, or payment intangible.

6 **"§ 25-9-210. Request for accounting; request regarding list of collateral or**
7 **statement of account.**

8 (a) Definitions. – In this section:

9 (1) 'Request' means a record of a type described in subdivision (2), (3), or
10 (4) of this subsection.

11 (2) 'Request for an accounting' means a record authenticated by a debtor
12 requesting that the recipient provide an accounting of the unpaid
13 obligations secured by collateral and reasonably identifying the
14 transaction or relationship that is the subject of the request.

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

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

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

30 (1) In the case of a request for an accounting, by authenticating and sending
31 to the debtor an accounting; and

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

35 (c) Request regarding list of collateral; statement concerning type of collateral. –
36 A secured party that claims a security interest in all of a particular type of collateral
37 owned by the debtor may comply with a request regarding a list of collateral by sending
38 to the debtor an authenticated record including a statement to that effect within 14 days
39 after receipt.

40 (d) Request regarding list of collateral; no interest claimed. – A person that
41 receives a request regarding a list of collateral, claims no interest in the collateral when it
42 receives the request, and claimed an interest in the collateral at an earlier time shall

1 comply with the request within 14 days after receipt by sending to the debtor an
2 authenticated record:

3 (1) Disclaiming any interest in the collateral; and

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

6 (e) Request for accounting or regarding statement of account; no interest in
7 obligation claimed. – A person that receives a request for an accounting or a request
8 regarding a statement of account, claims no interest in the obligations when it receives
9 the request, and claimed an interest in the obligations at an earlier time shall comply with
10 the request within 14 days after receipt by sending to the debtor an authenticated record:

11 (1) Disclaiming any interest in the obligations; and

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

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

18 **"PART 3.**

19 **"PERFECTION AND PRIORITY.**

20 **"SUBPART 1. LAW GOVERNING PERFECTION AND PRIORITY.**

21 **"§ 25-9-301. Law governing perfection and priority of security interests.**

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

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

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

32 (3) Except as otherwise provided in subdivision (4) of this section, while
33 negotiable documents, goods, instruments, money, or tangible chattel
34 paper is located in a jurisdiction, the local law of that jurisdiction
35 governs:

36 a. Perfection of a security interest in the goods by filing a fixture
37 filing;

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

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

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

1 **"§ 25-9-302. Law governing perfection and priority of agricultural liens.**

2 While farm products are located in a jurisdiction, the local law of that jurisdiction
3 governs perfection, the effect of perfection or nonperfection, and the priority of an
4 agricultural lien on the farm products.

5 **"§ 25-9-303. Law governing perfection and priority of security interests in goods**
6 **covered by a certificate of title.**

7 (a) Applicability of section. – This section applies to goods covered by a
8 certificate of title, even if there is no other relationship between the jurisdiction under
9 whose certificate of title the goods are covered and the goods or the debtor.

10 (b) When goods covered by certificate of title. – Goods become covered by a
11 certificate of title when a valid application for the certificate of title and the applicable fee
12 are delivered to the appropriate authority. Goods cease to be covered by a certificate of
13 title at the earlier of the time the certificate of title ceases to be effective under the law of
14 the issuing jurisdiction or the time the goods become covered subsequently by a
15 certificate of title issued by another jurisdiction.

16 (c) Applicable law. – The local law of the jurisdiction under whose certificate of
17 title the goods are covered governs perfection, the effect of perfection or nonperfection,
18 and the priority of a security interest in goods covered by a certificate of title from the
19 time the goods become covered by the certificate of title until the goods cease to be
20 covered by the certificate of title.

21 **"§ 25-9-304. Law governing perfection and priority of security interests in deposit**
22 **accounts.**

23 (a) Law of bank's jurisdiction governs. – The local law of a bank's jurisdiction
24 governs perfection, the effect of perfection or nonperfection, and the priority of a security
25 interest in a deposit account maintained with that bank.

26 (b) Bank's jurisdiction. – The following rules determine a bank's jurisdiction for
27 purposes of this Part:

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

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

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

41 (4) If none of subdivisions (1), (2), and (3) of this subsection applies, the
42 bank's jurisdiction is the jurisdiction in which the office identified in an

1 account statement as the office serving the customer's account is
2 located.

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

6 **"§ 25-9-305. Law governing perfection and priority of security interests in**
7 **investment property.**

8 (a) Governing law: general rules. – Except as otherwise provided in subsection (c)
9 of this section, the following rules apply:

- 10 (1) While a security certificate is located in a jurisdiction, the local law of
11 that jurisdiction governs perfection, the effect of perfection or
12 nonperfection, and the priority of a security interest in the certificated
13 security represented thereby.
- 14 (2) The local law of the issuer's jurisdiction as specified in G.S. 25-8-110(d)
15 governs perfection, the effect of perfection or nonperfection, and the
16 priority of a security interest in an uncertificated security.
- 17 (3) The local law of the securities intermediary's jurisdiction as specified in
18 G.S. 25-8-110(e) governs perfection, the effect of perfection or
19 nonperfection, and the priority of a security interest in a security
20 entitlement or securities account.
- 21 (4) The local law of the commodity intermediary's jurisdiction governs
22 perfection, the effect of perfection or nonperfection, and the priority of a
23 security interest in a commodity contract or commodity account.

24 (b) Commodity intermediary's jurisdiction. – The following rules determine a
25 commodity intermediary's jurisdiction for purposes of this Part:

- 26 (1) If an agreement between the commodity intermediary and commodity
27 customer governing the commodity account expressly provides that a
28 particular jurisdiction is the commodity intermediary's jurisdiction for
29 purposes of this Part, this Article, or this Chapter, that jurisdiction is the
30 commodity intermediary's jurisdiction.
- 31 (2) If subdivision (1) of this subsection does not apply and an agreement
32 between the commodity intermediary and commodity customer
33 governing the commodity account expressly provides that the agreement
34 is governed by the law of a particular jurisdiction, that jurisdiction is the
35 commodity intermediary's jurisdiction.
- 36 (3) If neither subdivision (1) nor subdivision (2) of this subsection applies
37 and an agreement between the commodity intermediary and commodity
38 customer governing the commodity account expressly provides that the
39 commodity account is maintained at an office in a particular
40 jurisdiction, that jurisdiction is the commodity intermediary's
41 jurisdiction.
- 42 (4) If none of subdivisions (1), (2), and (3) of this subsection applies, the
43 commodity intermediary's jurisdiction is the jurisdiction in which the

1 office identified in an account statement as the office serving the
2 commodity customer's account is located.

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

6 (c) When perfection governed by law of jurisdiction where debtor located. – The
7 local law of the jurisdiction in which the debtor is located governs:

8 (1) Perfection of a security interest in investment property by filing;

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

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

13 **§ 25-9-306. Law governing perfection and priority of security interests in letter-of-**
14 **credit rights.**

15 (a) Governing law: issuer's or nominated person's jurisdiction. – Subject to
16 subsection (c) of this section, the local law of the issuer's jurisdiction or a nominated
17 person's jurisdiction governs perfection, the effect of perfection or nonperfection, and the
18 priority of a security interest in a letter-of-credit right if the issuer's jurisdiction or
19 nominated person's jurisdiction is a state.

20 (b) Issuer's or nominated person's jurisdiction. – For purposes of this Part, an
21 issuer's jurisdiction or nominated person's jurisdiction is the jurisdiction whose law
22 governs the liability of the issuer or nominated person with respect to the letter-of-credit
23 right as provided in G.S. 25-5-116.

24 (c) When section not applicable. – This section does not apply to a security
25 interest that is perfected only under G.S. 25-9-308(d).

26 **§ 25-9-307. Location of debtor.**

27 (a) 'Place of business.' – In this section, 'place of business' means a place where a
28 debtor conducts its affairs.

29 (b) Debtor's location: general rules. – Except as otherwise provided in this section,
30 the following rules determine a debtor's location:

31 (1) A debtor who is an individual is located at the individual's principal
32 residence.

33 (2) A debtor that is an organization and has only one place of business is
34 located at its place of business.

35 (3) A debtor that is an organization and has more than one place of business
36 is located at its chief executive office.

37 (c) Limitation of applicability of subsection (b). – Subsection (b) of this section
38 applies only if a debtor's residence, place of business, or chief executive office, as
39 applicable, is located in a jurisdiction whose law generally requires information
40 concerning the existence of a nonpossessory security interest to be made generally
41 available in a filing, recording, or registration system as a condition or result of the
42 security interest's obtaining priority over the rights of a lien creditor with respect to the

1 collateral. If subsection (b) of this section does not apply, the debtor is located in the
2 District of Columbia.

3 (d) Continuation of location: cessation of existence, etc. – A person that ceases to
4 exist, have a residence, or have a place of business continues to be located in the
5 jurisdiction specified by subsections (b) and (c) of this section.

6 (e) Location of registered organization organized under state law. – A registered
7 organization that is organized under the law of a state is located in that state.

8 (f) Location of registered organization organized under federal law; bank branches
9 and agencies. – Except as otherwise provided in subsection (i) of this section, a registered
10 organization that is organized under the law of the United States and a branch or agency
11 of a bank that is not organized under the law of the United States or a state are located:

12 (1) In the state that the law of the United States designates, if the law
13 designates a state of location;

14 (2) In the state that the registered organization, branch, or agency
15 designates, if the law of the United States authorizes the registered
16 organization, branch, or agency to designate its state of location; or

17 (3) In the District of Columbia, if neither subdivision (1) nor subdivision
18 (2) of this subsection applies.

19 (g) Continuation of location: change in status of registered organization. – A
20 registered organization continues to be located in the jurisdiction specified by subsection
21 (e) or (f) of this section notwithstanding:

22 (1) The suspension, revocation, forfeiture, or lapse of the registered
23 organization's status as such in its jurisdiction of organization; or

24 (2) The dissolution, winding up, or cancellation of the existence of the
25 registered organization.

26 (h) Location of United States. – The United States is located in the District of
27 Columbia.

28 (i) Location of foreign bank branch or agency if licensed in only one state. – A
29 branch or agency of a bank that is not organized under the law of the United States or a
30 state is located in the state in which the branch or agency is licensed, if all branches and
31 agencies of the bank are licensed in only one state.

32 (j) Location of foreign air carrier. – A foreign air carrier under the Federal
33 Aviation Act of 1958, as amended, is located at the designated office of the agent upon
34 which service of process may be made on behalf of the carrier.

35 (k) Section applies only to this Part. – This section applies only for purposes of
36 this Part.

37 **"SUBPART 2. PERFECTION.**

38 **"§ 25-9-308. When security interest or agricultural lien is perfected; continuity of**
39 **perfection.**

40 (a) Perfection of security interest. – Except as otherwise provided in this section
41 and G.S. 25-9-309, a security interest is perfected if it has attached and all of the
42 applicable requirements for perfection in G.S. 25-9-310 through G.S. 25-9-316 have been

1 satisfied. A security interest is perfected when it attaches if the applicable requirements
2 are satisfied before the security interest attaches.

3 (b) Perfection of agricultural lien. – An agricultural lien is perfected if it has
4 become effective and all of the applicable requirements for perfection in G.S. 25-9-310
5 have been satisfied. An agricultural lien is perfected when it becomes effective if the
6 applicable requirements are satisfied before the agricultural lien becomes effective.

7 (c) Continuous perfection; perfection by different methods. – A security interest or
8 agricultural lien is perfected continuously if it is originally perfected by one method
9 under this Article and is later perfected by another method under this Article, without an
10 intermediate period when it was unperfected.

11 (d) Supporting obligation. – Perfection of a security interest in collateral also
12 perfects a security interest in a supporting obligation for the collateral.

13 (e) Lien securing right to payment. – Perfection of a security interest in a right to
14 payment or performance also perfects a security interest in a security interest, mortgage,
15 or other lien on personal or real property securing the right.

16 (f) Security entitlement carried in securities account. – Perfection of a security
17 interest in a securities account also perfects a security interest in the security entitlements
18 carried in the securities account.

19 (g) Commodity contract carried in commodity account. – Perfection of a security
20 interest in a commodity account also perfects a security interest in the commodity
21 contracts carried in the commodity account.

22 **§ 25-9-309. Security interest perfected upon attachment. The following security**
23 **interests are perfected when they attach:**

24 (1) A purchase-money security interest in consumer goods, except as
25 otherwise provided in G.S. 25-9-311(b) with respect to consumer goods
26 that are subject to a statute or treaty described in G.S. 25-9-311(a);

27 (2) An assignment of accounts or payment intangibles which does not by
28 itself or in conjunction with other assignments to the same assignee
29 transfer a significant part of the assignor's outstanding accounts or
30 payment intangibles;

31 (3) A sale of a payment intangible;

32 (4) A sale of a promissory note;

33 (5) A security interest created by the assignment of a health-care-insurance
34 receivable to the provider of the health-care goods or services;

35 (6) A security interest arising under G.S. 25-2-401, 25-2-505, 25-2-711(3),
36 or 25-2A-508(5), until the debtor obtains possession of the collateral;

37 (7) A security interest of a collecting bank arising under G.S. 25-4-208;

38 (8) A security interest of an issuer or nominated person arising under G.S.
39 25-5-118;

40 (9) A security interest arising in the delivery of a financial asset under G.S.
41 25-9-206(c);

42 (10) A security interest in investment property created by a broker or
43 securities intermediary;

1 (11) A security interest in a commodity contract or a commodity account
2 created by a commodity intermediary;

3 (12) An assignment for the benefit of all creditors of the transferor and
4 subsequent transfers by the assignee thereunder; and

5 (13) A security interest created by an assignment of a beneficial interest in a
6 decedent's estate.

7 **"§ 25-9-310. When filing required to perfect security interest or agricultural lien;**
8 **security interests and agricultural liens to which filing provisions do not**
9 **apply.**

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

13 (b) Exceptions: filing not necessary. – The filing of a financing statement is not
14 necessary to perfect a security interest:

15 (1) That is perfected under G.S. 25-9-308(d), (e), (f), or (g);

16 (2) That is perfected under G.S. 25-9-309 when it attaches;

17 (3) In property subject to a statute, regulation, or treaty described in G.S.
18 25-9-311(a);

19 (4) In goods in possession of a bailee which is perfected under G.S. 25-9-
20 312(d)(1) or (2);

21 (5) In certificated securities, documents, goods, or instruments which is
22 perfected without filing or possession under G.S. 25-9-312(e), (f), or
23 (g);

24 (6) In collateral in the secured party's possession under G.S. 25-9-313;

25 (7) In a certificated security which is perfected by delivery of the security
26 certificate to the secured party under G.S. 25-9-313;

27 (8) In deposit accounts, electronic chattel paper, investment property, or
28 letter-of-credit rights which is perfected by control under G.S. 25-9-314;

29 (9) In proceeds which is perfected under G.S. 25-9-315;

30 (10) That is perfected under G.S. 25-9-316; or

31 (11) Created in connection with the issuance of any bond, note, or other
32 evidence of indebtedness for borrowed money by this State or any
33 political subdivision or agency thereof, except as provided in G.S. 63A-
34 11(e), 143B-456.1(f), 159C-28, and 159D-23.

35 (c) Assignment of perfected security interest. – If a secured party assigns a
36 perfected security interest or agricultural lien, a filing under this Article is not required to
37 continue the perfected status of the security interest against creditors of and transferees
38 from the original debtor.

39 **"§ 25-9-311. Perfection of security interests in property subject to certain statutes,**
40 **regulations, and treaties.**

41 (a) Security interest subject to other law. – Except as otherwise provided in
42 subsection (d) of this section, the filing of a financing statement is not necessary or
43 effective to perfect a security interest in property subject to:

1 (1) A statute, regulation, or treaty of the United States whose requirements
2 for a security interest's obtaining priority over the rights of a lien
3 creditor with respect to the property preempt G.S. 25-9-310(a);

4 (2) A certificate-of-title statute of this State covering automobiles or other
5 goods that provides for a security interest to be indicated on the
6 certificate as a condition to or result of perfection of the security
7 interest, including G.S. 20-58 and G.S. 75A-41; or

8 (3) A certificate-of-title statute of another jurisdiction which provides for a
9 security interest to be indicated on the certificate as a condition or result
10 of the security interest's obtaining priority over the rights of a lien
11 creditor with respect to the property.

12 (b) Compliance with other law. – Compliance with the requirements of a statute,
13 regulation, or treaty described in subsection (a) of this section for obtaining priority over
14 the rights of a lien creditor is equivalent to the filing of a financing statement under this
15 Article. Except as otherwise provided in subsection (d) of this section and G.S. 25-9-313
16 and G.S. 25-9-316(d) and (e) for goods covered by a certificate of title, a security interest
17 in property subject to a statute, regulation, or treaty described in subsection (a) of this
18 section may be perfected only by compliance with those requirements, and a security
19 interest so perfected remains perfected notwithstanding a change in the use or transfer of
20 possession of the collateral.

21 (c) Duration and renewal of perfection. – Except as otherwise provided in
22 subsection (d) of this section and G.S. 25-9-316(d) and (e), duration and renewal of
23 perfection of a security interest perfected by compliance with the requirements prescribed
24 by a statute, regulation, or treaty described in subsection (a) of this section are governed
25 by the statute, regulation, or treaty. In other respects, the security interest is subject to
26 this Article.

27 (d) Inapplicability to certain inventory. – During any period in which collateral
28 subject to a statute specified in subdivision (a)(2) of this section is inventory held for sale
29 or lease by a person or leased by that person as lessor and that person is in the business of
30 selling goods of that kind, this section does not apply to a security interest in that
31 collateral created by that person.

32 **"§ 25-9-312. Perfection of security interests in chattel paper, deposit accounts,**
33 **documents, goods covered by documents, instruments, investment**
34 **property, letter-of-credit rights, and money; perfection by permissive**
35 **filing; temporary perfection without filing or transfer of possession.**

36 (a) Perfection by filing permitted. – A security interest in chattel paper, negotiable
37 documents, instruments, or investment property may be perfected by filing.

38 (b) Control or possession of certain collateral. – Except as otherwise provided in
39 G.S. 25-9-315(c) and (d) for proceeds:

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

1 (2) And except as otherwise provided in G.S. 25-9-308(d), a security
2 interest in a letter-of-credit right may be perfected only by control under
3 G.S. 25-9-314; and

4 (3) A security interest in money may be perfected only by the secured
5 party's taking possession under G.S. 25-9-313.

6 (c) Goods covered by negotiable document. – While goods are in the possession of
7 a bailee that has issued a negotiable document covering the goods:

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

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

13 (d) Goods covered by nonnegotiable document. – While goods are in the
14 possession of a bailee that has issued a nonnegotiable document covering the goods, a
15 security interest in the goods may be perfected by:

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

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

18 (3) Filing as to the goods.

19 (e) Temporary perfection: new value. – A security interest in certificated
20 securities, negotiable documents, or instruments is perfected without filing or the taking
21 of possession for a period of 20 days from the time it attaches to the extent that it arises
22 for new value given under an authenticated security agreement.

23 (f) Temporary perfection: goods or documents made available to debtor. – A
24 perfected security interest in a negotiable document or goods in possession of a bailee,
25 other than one that has issued a negotiable document for the goods, remains perfected for
26 20 days without filing if the secured party makes available to the debtor the goods or
27 documents representing the goods for the purpose of:

28 (1) Ultimate sale or exchange; or

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

32 (g) Temporary perfection: delivery of security certificate or instrument to debtor.
33 – A perfected security interest in a certificated security or instrument remains perfected
34 for 20 days without filing if the secured party delivers the security certificate or
35 instrument to the debtor for the purpose of:

36 (1) Ultimate sale or exchange; or

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

39 (h) Expiration of temporary perfection. – After the 20-day period specified in
40 subsection (e), (f), or (g) of this section expires, perfection depends upon compliance
41 with this Article.

42 **"§ 25-9-313. When possession by or delivery to secured party perfects security**
43 **interest without filing.**

1 (a) Perfection by possession or delivery. – Except as otherwise provided in
2 subsection (b) of this section, a secured party may perfect a security interest in negotiable
3 documents, goods, instruments, money, or tangible chattel paper by taking possession of
4 the collateral. A secured party may perfect a security interest in certificated securities by
5 taking delivery of the certificated securities under G.S. 25-8-301.

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

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

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

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

20 (d) Time of perfection by possession; continuation of perfection. – If perfection of
21 a security interest depends upon possession of the collateral by a secured party, perfection
22 occurs no earlier than the time the secured party takes possession and continues only
23 while the secured party retains possession.

24 (e) Time of perfection by delivery; continuation of perfection. – A security interest
25 in a certificated security in registered form is perfected by delivery when delivery of the
26 certificated security occurs under G.S. 25-8-301 and remains perfected by delivery until
27 the debtor obtains possession of the security certificate.

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

30 (g) Effectiveness of acknowledgment; no duties or confirmation. – If a person
31 acknowledges that it holds possession for the secured party's benefit:

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

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

39 (h) Secured party's delivery to person other than debtor. – A secured party having
40 possession of collateral does not relinquish possession by delivering the collateral to a
41 person other than the debtor or a lessee of the collateral from the debtor in the ordinary
42 course of the debtor's business if the person was instructed before the delivery or is
43 instructed contemporaneously with the delivery:

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

3 (i) Effect of delivery under subsection (h); no duties or confirmation. – A secured
4 party does not relinquish possession, even if a delivery under subsection (h) of this
5 section violates the rights of a debtor. A person to which collateral is delivered under
6 subsection (h) of this section does not owe any duty to the secured party and is not
7 required to confirm the delivery to another person unless the person otherwise agrees or
8 law other than this Article otherwise provides.

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

10 (a) Perfection by control. – A security interest in investment property, deposit
11 accounts, letter-of-credit rights, or electronic chattel paper may be perfected by control of
12 the collateral under G.S. 25-9-104, 25-9-105, 25-9-106, or 25-9-107.

13 (b) Specified collateral: time of perfection by control; continuation of perfection.
14 – A security interest in deposit accounts, electronic chattel paper, or letter-of-credit rights
15 is perfected by control under G.S. 25-9-104, 25-9-105, or 25-9-107 when the secured
16 party obtains control and remains perfected by control only while the secured party
17 retains control.

18 (c) Investment property: time of perfection by control; continuation of perfection.
19 – A security interest in investment property is perfected by control under G.S. 25-9-106
20 from the time the secured party obtains control and remains perfected by control until:

- 21 (1) The secured party does not have control; and
22 (2) One of the following occurs:
23 a. If the collateral is a certificated security, the debtor has or
24 acquires possession of the security certificate;
25 b. If the collateral is an uncertificated security, the issuer has
26 registered or registers the debtor as the registered owner; or
27 c. If the collateral is a security entitlement, the debtor is or becomes
28 the entitlement holder.

29 **"§ 25-9-315. Secured party's rights on disposition of collateral and in proceeds.**

30 (a) Disposition of collateral: continuation of security interest or agricultural lien;
31 proceeds. – Except as otherwise provided in this Article and in G.S. 25-2-403(2):

32 (1) A security interest or agricultural lien continues in collateral
33 notwithstanding sale, lease, license, exchange, or other disposition
34 thereof unless the secured party authorized the disposition free of the
35 security interest or agricultural lien; and

36 (2) A security interest attaches to any identifiable proceeds of collateral.

37 (b) When commingled proceeds identifiable. – Proceeds that are commingled with
38 other property are identifiable proceeds:

- 39 (1) If the proceeds are goods, to the extent provided by G.S. 25-9-336; and
40 (2) If the proceeds are not goods, to the extent that the secured party
41 identifies the proceeds by a method of tracing, including application of
42 equitable principles, that is permitted under law other than this Article
43 with respect to commingled property of the type involved.

1 (c) Perfection of security interest in proceeds. – A security interest in proceeds is a
2 perfected security interest if the security interest in the original collateral was perfected.

3 (d) Continuation of perfection. – A perfected security interest in proceeds becomes
4 unperfected on the twenty-first day after the security interest attaches to the proceeds
5 unless:

6 (1) The following conditions are satisfied:

7 a. A filed financing statement covers the original collateral;

8 b. The proceeds are collateral in which a security interest may be
9 perfected by filing in the office in which the financing statement
10 has been filed; and

11 c. The proceeds are not acquired with cash proceeds;

12 (2) The proceeds are identifiable cash proceeds; or

13 (3) The security interest in the proceeds is perfected other than under
14 subsection (c) of this section when the security interest attaches to the
15 proceeds or within 20 days thereafter.

16 (e) When perfected security interest in proceeds becomes unperfected. – If a filed
17 financing statement covers the original collateral, a security interest in proceeds which
18 remains perfected under subdivision (d)(1) of this section becomes unperfected at the
19 later of:

20 (1) When the effectiveness of the filed financing statement lapses under
21 G.S. 25-9-515 or is terminated under G.S. 25-9-513; or

22 (2) The twenty-first day after the security interest attaches to the proceeds.

23 **§ 25-9-316. Continued perfection of security interest following change in governing**
24 **law.**

25 (a) General rule: effect on perfection of change in governing law. – A security
26 interest perfected pursuant to the law of the jurisdiction designated in G.S. 25-9-301(1) or
27 G.S. 25-9-305(c) remains perfected until the earliest of:

28 (1) The time perfection would have ceased under the law of that
29 jurisdiction;

30 (2) The expiration of four months after a change of the debtor's location to
31 another jurisdiction; or

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

34 (b) Security interest perfected or unperfected under law of new jurisdiction. – If a
35 security interest described in subsection (a) of this section becomes perfected under the
36 law of the other jurisdiction before the earliest time or event described in that subsection,
37 it remains perfected thereafter. If the security interest does not become perfected under
38 the law of the other jurisdiction before the earliest time or event, it becomes unperfected
39 and is deemed never to have been perfected as against a purchaser of the collateral for
40 value.

41 (c) Possessory security interest in collateral moved to new jurisdiction. – A
42 possessory security interest in collateral, other than goods covered by a certificate of title
43 and as-extracted collateral consisting of goods, remains continuously perfected if:

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

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

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

- 17 (1) The time the security interest would have become unperfected under the
18 law of the other jurisdiction had the goods not become covered by a
19 certificate of title from this State; or
20 (2) The expiration of four months after the goods had become so covered.

21 (f) Change in jurisdiction of bank, issuer, nominated person, securities
22 intermediary, or commodity intermediary. – A security interest in deposit accounts, letter-
23 of-credit rights, or investment property which is perfected under the law of the bank's
24 jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities
25 intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable,
26 remains perfected until the earlier of:

- 27 (1) The time the security interest would have become unperfected under the
28 law of that jurisdiction; or
29 (2) The expiration of four months after a change of the applicable
30 jurisdiction to another jurisdiction.

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

38 **"SUBPART 3. PRIORITY.**

39 **"§ 25-9-317. Interests that take priority over or take free of security interest or**
40 **agricultural lien.**

41 (a) Conflicting security interests and rights of lien creditors. – A security interest
42 or agricultural lien is subordinate to the rights of:

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

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

3 a. The security interest or agricultural lien is perfected; or

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

6 (b) Buyers that receive delivery. – Except as otherwise provided in subsection (e)
7 of this section, a buyer, other than a secured party, of tangible chattel paper, documents,
8 goods, instruments, or a security certificate takes free of a security interest or agricultural
9 lien if the buyer gives value and receives delivery of the collateral without knowledge of
10 the security interest or agricultural lien and before it is perfected.

11 (c) Lessees that receive delivery. – Except as otherwise provided in subsection (e)
12 of this section, a lessee of goods takes free of a security interest or agricultural lien if the
13 lessee gives value and receives delivery of the collateral without knowledge of the
14 security interest or agricultural lien and before it is perfected.

15 (d) Licensees and buyers of certain collateral. – A licensee of a general intangible
16 or a buyer, other than a secured party, of accounts, electronic chattel paper, general
17 intangibles, or investment property other than a certificated security takes free of a
18 security interest if the licensee or buyer gives value without knowledge of the security
19 interest and before it is perfected.

20 (e) Purchase-money security interest. – Except as otherwise provided in G.S. 25-9-
21 320 and G.S. 25-9-321, if a person files a financing statement with respect to a purchase-
22 money security interest before or within 20 days after the debtor receives delivery of the
23 collateral, the security interest takes priority over the rights of a buyer, lessee, or lien
24 creditor which arise between the time the security interest attaches and the time of filing.

25 **"§ 25-9-318. No interest retained in right to payment that is sold; rights and title of**
26 **seller of account or chattel paper with respect to creditors and purchasers.**

27 (a) Seller retains no interest. – A debtor that has sold an account, chattel paper,
28 payment intangible, or promissory note does not retain a legal or equitable interest in the
29 collateral sold.

30 (b) Deemed rights of debtor if buyer's security interest unperfected. – For purposes
31 of determining the rights of creditors of, and purchasers for value of an account or chattel
32 paper from, a debtor that has sold an account or chattel paper, while the buyer's security
33 interest is unperfected, the debtor is deemed to have rights and title to the account or
34 chattel paper identical to those the debtor sold.

35 **"§ 25-9-319. Rights and title of consignee with respect to creditors and purchasers.**

36 (a) Consignee has consignor's rights. – Except as otherwise provided in subsection
37 (b) of this section, for purposes of determining the rights of creditors of, and purchasers
38 for value of goods from, a consignee, while the goods are in the possession of the
39 consignee, the consignee is deemed to have rights and title to the goods identical to those
40 the consignor had or had power to transfer.

41 (b) Applicability of other law. – For purposes of determining the rights of a
42 creditor of a consignee, law other than this Article determines the rights and title of a

1 consignee while goods are in the consignee's possession if, under this Part, a perfected
2 security interest held by the consignor would have priority over the rights of the creditor.

3 **"§ 25-9-320. Buyer of goods.**

4 (a) Buyer in ordinary course of business. – Except as otherwise provided in
5 subsection (e) of this section, a buyer in ordinary course of business, other than a person
6 buying farm products from a person engaged in farming operations, takes free of a
7 security interest created by the buyer's seller, even if the security interest is perfected and
8 the buyer knows of its existence.

9 (b) Buyer of consumer goods. – Except as otherwise provided in subsection (e) of
10 this section, a buyer of goods from a person who used or bought the goods for use
11 primarily for personal, family, or household purposes takes free of a security interest,
12 even if perfected, if the buyer buys:

13 (1) Without knowledge of the security interest;

14 (2) For value;

15 (3) Primarily for the buyer's personal, family, or household purposes; and

16 (4) Before the filing of a financing statement covering the goods.

17 (c) Effectiveness of filing for subsection (b). – To the extent that it affects the
18 priority of a security interest over a buyer of goods under subsection (b) of this section,
19 the period of effectiveness of a filing made in the jurisdiction in which the seller is
20 located is governed by G.S. 25-9-316(a) and (b).

21 (d) Buyer in ordinary course of business at wellhead or minehead. – A buyer in
22 ordinary course of business buying oil, gas, or other minerals at the wellhead or minehead
23 or after extraction takes free of an interest arising out of an encumbrance.

24 (e) Possessory security interest not affected. – Subsections (a) and (b) of this
25 section do not affect a security interest in goods in the possession of the secured party
26 under G.S. 25-9-313.

27 **"§ 25-9-321. Licensee of general intangible and lessee of goods in ordinary course of**
28 **business.**

29 (a) 'Licensee in ordinary course of business'. – In this section, 'licensee in ordinary
30 course of business' means a person that becomes a licensee of a general intangible in
31 good faith, without knowledge that the license violates the rights of another person in the
32 general intangible, and in the ordinary course from a person in the business of licensing
33 general intangibles of that kind. A person becomes a licensee in the ordinary course if
34 the license to the person comports with the usual or customary practices in the kind of
35 business in which the licensor is engaged or with the licensor's own usual or customary
36 practices.

37 (b) Rights of licensee in ordinary course of business. – A licensee in ordinary
38 course of business takes its rights under a nonexclusive license free of a security interest
39 in the general intangible created by the licensor, even if the security interest is perfected
40 and the licensee knows of its existence.

41 (c) Rights of lessee in ordinary course of business. – A lessee in ordinary course of
42 business takes its leasehold interest free of a security interest in the goods created by the
43 lessor, even if the security interest is perfected and the lessee knows of its existence.

1 "§ 25-9-322. Priorities among conflicting security interests in and agricultural liens
2 on same collateral.

3 (a) General priority rules. – Except as otherwise provided in this section, priority
4 among conflicting security interests and agricultural liens in the same collateral is
5 determined according to the following rules:

6 (1) Conflicting perfected security interests and agricultural liens rank
7 according to priority in time of filing or perfection. Priority dates from
8 the earlier of the time a filing covering the collateral is first made or the
9 security interest or agricultural lien is first perfected, if there is no
10 period thereafter when there is neither filing nor perfection.

11 (2) A perfected security interest or agricultural lien has priority over a
12 conflicting unperfected security interest or agricultural lien.

13 (3) The first security interest or agricultural lien to attach or become
14 effective has priority if conflicting security interests and agricultural
15 liens are unperfected.

16 (b) Time of perfection: proceeds and supporting obligations. – For the purposes of
17 subdivision (a)(1) of this section:

18 (1) The time of filing or perfection as to a security interest in collateral is
19 also the time of filing or perfection as to a security interest in proceeds;
20 and

21 (2) The time of filing or perfection as to a security interest in collateral
22 supported by a supporting obligation is also the time of filing or
23 perfection as to a security interest in the supporting obligation.

24 (c) Special priority rules: proceeds and supporting obligations. – Except as
25 otherwise provided in subsection (f) of this section, a security interest in collateral which
26 qualifies for priority over a conflicting security interest under G.S. 25-9-327, 25-9-328,
27 25-9-329, 25-9-330, or 25-9-331 also has priority over a conflicting security interest in:

28 (1) Any supporting obligation for the collateral; and

29 (2) Proceeds of the collateral if:

30 a. The security interest in proceeds is perfected;

31 b. The proceeds are cash proceeds or of the same type as the
32 collateral; and

33 c. In the case of proceeds that are proceeds of proceeds, all
34 intervening proceeds are cash proceeds, proceeds of the same
35 type as the collateral, or an account relating to the collateral.

36 (d) First-to-file priority rule for certain collateral. – Subject to subsection (e) of
37 this section and except as otherwise provided in subsection (f) of this section, if a security
38 interest in chattel paper, deposit accounts, negotiable documents, instruments, investment
39 property, or letter-of-credit rights is perfected by a method other than filing, conflicting
40 perfected security interests in proceeds of the collateral rank according to priority in time
41 of filing.

1 (e) Applicability of subsection (d). – Subsection (d) of this section applies only if
2 the proceeds of the collateral are not cash proceeds, chattel paper, negotiable documents,
3 instruments, investment property, or letter-of-credit rights.

4 (f) Limitations on subsections (a) through (e). – Subsections (a) through (e) of this
5 section are subject to:

6 (1) Subsection (g) of this section and the other provisions of this Part;

7 (2) G.S. 25-4-208 with respect to a security interest of a collecting bank;

8 (3) G.S. 25-5-118 with respect to a security interest of an issuer or
9 nominated person; and

10 (4) G.S. 25-9-110 with respect to a security interest arising under Article 2
11 or 2A of this Chapter.

12 (g) Priority under agricultural lien statute. – A perfected agricultural lien on
13 collateral has priority over a conflicting security interest in or agricultural lien on the
14 same collateral if the statute creating the agricultural lien so provides.

15 **§ 25-9-323. Future advances.**

16 (a) When priority based on time of advance. – Except as otherwise provided in
17 subsection (c) of this section, for purposes of determining the priority of a perfected
18 security interest under G.S. 25-9-322(a)(1), perfection of the security interest dates from
19 the time an advance is made to the extent that the security interest secures an advance
20 that:

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

22 a. Under G.S. 25-9-309 when it attaches; or

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

24 (2) Is not made pursuant to a commitment entered into before or while the
25 security interest is perfected by a method other than under G.S. 25-9-
26 309 or G.S. 25-9-312(e), (f), or (g).

27 (b) Lien creditor. – Except as otherwise provided in subsection (c) of this section,
28 a security interest is subordinate to the rights of a person that becomes a lien creditor to
29 the extent that the security interest secures an advance made more than 45 days after the
30 person becomes a lien creditor unless the advance is made:

31 (1) Without knowledge of the lien; or

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

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

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

39 (1) The time the secured party acquires knowledge of the buyer's purchase;
40 or

41 (2) 45 days after the purchase.

42 (e) Advances made pursuant to commitment: priority of buyer of goods. –
43 Subsection (d) of this section does not apply if the advance is made pursuant to a

1 commitment entered into without knowledge of the buyer's purchase and before the
2 expiration of the 45-day period.

3 (f) Lessee of goods. – Except as otherwise provided in subsection (g) of this
4 section, a lessee of goods, other than a lessee in ordinary course of business, takes the
5 leasehold interest free of a security interest to the extent that it secures advances made
6 after the earlier of:

7 (1) The time the secured party acquires knowledge of the lease; or

8 (2) 45 days after the lease contract becomes enforceable.

9 (g) Advances made pursuant to commitment: priority of lessee of goods. –
10 Subsection (f) of this section does not apply if the advance is made pursuant to a
11 commitment entered into without knowledge of the lease and before the expiration of the
12 45-day period.

13 **"§ 25-9-324. Priority of purchase-money security interests.**

14 (a) General rule: purchase-money priority. – Except as otherwise provided in
15 subsection (g) of this section, a perfected purchase-money security interest in goods other
16 than inventory or livestock has priority over a conflicting security interest in the same
17 goods, and, except as otherwise provided in G.S. 25-9-327, a perfected security interest in
18 its identifiable proceeds also has priority, if the purchase-money security interest is
19 perfected when the debtor receives possession of the collateral or within 20 days
20 thereafter.

21 (b) Inventory purchase-money priority. – Subject to subsection (c) of this section
22 and except as otherwise provided in subsection (g) of this section, a perfected purchase-
23 money security interest in inventory has priority over a conflicting security interest in the
24 same inventory, has priority over a conflicting security interest in chattel paper or an
25 instrument constituting proceeds of the inventory and in proceeds of the chattel paper, if
26 so provided in G.S. 25-9-330, and, except as otherwise provided in G.S. 25-9-327, also
27 has priority in identifiable cash proceeds of the inventory to the extent the identifiable
28 cash proceeds are received on or before the delivery of the inventory to a buyer, if:

29 (1) The purchase-money security interest is perfected when the debtor
30 receives possession of the inventory;

31 (2) The purchase-money secured party sends an authenticated notification
32 to the holder of the conflicting security interest;

33 (3) The holder of the conflicting security interest receives the notification
34 within five years before the debtor receives possession of the inventory;
35 and

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

39 (c) Holders of conflicting inventory security interests to be notified. –
40 Subdivisions (b)(2) through (b)(4) of this section apply only if the holder of the
41 conflicting security interest had filed a financing statement covering the same types of
42 inventory:

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

3 (2) If the purchase-money security interest is temporarily perfected without
4 filing or possession under G.S. 25-9-312(f), before the beginning of the
5 20-day period thereunder.

6 (d) Livestock purchase-money priority. – Subject to subsection (e) of this section
7 and except as otherwise provided in subsection (g) of this section, a perfected purchase-
8 money security interest in livestock that are farm products has priority over a conflicting
9 security interest in the same livestock, and, except as otherwise provided in G.S. 25-9-
10 327, a perfected security interest in their identifiable proceeds and identifiable products in
11 their unmanufactured states also has priority, if:

12 (1) The purchase-money security interest is perfected when the debtor
13 receives possession of the livestock;

14 (2) The purchase-money secured party sends an authenticated notification
15 to the holder of the conflicting security interest;

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

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

22 (e) Holders of conflicting livestock security interests to be notified. – Subdivisions
23 (d)(2) through (d)(4) of this section apply only if the holder of the conflicting security
24 interest had filed a financing statement covering the same types of livestock:

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

27 (2) If the purchase-money security interest is temporarily perfected without
28 filing or possession under G.S. 25-9-312(f), before the beginning of the
29 20-day period thereunder.

30 (f) Software purchase-money priority. – Except as otherwise provided in
31 subsection (g) of this section, a perfected purchase-money security interest in software
32 has priority over a conflicting security interest in the same collateral, and, except as
33 otherwise provided in G.S. 25-9-327, a perfected security interest in its identifiable
34 proceeds also has priority, to the extent that the purchase-money security interest in the
35 goods in which the software was acquired for use has priority in the goods and proceeds
36 of the goods under this section.

37 (g) Conflicting purchase-money security interests. – If more than one security
38 interest qualifies for priority in the same collateral under subsection (a), (b), (d), or (f) of
39 this section:

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

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

3 **"§ 25-9-324.1. Priority of production-money security interests and agricultural**
4 **liens.**

5 (a) Priority over conflicting security interests. – Except as otherwise provided in
6 subsections (c), (d), and (e) of this section, if the requirements of subsection (b) of this
7 section are satisfied, a perfected production-money security interest in production-money
8 crops has priority over a conflicting security interest in the same crops and, except as
9 otherwise provided in G.S. 25-9-327, also has priority in their identifiable proceeds.

10 (b) Requirements for priority. – A production-money security interest has priority
11 under subsection (a) of this section if:

12 (1) The production-money security interest is perfected by filing when the
13 production-money secured party first gives new value to enable the
14 debtor to produce the crops;

15 (2) The production-money secured party sends an authenticated notification
16 to the holder of the conflicting security interest not less than 10 or more
17 than 30 days before the production-money secured party first gives new
18 value to enable the debtor to produce the crops if the holder had filed a
19 financing statement covering the crops before the date of the filing made
20 by the production-money secured party; and

21 (3) The notification states that the production-money secured party has or
22 expects to acquire a production-money security interest in the debtor's
23 crops and provides a description of the crops.

24 (c) Multiple production-money security interests. – Except as otherwise provided
25 in subsection (d) or (e) of this section, if more than one security interest qualifies for
26 priority in the same collateral under subsection (a) of this section, the security interests
27 rank according to priority in time of filing under G.S. 25-9-322(a).

28 (d) New value to produce production-money crops. – To the extent that a person
29 holding a perfected security interest in production-money crops that are the subject of a
30 production-money security interest gives new value to enable the debtor to produce the
31 production-money crops and the value is in fact used for the production of the
32 production-money crops, the security interests rank according to priority in time of filing
33 under G.S. 25-9-322(a).

34 (e) Holder of agricultural lien and production-money security interest. – To the
35 extent that a person holds both an agricultural lien and a production-money security
36 interest in the same collateral securing the same obligations, the rules of priority
37 applicable to agricultural liens govern priority.

38 (f) Creating or perfecting production-money security interest not to operate as
39 default or accelerating event. – Creating or perfecting a production-money security
40 interest shall not operate under any circumstances as a default on, an accelerating event
41 under, or otherwise as a breach of any note or other instrument or agreement of any kind
42 or nature to pay debt, any loan or credit agreement, or any security agreement or
43 arrangement of any kind or nature where the collateral is real or personal property.

"§ 25-9-325. Priority of security interests in transferred collateral.

(a) Subordination of security interest in transferred collateral. – Except as otherwise provided in subsection (b) of this section, a security interest created by a debtor is subordinate to a security interest in the same collateral created by another person if:

(1) The debtor acquired the collateral subject to the security interest created by the other person;

(2) The security interest created by the other person was perfected when the debtor acquired the collateral; and

(3) There is no period thereafter when the security interest is unperfected.

(b) Limitation of subsection (a) subordination. – Subsection (a) of this section subordinates a security interest only if the security interest:

(1) Otherwise would have priority solely under G.S. 25-9-322(a) or G.S. 25-9-324; or

(2) Arose solely under G.S. 25-2-711(3) or G.S. 25-2A-508(5).

"§ 25-9-326. Priority of security interests created by new debtor.

(a) Subordination of security interest created by new debtor. – Subject to subsection (b) of this section, a security interest created by a new debtor which is perfected by a filed financing statement that is effective solely under G.S. 25-9-508 in collateral in which a new debtor has or acquires rights is subordinate to a security interest in the same collateral which is perfected other than by a filed financing statement that is effective solely under G.S. 25-9-508.

(b) Priority under other provisions; multiple original debtors. – The other provisions of this Part determine the priority among conflicting security interests in the same collateral perfected by filed financing statements that are effective solely under G.S. 25-9-508. However, if the security agreements to which a new debtor became bound as debtor were not entered into by the same original debtor, the conflicting security interests rank according to priority in time of the new debtor's having become bound.

"§ 25-9-327. Priority of security interests in deposit account.

The following rules govern priority among conflicting security interests in the same deposit account:

(1) A security interest held by a secured party having control of the deposit account under G.S. 25-9-104 has priority over a conflicting security interest held by a secured party that does not have control.

(2) Except as otherwise provided in subdivisions (3) and (4) of this section, security interests perfected by control under G.S. 25-9-314 rank according to priority in time of obtaining control.

(3) Except as otherwise provided in subdivision (4) of this section, a security interest held by the bank with which the deposit account is maintained has priority over a conflicting security interest held by another secured party.

(4) A security interest perfected by control under G.S. 25-9-104(a)(3) has priority over a security interest held by the bank with which the deposit account is maintained.

1 **"§ 25-9-328. Priority of security interests in investment property.**

2 The following rules govern priority among conflicting security interests in the same
3 investment property:

- 4 (1) A security interest held by a secured party having control of investment
5 property under G.S. 25-9-106 has priority over a security interest held
6 by a secured party that does not have control of the investment property.
- 7 (2) Except as otherwise provided in subdivisions (3) and (4) of this section,
8 conflicting security interests held by secured parties each of which has
9 control under G.S. 25-9-106 rank according to priority in time of:
- 10 a. If the collateral is a security, obtaining control;
- 11 b. If the collateral is a security entitlement carried in a securities
12 account and:
- 13 1. If the secured party obtained control under G.S. 25-8-
14 106(d)(1), the secured party's becoming the person for
15 which the securities account is maintained;
- 16 2. If the secured party obtained control under G.S. 25-8-
17 106(d)(2), the securities intermediary's agreement to
18 comply with the secured party's entitlement orders with
19 respect to security entitlements carried or to be carried in
20 the securities account; or
- 21 3. If the secured party obtained control through another
22 person under G.S. 25-8-106(d)(3), the time on which
23 priority would be based under this subdivision if the other
24 person were the secured party; or
- 25 c. If the collateral is a commodity contract carried with a
26 commodity intermediary, the satisfaction of the requirement for
27 control specified in G.S. 25-9-106(b)(2) with respect to
28 commodity contracts carried or to be carried with the commodity
29 intermediary.
- 30 (3) A security interest held by a securities intermediary in a security
31 entitlement or a securities account maintained with the securities
32 intermediary has priority over a conflicting security interest held by
33 another secured party.
- 34 (4) A security interest held by a commodity intermediary in a commodity
35 contract or a commodity account maintained with the commodity
36 intermediary has priority over a conflicting security interest held by
37 another secured party.
- 38 (5) A security interest in a certificated security in registered form which is
39 perfected by taking delivery under G.S. 25-9-313(a) and not by control
40 under G.S. 25-9-314 has priority over a conflicting security interest
41 perfected by a method other than control.

1 (6) Conflicting security interests created by a broker, securities
2 intermediary, or commodity intermediary which are perfected without
3 control under G.S. 25-9-106 rank equally.

4 (7) In all other cases, priority among conflicting security interests in
5 investment property is governed by G.S. 25-9-322 and G.S. 25-9-323.

6 **"§ 25-9-329. Priority of security interests in letter-of-credit right.**

7 The following rules govern priority among conflicting security interests in the same
8 letter-of-credit right:

9 (1) A security interest held by a secured party having control of the letter-
10 of-credit right under G.S. 25-9-107 has priority to the extent of its
11 control over a conflicting security interest held by a secured party that
12 does not have control.

13 (2) Security interests perfected by control under G.S. 25-9-314 rank
14 according to priority in time of obtaining control.

15 **"§ 25-9-330. Priority of purchaser of chattel paper or instrument.**

16 (a) Purchaser's priority: security interest claimed merely as proceeds. – A
17 purchaser of chattel paper has priority over a security interest in the chattel paper which
18 is claimed merely as proceeds of inventory subject to a security interest if:

19 (1) In good faith and in the ordinary course of the purchaser's business, the
20 purchaser gives new value and takes possession of the chattel paper or
21 obtains control of the chattel paper under G.S. 25-9-105; and

22 (2) The chattel paper does not indicate that it has been assigned to an
23 identified assignee other than the purchaser.

24 (b) Purchaser's priority: other security interests. – A purchaser of chattel paper has
25 priority over a security interest in the chattel paper which is claimed other than merely as
26 proceeds of inventory subject to a security interest if the purchaser gives new value and
27 takes possession of the chattel paper or obtains control of the chattel paper under G.S. 25-
28 9-105 in good faith, in the ordinary course of the purchaser's business, and without
29 knowledge that the purchase violates the rights of the secured party.

30 (c) Chattel paper purchaser's priority in proceeds. – Except as otherwise provided
31 in G.S. 25-9-327, a purchaser having priority in chattel paper under subsection (a) or (b)
32 of this section also has priority in proceeds of the chattel paper to the extent that:

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

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

37 (d) Instrument purchaser's priority. – Except as otherwise provided in G.S. 25-9-
38 331(a), a purchaser of an instrument has priority over a security interest in the instrument
39 perfected by a method other than possession if the purchaser gives value and takes
40 possession of the instrument in good faith and without knowledge that the purchase
41 violates the rights of the secured party.

1 (e) Holder of purchase-money security interest gives new value. – For purposes of
2 subsections (a) and (b) of this section, the holder of a purchase-money security interest in
3 inventory gives new value for chattel paper constituting proceeds of the inventory.

4 (f) Indication of assignment gives knowledge. – For purposes of subsections (b)
5 and (d) of this section, if chattel paper or an instrument indicates that it has been assigned
6 to an identified secured party other than the purchaser, a purchaser of the chattel paper or
7 instrument has knowledge that the purchase violates the rights of the secured party.

8 **"§ 25-9-331. Priority of rights of purchasers of instruments, documents, and**
9 **securities under other Articles; priority of interests in financial assets and**
10 **security entitlements under Article 8.**

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

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

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

22 **"§ 25-9-332. Transfer of money; transfer of funds from deposit account.**

23 (a) Transferee of money. – A transferee of money takes the money free of a
24 security interest unless the transferee acts in collusion with the debtor in violating the
25 rights of the secured party.

26 (b) Transferee of funds from deposit account. – A transferee of funds from a
27 deposit account takes the funds free of a security interest in the deposit account unless the
28 transferee acts in collusion with the debtor in violating the rights of the secured party.

29 **"§ 25-9-333. Priority of certain liens arising by operation of law.**

30 (a) 'Possessory lien.' – In this section, 'possessory lien' means an interest, other
31 than a security interest or an agricultural lien:

32 (1) Which secures payment or performance of an obligation for services or
33 materials furnished with respect to goods by a person in the ordinary
34 course of the person's business;

35 (2) Which is created by statute or rule of law in favor of the person; and

36 (3) Whose effectiveness depends on the person's possession of the goods.

37 (b) Priority of possessory lien. – A possessory lien on goods has priority over a
38 security interest in the goods unless the lien is created by a statute that expressly provides
39 otherwise.

40 **"§ 25-9-334. Priority of security interests in fixtures and crops.**

41 (a) Security interest in fixtures under this Article. – A security interest under this
42 Article may be created in goods that are fixtures or may continue in goods that become

1 fixtures. A security interest does not exist under this Article in ordinary building
2 materials incorporated into an improvement on land.

3 (b) Security interest in fixtures under real-property law. – This Article does not
4 prevent creation of an encumbrance upon fixtures under real property law.

5 (c) General rule: subordination of security interest in fixtures. – In cases not
6 governed by subsections (d) through (h) of this section, a security interest in fixtures is
7 subordinate to a conflicting interest of an encumbrancer or owner of the related real
8 property other than the debtor.

9 (d) Fixtures purchase-money priority. – Except as otherwise provided in
10 subsection (h) of this section, a perfected security interest in fixtures has priority over a
11 conflicting interest of an encumbrancer or owner of the real property if the debtor has an
12 interest of record in or is in possession of the real property and:

13 (1) The security interest is a purchase-money security interest;

14 (2) The interest of the encumbrancer or owner arises before the goods
15 become fixtures; and

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

18 (e) Priority of security interest in fixtures over interests in real property. – A
19 perfected security interest in fixtures has priority over a conflicting interest of an
20 encumbrancer or owner of the real property if:

21 (1) The debtor has an interest of record in the real property or is in
22 possession of the real property and the security interest:

23 a. Is perfected by a fixture filing before the interest of the
24 encumbrancer or owner is of record; and

25 b. Has priority over any conflicting interest of a predecessor in title
26 of the encumbrancer or owner;

27 (2) Before the goods become fixtures, the security interest is perfected by
28 any method permitted by this Article and the fixtures are readily
29 removable:

30 a. Factory or office machines;

31 b. Equipment that is not primarily used or leased for use in the
32 operation of the real property; or

33 c. Replacements of domestic appliances that are consumer goods;

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

37 (4) The security interest is:

38 a. Created in a manufactured home in a manufactured-home
39 transaction; and

40 b. Perfected pursuant to a statute described in G.S. 25-9-311(a)(2).

41 (f) Priority based on consent, disclaimer, or right to remove. – A security interest
42 in fixtures, whether or not perfected, has priority over a conflicting interest of an
43 encumbrancer or owner of the real property if:

- 1 (1) The encumbrancer or owner has, in an authenticated record, consented
2 to the security interest or disclaimed an interest in the goods as fixtures;
3 or
4 (2) The debtor has a right to remove the goods as against the encumbrancer
5 or owner.

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

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

18 (i) Priority of security interest in crops. – Except as provided in G.S. 42-15, a
19 perfected security interest in crops growing on real property has priority over a
20 conflicting interest of an encumbrancer or owner of the real property if the debtor has an
21 interest of record in or is in possession of the real property.

22 "§ 25-9-335. Accessions.

23 (a) Creation of security interest in accession. – A security interest may be created
24 in an accession and continues in collateral that becomes an accession.

25 (b) Perfection of security interest. – If a security interest is perfected when the
26 collateral becomes an accession, the security interest remains perfected in the collateral.

27 (c) Priority of security interest. – Except as otherwise provided in subsection (d) of
28 this section, the other provisions of this Part determine the priority of a security interest in
29 an accession.

30 (d) Compliance with certificate-of-title statute. – A security interest in an
31 accession is subordinate to a security interest in the whole which is perfected by
32 compliance with the requirements of a certificate-of-title statute under G.S. 25-9-311(b).

33 (e) Removal of accession after default. – After default, subject to Part 6 of this
34 Article, a secured party may remove an accession from other goods if the security interest
35 in the accession has priority over the claims of every person having an interest in the
36 whole.

37 (f) Reimbursement following removal. – A secured party that removes an
38 accession from other goods under subsection (e) of this section shall promptly reimburse
39 any holder of a security interest or other lien on, or owner of, the whole or of the other
40 goods, other than the debtor, for the cost of repair of any physical injury to the whole or
41 the other goods. The secured party need not reimburse the holder or owner for any
42 diminution in value of the whole or the other goods caused by the absence of the
43 accession removed or by any necessity for replacing it. A person entitled to

1 reimbursement may refuse permission to remove until the secured party gives adequate
2 assurance for the performance of the obligation to reimburse.

3 **"§ 25-9-336. Commingled goods.**

4 (a) 'Commingled goods.' – In this section, 'commingled goods' means goods that
5 are physically united with other goods in such a manner that their identity is lost in a
6 product or mass.

7 (b) No security interest in commingled goods as such. – A security interest does
8 not exist in commingled goods as such. However, a security interest may attach to a
9 product or mass that results when goods become commingled goods.

10 (c) Attachment of security interest to product or mass. – If collateral becomes
11 commingled goods, a security interest attaches to the product or mass.

12 (d) Perfection of security interest. – If a security interest in collateral is perfected
13 before the collateral becomes commingled goods, the security interest that attaches to the
14 product or mass under subsection (c) of this section is perfected.

15 (e) Priority of security interest. – Except as otherwise provided in subsection (f) of
16 this section, the other provisions of this Part determine the priority of a security interest
17 that attaches to the product or mass under subsection (c) of this section.

18 (f) Conflicting security interests in product or mass. – If more than one security
19 interest attaches to the product or mass under subsection (c) of this section, the following
20 rules determine priority:

21 (1) A security interest that is perfected under subsection (d) of this section
22 has priority over a security interest that is unperfected at the time the
23 collateral becomes commingled goods.

24 (2) If more than one security interest is perfected under subsection (d) of
25 this section, the security interests rank equally in proportion to the value
26 of the collateral at the time it became commingled goods.

27 **"§ 25-9-337. Priority of security interests in goods covered by certificate of title.**

28 If, while a security interest in goods is perfected by any method under the law of
29 another jurisdiction, this State issues a certificate of title that does not show that the
30 goods are subject to the security interest or contain a statement that they may be subject
31 to security interests not shown on the certificate:

32 (1) A buyer of the goods, other than a person in the business of selling
33 goods of that kind, takes free of the security interest if the buyer gives
34 value and receives delivery of the goods after issuance of the certificate
35 and without knowledge of the security interest; and

36 (2) The security interest is subordinate to a conflicting security interest in
37 the goods that attaches, and is perfected under G.S. 25-9-311(b), after
38 issuance of the certificate and without the conflicting secured party's
39 knowledge of the security interest.

40 **"§ 25-9-338. Priority of security interest or agricultural lien perfected by filed**
41 **financing statement providing certain incorrect information.**

1 If a security interest or agricultural lien is perfected by a filed financing statement
2 providing information described in G.S. 25-9-516(b)(5) which is incorrect at the time the
3 financing statement is filed:

4 (1) The security interest or agricultural lien is subordinate to a conflicting
5 perfected security interest in the collateral to the extent that the holder
6 of the conflicting security interest gives value in reasonable reliance
7 upon the incorrect information; and

8 (2) A purchaser, other than a secured party, of the collateral takes free of
9 the security interest or agricultural lien to the extent that, in reasonable
10 reliance upon the incorrect information, the purchaser gives value and,
11 in the case of chattel paper, documents, goods, instruments, or a security
12 certificate, receives delivery of the collateral.

13 **"§ 25-9-339. Priority subject to subordination.**

14 This Article does not preclude subordination by agreement by a person entitled to
15 priority.

16 **"SUBPART 4. RIGHTS OF BANK.**

17 **"§ 25-9-340. Effectiveness of right of recoupment or setoff against deposit account.**

18 (a) Exercise of recoupment or setoff. – Except as otherwise provided in subsection
19 (c) of this section, a bank with which a deposit account is maintained may exercise any
20 right of recoupment or setoff against a secured party that holds a security interest in the
21 deposit account.

22 (b) Recoupment or setoff not affected by security interest. – Except as otherwise
23 provided in subsection (c) of this section, the application of this Article to a security
24 interest in a deposit account does not affect a right of recoupment or setoff of the secured
25 party as to a deposit account maintained with the secured party.

26 (c) When setoff ineffective. – The exercise by a bank of a setoff against a deposit
27 account is ineffective against a secured party that holds a security interest in the deposit
28 account which is perfected by control under G.S. 25-9-104(a)(3), if the setoff is based on
29 a claim against the debtor.

30 **"§ 25-9-341. Bank's rights and duties with respect to deposit account.**

31 Except as otherwise provided in G.S. 25-9-340(c), and unless the bank otherwise
32 agrees in an authenticated record, a bank's rights and duties with respect to a deposit
33 account maintained with the bank are not terminated, suspended, or modified by:

34 (1) The creation, attachment, or perfection of a security interest in the
35 deposit account;

36 (2) The bank's knowledge of the security interest; or

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

38 **"§ 25-9-342. Bank's right to refuse to enter into or disclose existence of control**
39 **agreement.**

40 This Article does not require a bank to enter into an agreement of the kind described
41 in G.S. 25-9-104(a)(2), even if its customer so requests or directs. A bank that has
42 entered into such an agreement is not required to confirm the existence of the agreement
43 to another person unless requested to do so by its customer.

1 "PART 4.

2 "RIGHTS OF THIRD PARTIES.

3 "§ 25-9-401. Alienability of debtor's rights.

4 (a) Other law governs alienability; exceptions. – Except as otherwise provided in
5 subsection (b) of this section and G.S. 25-9-406, 25-9-407, 25-9-408, and 25-9-409,
6 whether a debtor's rights in collateral may be voluntarily or involuntarily transferred is
7 governed by law other than this Article.

8 (b) Agreement does not prevent transfer. – An agreement between the debtor and
9 secured party which prohibits a transfer of the debtor's rights in collateral or makes the
10 transfer a default does not prevent the transfer from taking effect.

11 "§ 25-9-402. Secured party not obligated on contract of debtor or in tort.

12 The existence of a security interest, agricultural lien, or authority given to a debtor to
13 dispose of or use collateral, without more, does not subject a secured party to liability in
14 contract or tort for the debtor's acts or omissions.

15 "§ 25-9-403. Agreement not to assert defenses against assignee.

16 (a) 'Value.' – In this section, 'value' has the meaning provided in G.S. 25-3-303(a).

17 (b) Agreement not to assert claim or defense. – Except as otherwise provided in
18 this section, an agreement between an account debtor and an assignor not to assert against
19 an assignee any claim or defense that the account debtor may have against the assignor is
20 enforceable by an assignee that takes an assignment:

21 (1) For value;

22 (2) In good faith;

23 (3) Without notice of a claim of a property or possessory right to the
24 property assigned; and

25 (4) Without notice of a defense or claim in recoupment of the type that may
26 be asserted against a person entitled to enforce a negotiable instrument
27 under G.S. 25-3-305(a).

28 (c) When subsection (b) not applicable. – Subsection (b) of this section does not
29 apply to defenses of a type that may be asserted against a holder in due course of a
30 negotiable instrument under G.S. 25-3-305(b).

31 (d) Omission of required statement in consumer transaction. – In a consumer
32 transaction, if a record evidences the account debtor's obligation, law other than this
33 Article requires that the record include a statement to the effect that the rights of an
34 assignee are subject to claims or defenses that the account debtor could assert against the
35 original obligee, and the record does not include such a statement:

36 (1) The record has the same effect as if the record included such a
37 statement; and

38 (2) The account debtor may assert against an assignee those claims and
39 defenses that would have been available if the record included such a
40 statement.

41 (e) Rule for individual under other law. – This section is subject to law other than
42 this Article which establishes a different rule for an account debtor who is an individual
43 and who incurred the obligation primarily for personal, family, or household purposes.

1 (f) Other law not displaced. – Except as otherwise provided in subsection (d) of
2 this section, this section does not displace law other than this Article which gives effect to
3 an agreement by an account debtor not to assert a claim or defense against an assignee.

4 **"§ 25-9-404. Rights acquired by assignee; claims and defenses against assignee.**

5 (a) Assignee's rights subject to terms, claims, and defenses; exceptions. – Unless
6 an account debtor has made an enforceable agreement not to assert defenses or claims,
7 and subject to subsections (b) through (e) of this section, the rights of an assignee are
8 subject to:

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

12 (2) Any other defense or claim of the account debtor against the assignor
13 which accrues before the account debtor receives a notification of the
14 assignment authenticated by the assignor or the assignee.

15 (b) Account debtor's claim reduces amount owed to assignee. – Subject to
16 subsection (c) of this section and except as otherwise provided in subsection (d) of this
17 section, the claim of an account debtor against an assignor may be asserted against an
18 assignee under subsection (a) of this section only to reduce the amount the account debtor
19 owes.

20 (c) Rule for individual under other law. – This section is subject to law other than
21 this Article which establishes a different rule for an account debtor who is an individual
22 and who incurred the obligation primarily for personal, family, or household purposes.

23 (d) Omission of required statement in consumer transaction. – In a consumer
24 transaction, if a record evidences the account debtor's obligation, law other than this
25 Article requires that the record include a statement to the effect that the account debtor's
26 recovery against an assignee with respect to claims and defenses against the assignor may
27 not exceed amounts paid by the account debtor under the record, and the record does not
28 include such a statement, the extent to which a claim of an account debtor against the
29 assignor may be asserted against an assignee is determined as if the record included such
30 a statement.

31 (e) Inapplicability to health-care-insurance receivable. – This section does not
32 apply to an assignment of a health-care-insurance receivable.

33 **"§ 25-9-405. Modification of assigned contract.**

34 (a) Effect of modification on assignee. – A modification of or substitution for an
35 assigned contract is effective against an assignee if made in good faith. The assignee
36 acquires corresponding rights under the modified or substituted contract. The assignment
37 may provide that the modification or substitution is a breach of contract by the assignor.
38 This subsection is subject to subsections (b) through (d) of this section.

39 (b) Applicability of subsection (a). – Subsection (a) of this section applies to the
40 extent that:

41 (1) The right to payment or a part thereof under an assigned contract has not
42 been fully earned by performance; or

1 (2) The right to payment or a part thereof has been fully earned by
2 performance and the account debtor has not received notification of the
3 assignment under G.S. 25-9-406(a).

4 (c) Rule for individual under other law. – This section is subject to law other than
5 this Article which establishes a different rule for an account debtor who is an individual
6 and who incurred the obligation primarily for personal, family, or household purposes.

7 (d) Inapplicability to health-care-insurance receivable. – This section does not
8 apply to an assignment of a health-care-insurance receivable.

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

12 (a) Discharge of account debtor; effect of notification. – Subject to subsections (b)
13 through (i) of this section, an account debtor on an account, chattel paper, or a payment
14 intangible may discharge its obligation by paying the assignor until, but not after, the
15 account debtor receives a notification, authenticated by the assignor or the assignee, that
16 the amount due or to become due has been assigned and that payment is to be made to the
17 assignee. After receipt of the notification, the account debtor may discharge its
18 obligation by paying the assignee and may not discharge the obligation by paying the
19 assignor.

20 (b) When notification ineffective. – Subject to subsection (h) of this section,
21 notification is ineffective under subsection (a) of this section:

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

23 (2) To the extent that an agreement between an account debtor and a seller
24 of a payment intangible limits the account debtor's duty to pay a person
25 other than the seller and the limitation is effective under law other than
26 this Article; or

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

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

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

33 c. The account debtor knows that the assignment to that assignee is
34 limited.

35 (c) Proof of assignment. – Subject to subsection (h) of this section, if requested by
36 the account debtor, an assignee shall seasonably furnish reasonable proof that the
37 assignment has been made. Unless the assignee complies, the account debtor may
38 discharge its obligation by paying the assignor, even if the account debtor has received a
39 notification under subsection (a) of this section.

40 (d) Term restricting assignment generally ineffective. – Except as otherwise
41 provided in subsection (e) of this section and G.S. 25-2A-303 and G.S. 25-9-407 and
42 subject to subsection (h) of this section, a term in an agreement between an account
43 debtor and an assignor or in a promissory note is ineffective to the extent that it:

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

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

11 (e) Inapplicability of subsection (d) to certain sales. – Subsection (d) of this
12 section does not apply to the sale of a payment intangible or promissory note.

13 (f) Legal restrictions on assignment generally ineffective. – Except as otherwise
14 provided in G.S. 25-2A-303 and G.S. 25-9-407 and subject to subsections (h) and (i) of
15 this section, a rule of law, statute, or regulation that prohibits, restricts, or requires the
16 consent of a government, governmental body or official, or account debtor to the
17 assignment or transfer of, or creation of a security interest in, an account or chattel paper
18 is ineffective to the extent that the rule of law, statute, or regulation:

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

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

27 (g) Subdivision (b)(3) not waivable. – Subject to subsection (h) of this section, an
28 account debtor may not waive or vary its option under subdivision (b)(3) of this section.

29 (h) Rule for individual under other law. – This section is subject to law other than
30 this Article which establishes a different rule for an account debtor who is an individual
31 and who incurred the obligation primarily for personal, family, or household purposes.

32 (i) Inapplicability. – This section does not apply to an assignment of a health-care-
33 insurance receivable. Subsection (f) of this section does not apply to an assignment or
34 transfer of, or the creation, attachment, perfection, or enforcement of a security interest
35 in, a right the transfer of which is prohibited or restricted by any of the following statutes
36 to the extent that the statute is inconsistent with subsection (f) of this section: North
37 Carolina Structured Settlement Act (Article 44B of Chapter 1 of the General Statutes);
38 North Carolina Crime Victims Compensation Act (Chapter 15B of the General Statutes);
39 North Carolina Consumer Finance Act (Article 15 of Chapter 53 of the General Statutes);
40 North Carolina Firemen's and Rescue Squad Workers' Pension Fund (Article 86 of
41 Chapter 58 of the General Statutes); Employment Security Law (Chapter 96 of the
42 General Statutes); North Carolina Workers' Compensation Act (Article 1 of Chapter 97

1 of the General Statutes); and Programs of Public Assistance (Article 2 of Chapter 108A
2 of the General Statutes).

3 (j) Section prevails over specified inconsistent law. – Except to the extent
4 otherwise provided in subsection (i) of this section, this section prevails over any
5 inconsistent provision of an existing or future statute, rule, or regulation of this State
6 unless the provision is contained in a statute of this State, refers expressly to this section,
7 and states that the provision prevails over this section.

8 **§ 25-9-407. Restrictions on creation or enforcement of security interest in leasehold**
9 **interest or in lessor's residual interest.**

10 (a) Term restricting assignment generally ineffective. – Except as otherwise
11 provided in subsection (b) of this section, a term in a lease agreement is ineffective to the
12 extent that it:

13 (1) Prohibits, restricts, or requires the consent of a party to the lease to the
14 assignment or transfer of, or the creation, attachment, perfection, or
15 enforcement of a security interest in, an interest of a party under the
16 lease contract or in the lessor's residual interest in the goods; or

17 (2) Provides that the assignment or transfer or the creation, attachment,
18 perfection, or enforcement of the security interest may give rise to a
19 default, breach, right of recoupment, claim, defense, termination, right
20 of termination, or remedy under the lease.

21 (b) Effectiveness of certain terms. – Except as otherwise provided in G.S. 25-2A-
22 303(7), a term described in subdivision (a)(2) of this section is effective to the extent that
23 there is:

24 (1) A transfer by the lessee of the lessee's right of possession or use of the
25 goods in violation of the term; or

26 (2) A delegation of a material performance of either party to the lease
27 contract in violation of the term.

28 (c) Security interest not material impairment. – The creation, attachment,
29 perfection, or enforcement of a security interest in the lessor's interest under the lease
30 contract or the lessor's residual interest in the goods is not a transfer that materially
31 impairs the lessee's prospect of obtaining return performance or materially changes the
32 duty of or materially increases the burden or risk imposed on the lessee within the
33 purview of G.S. 25-2A-303(4) unless, and then only to the extent that, enforcement
34 actually results in a delegation of material performance of the lessor.

35 **§ 25-9-408. Restrictions on assignment of promissory notes, health-care-insurance**
36 **receivables, and certain general intangibles ineffective.**

37 (a) Term restricting assignment generally ineffective. – Except as otherwise
38 provided in subsection (b) of this section, a term in a promissory note or in an agreement
39 between an account debtor and a debtor which relates to a health-care-insurance
40 receivable or a general intangible, including a contract, permit, license, or franchise, and
41 which term prohibits, restricts, or requires the consent of the person obligated on the
42 promissory note or the account debtor to, the assignment or transfer of, or creation,

1 attachment, or perfection of a security interest in, the promissory note, health-care-
2 insurance receivable, or general intangible, is ineffective to the extent that the term:

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

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

10 (b) Applicability of subsection (a) to sales of certain rights to payment. –
11 Subsection (a) of this section applies to a security interest in a payment intangible or
12 promissory note only if the security interest arises out of a sale of the payment intangible
13 or promissory note.

14 (c) Legal restrictions on assignment generally ineffective. – A rule of law, statute,
15 or regulation that prohibits, restricts, or requires the consent of a government,
16 governmental body or official, person obligated on a promissory note, or account debtor
17 to the assignment or transfer of, or creation of a security interest in, a promissory note,
18 health-care-insurance receivable, or general intangible, including a contract, permit,
19 license, or franchise between an account debtor and a debtor, is ineffective to the extent
20 that the rule of law, statute, or regulation:

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

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

28 (d) Limitation on ineffectiveness under subsections (a) and (c). – To the extent that
29 a term in a promissory note or in an agreement between an account debtor and a debtor
30 which relates to a health-care-insurance receivable or general intangible or a rule of law,
31 statute, or regulation described in subsection (c) of this section would be effective under
32 law other than this Article but is ineffective under subsection (a) or (c) of this section, the
33 creation, attachment, or perfection of a security interest in the promissory note, health-
34 care-insurance receivable, or general intangible:

35 (1) Is not enforceable against the person obligated on the promissory note
36 or the account debtor;

37 (2) Does not impose a duty or obligation on the person obligated on the
38 promissory note or the account debtor;

39 (3) Does not require the person obligated on the promissory note or the
40 account debtor to recognize the security interest, pay or render
41 performance to the secured party, or accept payment or performance
42 from the secured party;

1 (4) Does not entitle the secured party to use or assign the debtor's rights
2 under the promissory note, health-care-insurance receivable, or general
3 intangible, including any related information or materials furnished to
4 the debtor in the transaction giving rise to the promissory note, health-
5 care-insurance receivable, or general intangible;

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

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

11 (e) Section prevails over specified inconsistent law. – Except to the extent
12 otherwise provided in subsection (f) of this section, this section prevails over any
13 inconsistent provision of an existing or future statute, rule, or regulation of this State
14 unless the provision is contained in a statute of this State, refers expressly to this section,
15 and states that the provision prevails over this section.

16 (f) Inapplicability. – Subsection (c) of this section does not apply to an assignment
17 or transfer of, or the creation, attachment, perfection, or enforcement of a security interest
18 in, a right the transfer of which is prohibited or restricted by any of the following statutes
19 to the extent that the statute is inconsistent with subsection (c) of this section: North
20 Carolina Structured Settlement Act (Article 44B of Chapter 1 of the General Statutes);
21 North Carolina Crime Victims Compensation Act (Chapter 15B of the General Statutes);
22 North Carolina Consumer Finance Act (Article 15 of Chapter 53 of the General Statutes);
23 North Carolina Firemen's and Rescue Squad Workers' Pension Fund (Article 86 of
24 Chapter 58 of the General Statutes); Employment Security Law (Chapter 96 of the
25 General Statutes); North Carolina Workers' Compensation Act (Article 1 of Chapter 97
26 of the General Statutes); and Programs of Public Assistance (Article 2 of Chapter 108A
27 of the General Statutes).

28 **"§ 25-9-409. Restrictions on assignment of letter-of-credit rights ineffective.**

29 (a) Term or law restricting assignment generally ineffective. – A term in a letter of
30 credit or a rule of law, statute, regulation, custom, or practice applicable to the letter of
31 credit which prohibits, restricts, or requires the consent of an applicant, issuer, or
32 nominated person to a beneficiary's assignment of or creation of a security interest in a
33 letter-of-credit right is ineffective to the extent that the term or rule of law, statute,
34 regulation, custom, or practice:

35 (1) Would impair the creation, attachment, or perfection of a security
36 interest in the letter-of-credit right; or

37 (2) Provides that the assignment or the creation, attachment, or perfection
38 of the security interest may give rise to a default, breach, right of
39 recoupment, claim, defense, termination, right of termination, or remedy
40 under the letter-of-credit right.

41 (b) Limitation on ineffectiveness under subsection (a). – To the extent that a term
42 in a letter of credit is ineffective under subsection (a) of this section but would be
43 effective under law other than this Article or a custom or practice applicable to the letter

1 of credit, to the transfer of a right to draw or otherwise demand performance under the
2 letter of credit, or to the assignment of a right to proceeds of the letter of credit, the
3 creation, attachment, or perfection of a security interest in the letter-of-credit right:

- 4 (1) Is not enforceable against the applicant, issuer, nominated person, or
5 transferee beneficiary;
- 6 (2) Imposes no duties or obligations on the applicant, issuer, nominated
7 person, or transferee beneficiary; and
- 8 (3) Does not require the applicant, issuer, nominated person, or transferee
9 beneficiary to recognize the security interest, pay or render performance
10 to the secured party, or accept payment or other performance from the
11 secured party.

12 **"PART 5.**

13 **"FILING.**

14 **"SUBPART 1. FILING OFFICE; CONTENTS AND EFFECTIVENESS**
15 **OF FINANCING STATEMENT.**

16 **"§ 25-9-501. Filing offices.**

17 (a) Filing offices. – Except as otherwise provided in subsection (b) of this section,
18 if the local law of this State governs perfection of a security interest or agricultural lien,
19 the office in which to file a financing statement to perfect the security interest or
20 agricultural lien is:

- 21 (1) The office designated for the filing or recording of a record of a
22 mortgage on the related real property, if:
 - 23 a. The collateral is as-extracted collateral or timber to be cut; or
 - 24 b. The financing statement is filed as a fixture filing and the
25 collateral is goods that are or are to become fixtures; or
- 26 (2) The office of the Secretary of State, in all other cases, including a case
27 in which the collateral is goods that are or are to become fixtures and
28 the financing statement is not filed as a fixture filing.

29 (b) Filing office for transmitting utilities. – The office in which to file a financing
30 statement to perfect a security interest in collateral, including fixtures, of a transmitting
31 utility is the office of the Secretary of State. The financing statement also constitutes a
32 fixture filing as to the collateral indicated in the financing statement which is or is to
33 become fixtures.

34 **"§ 25-9-502. Contents of financing statement; record of mortgage as financing**
35 **statement; time of filing financing statement.**

36 (a) Sufficiency of financing statement. – Subject to subsection (b) of this section, a
37 financing statement is sufficient only if it:

- 38 (1) Provides the name of the debtor;
- 39 (2) Provides the name of the secured party or a representative of the secured
40 party; and
- 41 (3) Indicates the collateral covered by the financing statement.

42 (b) Real-property-related financing statements. – Except as otherwise provided in
43 G.S. 25-9-501(b), to be sufficient, a financing statement that covers as-extracted

1 collateral or timber to be cut, or which is filed as a fixture filing and covers goods that are
2 or are to become fixtures, must satisfy subsection (a) of this section and also:

- 3 (1) Indicate that it covers this type of collateral;
- 4 (2) Indicate that it is to be filed in the real property records;
- 5 (3) Provide a description of the real property to which the collateral is
6 related; and
- 7 (4) If the debtor does not have an interest of record in the real property,
8 provide the name of a record owner.

9 (c) Record of mortgage as financing statement. – A record of a mortgage is
10 effective, from the date of recording, as a financing statement filed as a fixture filing or as
11 a financing statement covering as-extracted collateral or timber to be cut only if:

- 12 (1) The record indicates the goods or accounts that it covers;
- 13 (2) The goods are or are to become fixtures related to the real property
14 described in the record or the collateral is related to the real property
15 described in the record and is as-extracted collateral or timber to be cut;
- 16 (3) The record satisfies the requirements for a financing statement in this
17 section other than an indication that it is to be filed in the real property
18 records; and
- 19 (4) The record is duly recorded.

20 (d) Filing before security agreement or attachment. – A financing statement may
21 be filed before a security agreement is made or a security interest otherwise attaches.

22 **"§ 25-9-503. Name of debtor and secured party.**

23 (a) Sufficiency of debtor's name. – A financing statement sufficiently provides the
24 name of the debtor:

- 25 (1) If the debtor is a registered organization, only if the financing statement
26 provides the name of the debtor indicated on the public record of the
27 debtor's jurisdiction of organization which shows the debtor to have
28 been organized;
- 29 (2) If the debtor is a decedent's estate, only if the financing statement
30 provides the name of the decedent and indicates that the debtor is an
31 estate;
- 32 (3) If the debtor is a trust or a trustee acting with respect to property held in
33 trust, only if the financing statement:
 - 34 a. Provides the name specified for the trust in its organic documents
35 or, if no name is specified, provides the name of the settlor and
36 additional information sufficient to distinguish the debtor from
37 other trusts having one or more of the same settlors; and
 - 38 b. Indicates, in the debtor's name or otherwise, that the debtor is a
39 trust or is a trustee acting with respect to property held in trust;
40 and
- 41 (4) In other cases:
 - 42 a. If the debtor has a name, only if it provides the individual or
43 organizational name of the debtor; and

1 b. If the debtor does not have a name, only if it provides the names
2 of the partners, members, associates, or other persons comprising
3 the debtor.

4 (b) Additional debtor-related information. – A financing statement that provides
5 the name of the debtor in accordance with subsection (a) of this section is not rendered
6 ineffective by the absence of:

7 (1) A trade name or other name of the debtor; or

8 (2) Unless required under sub-subdivision (a)(4)b. of this section, names of
9 partners, members, associates, or other persons comprising the debtor.

10 (c) Debtor's trade name insufficient. – A financing statement that provides only the
11 debtor's trade name does not sufficiently provide the name of the debtor.

12 (d) Representative capacity. – Failure to indicate the representative capacity of a
13 secured party or representative of a secured party does not affect the sufficiency of a
14 financing statement.

15 (e) Multiple debtors and secured parties. – A financing statement may provide the
16 name of more than one debtor and the name of more than one secured party.

17 **"§ 25-9-504. Indication of collateral.**

18 A financing statement sufficiently indicates the collateral that it covers if the
19 financing statement provides:

20 (1) A description of the collateral pursuant to G.S. 25-9-108; or

21 (2) An indication that the financing statement covers all assets or all
22 personal property.

23 **"§ 25-9-505. Filing and compliance with other statutes and treaties for**
24 **consignments, leases, other bailments, and other transactions.**

25 (a) Use of terms other than 'debtor' and 'secured party.' – A consignor, lessor, or
26 other bailor of goods, a licensor, or a buyer of a payment intangible or promissory note
27 may file a financing statement, or may comply with a statute or treaty described in G.S.
28 25-9-311(a), using the terms 'consignor', 'consignee', 'lessor', 'lessee', 'bailor', 'bailee',
29 'licensor', 'licensee', 'owner', 'registered owner', 'buyer', 'seller', or words of similar import,
30 instead of the terms 'secured party' and 'debtor'.

31 (b) Effect of financing statement under subsection (a). – This Part applies to the
32 filing of a financing statement under subsection (a) of this section and, as appropriate, to
33 compliance that is equivalent to filing a financing statement under G.S. 25-9-311(b), but
34 the filing or compliance is not of itself a factor in determining whether the collateral
35 secures an obligation. If it is determined for another reason that the collateral secures an
36 obligation, a security interest held by the consignor, lessor, bailor, licensor, owner, or
37 buyer which attaches to the collateral is perfected by the filing or compliance.

38 **"§ 25-9-506. Effect of errors or omissions.**

39 (a) Minor errors and omissions. – A financing statement substantially satisfying
40 the requirements of this Part is effective, even if it has minor errors or omissions, unless
41 the errors or omissions make the financing statement seriously misleading.

1 (b) Financing statement seriously misleading. – Except as otherwise provided in
2 subsection (c) of this section, a financing statement that fails sufficiently to provide the
3 name of the debtor in accordance with G.S. 25-9-503(a) is seriously misleading.

4 (c) Financing statement not seriously misleading. – If a search of the records of the
5 filing office under the debtor's correct name, using the filing office's standard search
6 logic, if any, would disclose a financing statement that fails sufficiently to provide the
7 name of the debtor in accordance with G.S. 25-9-503(a), the name provided does not
8 make the financing statement seriously misleading.

9 (d) 'Debtor's correct name.' – For purposes of G.S. 25-9-508(b), the 'debtor's
10 correct name' in subsection (c) of this section means the correct name of the new debtor.

11 **"§ 25-9-507. Effect of certain events on effectiveness of financing statement.**

12 (a) Disposition. – A filed financing statement remains effective with respect to
13 collateral that is sold, exchanged, leased, licensed, or otherwise disposed of and in which
14 a security interest or agricultural lien continues, even if the secured party knows of or
15 consents to the disposition.

16 (b) Information becoming seriously misleading. – Except as otherwise provided in
17 subsection (c) of this section and G.S. 25-9-508, a financing statement is not rendered
18 ineffective if, after the financing statement is filed, the information provided in the
19 financing statement becomes seriously misleading under G.S. 25-9-506.

20 (c) Change in debtor's name. – If a debtor so changes its name that a filed
21 financing statement becomes seriously misleading under G.S. 25-9-506:

22 (1) The financing statement is effective to perfect a security interest in
23 collateral acquired by the debtor before, or within four months after, the
24 change; and

25 (2) The financing statement is not effective to perfect a security interest in
26 collateral acquired by the debtor more than four months after the
27 change, unless an amendment to the financing statement which renders
28 the financing statement not seriously misleading is filed within four
29 months after the change.

30 **"§ 25-9-508. Effectiveness of financing statement if new debtor becomes bound by**
31 **security agreement.**

32 (a) Financing statement naming original debtor. – Except as otherwise provided in
33 this section, a filed financing statement naming an original debtor is effective to perfect a
34 security interest in collateral in which a new debtor has or acquires rights to the extent
35 that the financing statement would have been effective had the original debtor acquired
36 rights in the collateral.

37 (b) Financing statement becoming seriously misleading. – If the difference
38 between the name of the original debtor and that of the new debtor causes a filed
39 financing statement that is effective under subsection (a) of this section to be seriously
40 misleading under G.S. 25-9-506:

41 (1) The financing statement is effective to perfect a security interest in
42 collateral acquired by the new debtor before, and within four months
43 after, the new debtor becomes bound under G.S. 25-9-203(d); and

1 (2) The financing statement is not effective to perfect a security interest in
2 collateral acquired by the new debtor more than four months after the
3 new debtor becomes bound under G.S. 25-9-203(d) unless an initial
4 financing statement providing the name of the new debtor is filed before
5 the expiration of that time.

6 (c) When section not applicable. – This section does not apply to collateral as to
7 which a filed financing statement remains effective against the new debtor under G.S. 25-
8 9-507(a).

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

10 (a) Person entitled to file record. – A person may file an initial financing
11 statement, amendment that adds collateral covered by a financing statement, or
12 amendment that adds a debtor to a financing statement only if:

13 (1) The debtor authorizes the filing in an authenticated record or pursuant to
14 subsection (b) or (c) of this section; or

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

18 (b) Security agreement as authorization. – By authenticating or becoming bound as
19 debtor by a security agreement, a debtor or new debtor authorizes the filing of an initial
20 financing statement, and an amendment, covering:

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

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

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

28 (d) Person entitled to file certain amendments. – A person may file an amendment
29 other than an amendment that adds collateral covered by a financing statement or an
30 amendment that adds a debtor to a financing statement only if:

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

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

37 (e) Multiple secured parties of record. – If there is more than one secured party of
38 record for a financing statement, each secured party of record may authorize the filing of
39 an amendment under subsection (d) of this section.

40 **"§ 25-9-510. Effectiveness of filed record.**

41 (a) Filed record effective if authorized. – A filed record is effective only to the
42 extent that it was filed by a person that may file it under G.S. 25-9-509.

1 **(b)** Authorization by one secured party of record. – A record authorized by one
2 secured party of record does not affect the financing statement with respect to another
3 secured party of record.

4 **(c)** Continuation statement not timely filed. – A continuation statement that is not
5 filed within the six-month period prescribed by G.S. 25-9-515(d) is ineffective.

6 **"§ 25-9-511. Secured party of record.**

7 **(a)** Secured party of record. – A secured party of record with respect to a financing
8 statement is a person whose name is provided as the name of the secured party or a
9 representative of the secured party in an initial financing statement that has been filed. If
10 an initial financing statement is filed under G.S. 25-9-514(a), the assignee named in the
11 initial financing statement is the secured party of record with respect to the financing
12 statement.

13 **(b)** Amendment naming secured party of record. – If an amendment of a financing
14 statement which provides the name of a person as a secured party or a representative of a
15 secured party is filed, the person named in the amendment is a secured party of record. If
16 an amendment is filed under G.S. 25-9-514(b), the assignee named in the amendment is a
17 secured party of record.

18 **(c)** Amendment deleting secured party of record. – A person remains a secured
19 party of record until the filing of an amendment of the financing statement which deletes
20 the person.

21 **"§ 25-9-512. Amendment of financing statement.**

22 **(a)** Amendment of information in financing statement. – Subject to G.S. 25-9-509,
23 a person may add or delete collateral covered by, continue or terminate the effectiveness
24 of, or, subject to subsection (e) of this section, otherwise amend the information provided
25 in, a financing statement by filing an amendment that:

26 **(1)** Identifies, by its file number, the initial financing statement to which the
27 amendment relates; and

28 **(2)** If the amendment relates to an initial financing statement filed in a filing
29 office described in G.S. 25-9-501(a)(1), provides the name of the debtor
30 and the information specified in G.S. 25-9-502(b).

31 **(b)** Period of effectiveness not affected. – Except as otherwise provided in G.S.
32 25-9-515, the filing of an amendment does not extend the period of effectiveness of the
33 financing statement.

34 **(c)** Effectiveness of amendment adding collateral. – A financing statement that is
35 amended by an amendment that adds collateral is effective as to the added collateral only
36 from the date of the filing of the amendment.

37 **(d)** Effectiveness of amendment adding debtor. – A financing statement that is
38 amended by an amendment that adds a debtor is effective as to the added debtor only
39 from the date of the filing of the amendment.

40 **(e)** Certain amendments ineffective. – An amendment is ineffective to the extent
41 it:

42 **(1)** Purports to delete all debtors and fails to provide the name of a debtor to
43 be covered by the financing statement; or

- 1 (2) Purports to delete all secured parties of record and fails to provide the
2 name of a new secured party of record.

3 **"§ 25-9-513. Termination statement.**

4 (a) Consumer goods. – A secured party shall cause the secured party of record for
5 a financing statement to file a termination statement for the financing statement if the
6 financing statement covers consumer goods and:

- 7 (1) There is no obligation secured by the collateral covered by the financing
8 statement and no commitment to make an advance, incur an obligation,
9 or otherwise give value; or
10 (2) The debtor did not authorize the filing of the initial financing statement.

11 (b) Time for compliance with subsection (a). – To comply with subsection (a) of
12 this section, a secured party shall cause the secured party of record to file the termination
13 statement:

- 14 (1) Within one month after there is no obligation secured by the collateral
15 covered by the financing statement and no commitment to make an
16 advance, incur an obligation, or otherwise give value; or
17 (2) If earlier, within 20 days after the secured party receives an
18 authenticated demand from a debtor.

19 (c) Other collateral. – In cases not governed by subsection (a) of this section,
20 within 20 days after a secured party receives an authenticated demand from a debtor, the
21 secured party shall cause the secured party of record for a financing statement to send to
22 the debtor a termination statement for the financing statement or file the termination
23 statement in the filing office if:

- 24 (1) Except in the case of a financing statement covering accounts or chattel
25 paper that has been sold or goods that are the subject of a consignment,
26 there is no obligation secured by the collateral covered by the financing
27 statement and no commitment to make an advance, incur an obligation,
28 or otherwise give value;
29 (2) The financing statement covers accounts or chattel paper that has been
30 sold but as to which the account debtor or other person obligated has
31 discharged its obligation;
32 (3) The financing statement covers goods that were the subject of a
33 consignment to the debtor but are not in the debtor's possession; or
34 (4) The debtor did not authorize the filing of the initial financing statement.

35 (d) Effect of filing termination statement. – Except as otherwise provided in G.S.
36 25-9-510, upon the filing of a termination statement with the filing office, the financing
37 statement to which the termination statement relates ceases to be effective. Except as
38 otherwise provided in G.S. 25-9-510, for purposes of G.S. 25-9-519(g), 25-9-522(a), and
39 25-9-523(c), the filing with the filing office of a termination statement relating to a
40 financing statement that indicates that the debtor is a transmitting utility also causes the
41 effectiveness of the financing statement to lapse.

42 **"§ 25-9-514. Assignment of powers of secured party of record.**

1 (a) Assignment reflected on initial financing statement. – Except as otherwise
2 provided in subsection (c) of this section, an initial financing statement may reflect an
3 assignment of all of the secured party's power to authorize an amendment to the financing
4 statement by providing the name and mailing address of the assignee as the name and
5 address of the secured party.

6 (b) Assignment of filed financing statement. – Except as otherwise provided in
7 subsection (c) of this section, a secured party of record may assign of record all or part of
8 its power to authorize an amendment to a financing statement by filing in the filing office
9 an amendment of the financing statement which:

10 (1) Identifies, by its file number, the initial financing statement to which it
11 relates;

12 (2) Provides the name of the assignor; and

13 (3) Provides the name and mailing address of the assignee.

14 (c) Assignment of record of mortgage. – An assignment of record of a security
15 interest in a fixture covered by a record of a mortgage which is effective as a financing
16 statement filed as a fixture filing under G.S. 25-9-502(c) may be made only by an
17 assignment of record of the mortgage in the manner provided by law of this State other
18 than this Chapter.

19 **"§ 25-9-515. Duration and effectiveness of financing statement; effect of lapsed**
20 **financing statement.**

21 (a) Five-year effectiveness. – Except as otherwise provided in subsections (b), (e),
22 (f), and (g) of this section, a filed financing statement is effective for a period of five
23 years after the date of filing.

24 (b) Public-finance or manufactured-home transaction. – Except as otherwise
25 provided in subsections (e), (f), and (g) of this section, an initial financing statement filed
26 in connection with a public-finance transaction or manufactured-home transaction is
27 effective for a period of 30 years after the date of filing if it indicates that it is filed in
28 connection with a public-finance transaction or manufactured-home transaction.

29 (c) Lapse and continuation of financing statement. – The effectiveness of a filed
30 financing statement lapses on the expiration of the period of its effectiveness unless
31 before the lapse a continuation statement is filed pursuant to subsection (d) of this
32 section. Upon lapse, a financing statement ceases to be effective and any security interest
33 or agricultural lien that was perfected by the financing statement becomes unperfected,
34 unless the security interest is perfected otherwise. If the security interest or agricultural
35 lien becomes unperfected upon lapse, it is deemed never to have been perfected as
36 against a purchaser of the collateral for value.

37 (d) When continuation statement may be filed. – A continuation statement may be
38 filed only within six months before the expiration of the five-year period specified in
39 subsection (a) of this section or the 30-year period specified in subsection (b) of this
40 section, whichever is applicable.

41 (e) Effect of filing continuation statement. – Except as otherwise provided in G.S.
42 25-9-510, upon timely filing of a continuation statement, the effectiveness of the initial
43 financing statement continues for a period of five years commencing on the day on which

1 the financing statement would have become ineffective in the absence of the filing. Upon
2 the expiration of the five-year period, the financing statement lapses in the same manner
3 as provided in subsection (c) of this section, unless, before the lapse, another continuation
4 statement is filed pursuant to subsection (d) of this section. Succeeding continuation
5 statements may be filed in the same manner to continue the effectiveness of the initial
6 financing statement.

7 (f) Transmitting utility financing statement. – If a debtor is a transmitting utility
8 and a filed financing statement so indicates, the financing statement is effective until a
9 termination statement is filed.

10 (g) Record of mortgage as financing statement. – A record of a mortgage that is
11 effective as a financing statement filed as a fixture filing under G.S. 25-9-502(c) remains
12 effective as a financing statement filed as a fixture filing until the mortgage is released or
13 satisfied of record or its effectiveness otherwise terminates as to the real property.

14 **"§ 25-9-516. What constitutes filing; effectiveness of filing.**

15 (a) What constitutes filing. – Except as otherwise provided in subsection (b) of
16 this section, communication of a record to a filing office and tender of the filing fee or
17 acceptance of the record by the filing office constitutes filing.

18 (b) Refusal to accept record; filing does not occur. – Filing does not occur with
19 respect to a record that a filing office refuses to accept because:

20 (1) The record is not communicated by a method or medium of
21 communication authorized by the filing office;

22 (2) An amount equal to or greater than the applicable filing fee is not
23 tendered;

24 (3) The filing office is unable to index the record because:

25 a. In the case of an initial financing statement, the record does not
26 provide a name for the debtor;

27 b. In the case of an amendment or correction statement, the record:

28 1. Does not identify the initial financing statement as
29 required by G.S. 25-9-512 or G.S. 25-9-518, as applicable;

30 or

31 2. Identifies an initial financing statement whose
32 effectiveness has lapsed under G.S. 25-9-515;

33 c. In the case of an initial financing statement that provides the
34 name of a debtor identified as an individual or an amendment
35 that provides a name of a debtor identified as an individual which
36 was not previously provided in the financing statement to which
37 the record relates, the record does not identify the debtor's last
38 name; or

39 d. In the case of a record filed in the filing office described in G.S.
40 25-9-501(a)(1), the record does not provide a sufficient
41 description of the real property to which it relates;

- 1 (4) In the case of an initial financing statement or an amendment that adds a
2 secured party of record, the record does not provide a name and mailing
3 address for the secured party of record;
- 4 (5) In the case of an initial financing statement or an amendment that
5 provides a name of a debtor which was not previously provided in the
6 financing statement to which the amendment relates, the record does
7 not:
- 8 a. Provide a mailing address for the debtor;
9 b. Indicate whether the debtor is an individual or an organization; or
10 c. If the financing statement indicates that the debtor is an
11 organization, provide:
- 12 1. A type of organization for the debtor;
13 2. A jurisdiction of organization for the debtor; or
14 3. An organizational identification number for the debtor or
15 indicate that the debtor has none;
- 16 (6) In the case of an assignment reflected in an initial financing statement
17 under G.S. 25-9-514(a) or an amendment filed under G.S. 25-9-514(b),
18 the record does not provide a name and mailing address for the
19 assignee; or
- 20 (7) In the case of a continuation statement, the record is not filed within the
21 six-month period prescribed by G.S. 25-9-515(d).
- 22 (c) Rules applicable to subsection (b). – For purposes of subsection (b) of this
23 section:
- 24 (1) A record does not provide information if the filing office is unable to
25 read or decipher the information; and
- 26 (2) A record that does not indicate that it is an amendment or identify an
27 initial financing statement to which it relates, as required by G.S. 25-9-
28 512, 25-9-514, or 25-9-518, is an initial financing statement.
- 29 (d) Refusal to accept record; record effective as filed record. – A record that is
30 communicated to the filing office with tender of the filing fee, but which the filing office
31 refuses to accept for a reason other than one set forth in subsection (b) of this section, is
32 effective as a filed record except as against a purchaser of the collateral which gives
33 value in reasonable reliance upon the absence of the record from the files.
- 34 **§ 25-9-517. Effect of indexing errors.**
- 35 The failure of the filing office to index a record correctly does not affect the
36 effectiveness of the filed record.
- 37 **§ 25-9-518. Claim concerning inaccurate or wrongfully filed record.**
- 38 (a) Correction statement. – A person may file in the filing office a correction
39 statement with respect to a record indexed there under the person's name if the person
40 believes that the record is inaccurate or was wrongfully filed.
- 41 (b) Sufficiency of correction statement. – A correction statement must:
- 42 (1) Identify the record to which it relates by the file number assigned to the
43 initial financing statement to which the record relates;

1 (2) Indicate that it is a correction statement; and
2 (3) Provide the basis for the person's belief that the record is inaccurate and
3 indicate the manner in which the person believes the record should be
4 amended to cure any inaccuracy or provide the basis for the person's
5 belief that the record was wrongfully filed.

6 (c) Record not affected by correction statement. – The filing of a correction
7 statement does not affect the effectiveness of an initial financing statement or other filed
8 record.

9 **"SUBPART 2. DUTIES AND OPERATION OF FILING OFFICE.**

10 **"§ 25-9-519. Numbering, maintaining, and indexing records; communicating**
11 **information provided in records.**

12 (a) Filing office duties. – For each record filed in a filing office, the filing office
13 shall:

14 (1) Assign a unique number to the filed record;
15 (2) Create a record that bears the number assigned to the filed record and
16 the date and time of filing;
17 (3) Maintain the filed record for public inspection; and
18 (4) Index the filed record in accordance with subsections (c), (d), and (e) of
19 this section.

20 (b) File number. – Except as otherwise provided in subsection (i) of this section, a
21 file number assigned after January 1, 2003, must include a digit that:

22 (1) Is mathematically derived from or related to the other digits of the file
23 number; and
24 (2) Aids the filing office in determining whether a number communicated
25 as the file number includes a single-digit or transpositional error.

26 (c) Indexing: general. – Except as otherwise provided in subsections (d) and (e) of
27 this section, the filing office shall:

28 (1) Index an initial financing statement according to the name of the debtor
29 and index all filed records relating to the initial financing statement in a
30 manner that associates with one another an initial financing statement
31 and all filed records relating to the initial financing statement; and
32 (2) Index a record that provides a name of a debtor which was not
33 previously provided in the financing statement to which the record
34 relates also according to the name that was not previously provided.

35 (d) Indexing: real-property-related financing statement. – If a financing statement
36 is filed as a fixture filing or covers as-extracted collateral or timber to be cut, the filing
37 office shall index it:

38 (1) Under the names of the debtor and of each owner of record shown on
39 the financing statement as if they were the mortgagors under a mortgage
40 of the real property described; and

41 (2) To the extent that the law of this State provides for indexing of records
42 of mortgages under the name of the mortgagee, under the name of the
43 secured party as if the secured party were the mortgagee thereunder, or,

1 if indexing is by description, as if the financing statement were a record
2 of a mortgage of the real property described.

3 (e) Indexing: real-property-related assignment. – If a financing statement is filed
4 as a fixture filing or covers as-extracted collateral or timber to be cut, the filing office
5 shall index an assignment filed under G.S. 25-9-514(a) or an amendment filed under G.S.
6 25-9-514(b):

7 (1) Under the name of the assignor as grantor; and

8 (2) To the extent that the law of this State provides for indexing a record of
9 the assignment of a mortgage under the name of the assignee, under the
10 name of the assignee.

11 (f) Retrieval and association capability. – The filing office shall maintain a
12 capability:

13 (1) To retrieve a record by the name of the debtor and by the file number
14 assigned to the initial financing statement to which the record relates;
15 and

16 (2) To associate and retrieve with one another an initial financing statement
17 and each filed record relating to the initial financing statement.

18 (g) Removal of debtor's name. – The filing office may not remove a debtor's name
19 from the index until one year after the effectiveness of a financing statement naming the
20 debtor lapses under G.S. 25-9-515 with respect to all secured parties of record.

21 (h) Timeliness of filing office performance. – The filing office shall perform the
22 acts required by subsections (a) through (e) of this section at the time and in the manner
23 prescribed by filing-office rule, but after January 1, 2003, not later than three business
24 days after the filing office receives the record in question.

25 (i) Inapplicability to real-property-related filing office. – Subsection (b) of this
26 section does not apply to a filing office described in G.S. 25-9-501(a)(1).

27 **§ 25-9-520. Acceptance and refusal to accept record.**

28 (a) Mandatory refusal to accept record. – A filing office shall refuse to accept a
29 record for filing for a reason set forth in G.S. 25-9-516(b) and may refuse to accept a
30 record for filing only for a reason set forth in G.S. 25-9-516(b).

31 (b) Communication concerning refusal. – If a filing office refuses to accept a
32 record for filing, it shall communicate to the person that presented the record the fact of
33 and reason for the refusal and the date and time the record would have been filed had the
34 filing office accepted it. The communication must be made at the time and in the manner
35 prescribed by filing-office rule but in no event more than three business days after the
36 filing office receives the record.

37 (c) When filed financing statement effective. – A filed financing statement
38 satisfying G.S. 25-9-502(a) and (b) is effective, even if the filing office is required to
39 refuse to accept it for filing under subsection (a) of this section. However, G.S. 25-9-338
40 applies to a filed financing statement providing information described in G.S. 25-9-
41 516(b)(5) which is incorrect at the time the financing statement is filed.

1 (d) Separate application to multiple debtors. – If a record communicated to a filing
2 office provides information that relates to more than one debtor, this Part applies as to
3 each debtor separately.

4 **"§ 25-9-521. Reserved.**

5 **"§ 25-9-522. Maintenance and destruction of records.**

6 (a) Post-lapse maintenance and retrieval of information. – The filing office shall
7 maintain a record of the information provided in a filed financing statement for at least
8 one year after the effectiveness of the financing statement has lapsed under G.S. 25-9-515
9 with respect to all secured parties of record. The record must be retrievable by using the
10 name of the debtor and by using the file number assigned to the initial financing
11 statement to which the record relates.

12 (b) Destruction of written records. – Except to the extent that a statute governing
13 disposition of public records provides otherwise, the filing office immediately may
14 destroy any written record evidencing a financing statement. However, if the filing office
15 destroys a written record, it shall maintain another record of the financing statement
16 which complies with subsection (a) of this section.

17 **"§ 25-9-523. Information from filing office.**

18 (a) Acknowledgment of filing written record. – If a person that files a written
19 record requests an acknowledgment of the filing, the filing office shall send to the person
20 an image of the record showing the number assigned to the record pursuant to G.S. 25-9-
21 519(a)(1) and the date and time of the filing of the record. However, if the person
22 furnishes a copy of the record to the filing office, the filing office may instead:

23 (1) Note upon the copy the number assigned to the record pursuant to G.S.
24 25-9-519(a)(1) and the date and time of the filing of the record; and

25 (2) Send the copy to the person.

26 (b) Acknowledgment of filing other record. – If a person files a record other than a
27 written record, the filing office shall communicate to the person an acknowledgment that
28 provides:

29 (1) The information in the record;

30 (2) The number assigned to the record pursuant to G.S. 25-9-519(a)(1); and

31 (3) The date and time of the filing of the record.

32 (c) Communication of requested information. – Except as otherwise provided in
33 subsection (g) of this section, the filing office shall communicate or otherwise make
34 available in a record, for which it shall not be liable, the following information to any
35 person that requests it:

36 (1) Whether there is on file on a date and time specified by the filing office,
37 but not a date earlier than three business days before the filing office
38 receives the request, any financing statement that:

39 a. Designates a particular debtor;

40 b. Has not lapsed under G.S. 25-9-515 with respect to all secured
41 parties of record; and

1 c. If the request so states, has lapsed under G.S. 25-9-515 and a
2 record of which is maintained by the filing office under G.S. 25-
3 9-522(a);

4 (2) The date and time of filing of each financing statement; and

5 (3) The information provided in each financing statement.

6 (d) Medium for communicating information. – In complying with its duty under
7 subsection (c) of this section, the filing office may communicate information in any
8 medium. However, if requested, the filing office shall communicate information by
9 issuing a record that can be admitted into evidence in the courts of this State without
10 extrinsic evidence of its authenticity.

11 (e) Timeliness of filing office performance. – The filing office shall perform the
12 acts required by subsections (a) through (d) of this section at the time and in the manner
13 prescribed by filing-office rule, but after January 1, 2003, for a filing office described in
14 G.S. 25-9-501(a)(2), not later than three business days after the filing office receives the
15 request.

16 (f) Reserved.

17 (g) Inapplicability to real-property-related filing office. – Subsection (c) of this
18 section does not apply to a filing office described in G.S. 25-9-501(a)(1) with respect to
19 financing statements filed on or after the effective date of this act.

20 **"§ 25-9-524. Delay by filing office.**

21 Delay by the filing office beyond a time limit prescribed by this Part is excused if:

22 (1) The delay is caused by interruption of communication or computer
23 facilities, war, emergency conditions, failure of equipment, or other
24 circumstances beyond control of the filing office; and

25 (2) The filing office exercises reasonable diligence under the circumstances.

26 **"§ 25-9-525. Fees.**

27 (a) Initial financing statement or other record: general rule. – Except as otherwise
28 provided in subsection (e) of this section, the fee for filing and indexing a record under
29 this Part is:

30 (1) Thirty dollars (\$30.00) if the record is communicated in writing and
31 consists of one or two pages;

32 (2) Forty-five dollars (\$45.00) if the record is communicated in writing and
33 consists of more than two pages, plus two dollars (\$2.00) for each page
34 over 10 pages; and

35 (3) Thirty dollars (\$30.00) if the record is communicated by another
36 medium authorized by filing-office rule.

37 (b) Reserved.

38 (c) Number of names. – The number of names required to be indexed does not
39 affect the amount of the fee in subsection (a) of this section.

40 (d) Response to information request. – The fee for responding to a request for
41 information from the filing office, including for communicating whether there is on file
42 any financing statement naming a particular debtor, is:

43 (1) Thirty dollars (\$30.00) if the request is communicated in writing; and

1 **(b) Rights and duties of secured party in possession or control.** – A secured party
2 in possession of collateral or control of collateral under G.S. 25-9-104, 25-9-105, 25-9-
3 106, or 25-9-107 has the rights and duties provided in G.S. 25-9-207.

4 **(c) Rights cumulative; simultaneous exercise.** – The rights under subsections (a)
5 and (b) of this section are cumulative and may be exercised simultaneously.

6 **(d) Rights of debtor and obligor.** – Except as otherwise provided in subsection (g)
7 of this section and G.S. 25-9-605, after default, a debtor and an obligor have the rights
8 provided in this Part and by agreement of the parties.

9 **(e) Lien of levy after judgment.** – If a secured party has reduced its claim to
10 judgment, the lien of any levy that may be made upon the collateral by virtue of an
11 execution based upon the judgment relates back to the earliest of:

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

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

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

17 **(f) Execution sale.** – A sale pursuant to an execution is a foreclosure of the
18 security interest or agricultural lien by judicial procedure within the meaning of this
19 section. A secured party may purchase at the sale and thereafter hold the collateral free
20 of any other requirements of this Article.

21 **(g) Consignor or buyer of certain rights to payment.** – Except as otherwise
22 provided in G.S. 25-9-607(c), this Part imposes no duties upon a secured party that is a
23 consignor or is a buyer of accounts, chattel paper, payment intangibles, or promissory
24 notes.

25 **"§ 25-9-602. Waiver and variance of rights and duties.**

26 Except as otherwise provided in G.S. 25-9-624, to the extent that they give rights to a
27 debtor or obligor and impose duties on a secured party, the debtor or obligor may not
28 waive or vary the rules stated in the following listed sections:

29 (1) G.S. 25-9-207(b)(4)c., which deals with use and operation of the
30 collateral by the secured party;

31 (2) G.S. 25-9-210, which deals with requests for an accounting and requests
32 concerning a list of collateral and statement of account;

33 (3) G.S. 25-9-607(c), which deals with collection and enforcement of
34 collateral;

35 (4) G.S. 25-9-608(a) and G.S. 25-9-615(c) to the extent that they deal with
36 application or payment of noncash proceeds of collection, enforcement,
37 or disposition;

38 (5) G.S. 25-9-608(a) and G.S. 25-9-615(d) to the extent that they require
39 accounting for or payment of surplus proceeds of collateral;

40 (6) G.S. 25-9-609 to the extent that it imposes upon a secured party that
41 takes possession of collateral without judicial process the duty to do so
42 without breach of the peace;

- 1 (7) G.S. 25-9-610(b), 25-9-611, 25-9-613, and 25-9-614, which deal with
2 disposition of collateral;
3 (8) G.S. 25-9-615(f), which deals with calculation of a deficiency or surplus
4 when a disposition is made to the secured party, a person related to the
5 secured party, or a secondary obligor;
6 (9) G.S. 25-9-616, which deals with explanation of the calculation of a
7 surplus or deficiency;
8 (10) G.S. 25-9-620, 25-9-621, and 25-9-622, which deal with acceptance of
9 collateral in satisfaction of obligation;
10 (11) G.S. 25-9-623, which deals with redemption of collateral;
11 (12) G.S. 25-9-624, which deals with permissible waivers; and
12 (13) G.S. 25-9-625 and G.S. 25-9-626, which deal with the secured party's
13 liability for failure to comply with this Article.

14 **"§ 25-9-603. Agreement on standards concerning rights and duties.**

15 (a) Agreed standards. – The parties may determine by agreement the standards
16 measuring the fulfillment of the rights of a debtor or obligor and the duties of a secured
17 party under a rule stated in G.S. 25-9-602 if the standards are not manifestly
18 unreasonable.

19 (b) Agreed standards inapplicable to breach of peace. – Subsection (a) of this
20 section does not apply to the duty under G.S. 25-9-609 to refrain from breaching the
21 peace.

22 **"§ 25-9-604. Procedure if security agreement covers real property or fixtures.**

23 (a) Enforcement: personal and real property. – If a security agreement covers both
24 personal and real property, a secured party may proceed:

25 (1) Under this Part as to the personal property without prejudicing any
26 rights with respect to the real property; or

27 (2) As to both the personal property and the real property in accordance
28 with the rights with respect to the real property, in which case the other
29 provisions of this Part do not apply.

30 (b) Enforcement: fixtures. – Subject to subsection (c) of this section, if a security
31 agreement covers goods that are or become fixtures, a secured party may proceed:

32 (1) Under this Part; or

33 (2) In accordance with the rights with respect to real property, in which case
34 the other provisions of this Part do not apply.

35 (c) Removal of fixtures. – Subject to the other provisions of this Part, if a secured
36 party holding a security interest in fixtures has priority over all owners and
37 encumbrancers of the real property, the secured party, after default, may remove the
38 collateral from the real property.

39 (d) Injury caused by removal. – A secured party that removes collateral shall
40 promptly reimburse any encumbrancer or owner of the real property, other than the
41 debtor, for the cost of repair of any physical injury caused by the removal. The secured
42 party need not reimburse the encumbrancer or owner for any diminution in value of the
43 real property caused by the absence of the goods removed or by any necessity of

1 replacing them. A person entitled to reimbursement may refuse permission to remove
2 until the secured party gives adequate assurance for the performance of the obligation to
3 reimburse.

4 **"§ 25-9-605. Unknown debtor or secondary obligor.**

5 A secured party does not owe a duty based on its status as secured party:

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

7 a. That the person is a debtor or obligor;

8 b. The identity of the person; and

9 c. How to communicate with the person; or

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

12 a. That the person is a debtor; and

13 b. The identity of the person.

14 **"§ 25-9-606. Time of default for agricultural lien.**

15 For purposes of this Part, a default occurs in connection with an agricultural lien at the
16 time the secured party becomes entitled to enforce the lien in accordance with the statute
17 under which it was created.

18 **"§ 25-9-607. Collection and enforcement by secured party.**

19 (a) Collection and enforcement generally. – If so agreed, and in any event after
20 default, a secured party:

21 (1) May notify an account debtor or other person obligated on collateral to
22 make payment or otherwise render performance to or for the benefit of
23 the secured party;

24 (2) May take any proceeds to which the secured party is entitled under G.S.
25 25-9-315;

26 (3) May enforce the obligations of an account debtor or other person
27 obligated on collateral and exercise the rights of the debtor with respect
28 to the obligation of the account debtor or other person obligated on
29 collateral to make payment or otherwise render performance to the
30 debtor, and with respect to any property that secures the obligations of
31 the account debtor or other person obligated on the collateral;

32 (4) If it holds a security interest in a deposit account perfected by control
33 under G.S. 25-9-104(a)(1), may apply the balance of the deposit account
34 to the obligation secured by the deposit account; and

35 (5) If it holds a security interest in a deposit account perfected by control
36 under G.S. 25-9-104(a)(2) or (a)(3), may instruct the bank to pay the
37 balance of the deposit account to or for the benefit of the secured party.

38 (b) Nonjudicial enforcement of mortgage. – If necessary to enable a secured party
39 to exercise under subdivision (a)(3) of this section the right of a debtor to enforce a
40 mortgage nonjudicially, the secured party may record in the office in which a record of
41 the mortgage is recorded:

42 (1) A copy of the security agreement that creates or provides for a security
43 interest in the obligation secured by the mortgage; and

- 1 (2) The secured party's sworn affidavit in recordable form stating that:
2 a. A default has occurred; and
3 b. The secured party is entitled to enforce the mortgage
4 nonjudicially.
- 5 (c) Commercially reasonable collection and enforcement. – A secured party shall
6 proceed in a commercially reasonable manner if the secured party:
- 7 (1) Undertakes to collect from or enforce an obligation of an account debtor
8 or other person obligated on collateral; and
- 9 (2) Is entitled to charge back uncollected collateral or otherwise to full or
10 limited recourse against the debtor or a secondary obligor.
- 11 (d) Expenses of collection and enforcement. – A secured party may deduct from
12 the collections made pursuant to subsection (c) of this section reasonable expenses of
13 collection and enforcement, including reasonable attorney's fees and legal expenses
14 incurred by the secured party.
- 15 (e) Duties to secured party not affected. – This section does not determine whether
16 an account debtor, bank, or other person obligated on collateral owes a duty to a secured
17 party.

18 **"§ 25-9-608. Application of proceeds of collection or enforcement; liability for**
19 **deficiency and right to surplus.**

- 20 (a) Application of proceeds, surplus, and deficiency if obligation secured. – If a
21 security interest or agricultural lien secures payment or performance of an obligation, the
22 following rules apply:
- 23 (1) A secured party shall apply or pay over for application the cash
24 proceeds of collection or enforcement under G.S. 25-9-607 in the
25 following order to:
- 26 a. The reasonable expenses of collection and enforcement and, to
27 the extent provided for by agreement and not prohibited by law,
28 reasonable attorney's fees and legal expenses incurred by the
29 secured party;
- 30 b. The satisfaction of obligations secured by the security interest or
31 agricultural lien under which the collection or enforcement is
32 made; and
- 33 c. The satisfaction of obligations secured by any subordinate
34 security interest in or other lien on the collateral subject to the
35 security interest or agricultural lien under which the collection or
36 enforcement is made if the secured party receives an
37 authenticated demand for proceeds before distribution of the
38 proceeds is completed.
- 39 (2) If requested by a secured party, a holder of a subordinate security
40 interest or other lien shall furnish reasonable proof of the interest or lien
41 within a reasonable time. Unless the holder complies, the secured party
42 need not comply with the holder's demand under sub-subdivision
43 (a)(1)c. of this section.

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

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

8 (b) No surplus or deficiency in sales of certain rights to payment. – If the
9 underlying transaction is a sale of accounts, chattel paper, payment intangibles, or
10 promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for
11 any deficiency.

12 **"§ 25-9-609. Secured party's right to take possession after default.**

13 (a) Possession; rendering equipment unusable; disposition on debtor's premises. –
14 After default, a secured party:

15 (1) May take possession of the collateral; and

16 (2) Without removal, may render equipment unusable and dispose of
17 collateral on a debtor's premises under G.S. 25-9-610.

18 (b) Judicial and nonjudicial process. – A secured party may proceed under
19 subsection (a) of this section:

20 (1) Pursuant to judicial process; or

21 (2) Without judicial process, if it proceeds without breach of the peace.

22 (c) Assembly of collateral. – If so agreed, and in any event after default, a secured
23 party may require the debtor to assemble the collateral and make it available to the
24 secured party at a place to be designated by the secured party which is reasonably
25 convenient to both parties.

26 **"§ 25-9-610. Disposition of collateral after default.**

27 (a) Disposition after default. – After default, a secured party may sell, lease,
28 license, or otherwise dispose of any or all of the collateral in its present condition or
29 following any commercially reasonable preparation or processing.

30 (b) Commercially reasonable disposition. – Every aspect of a disposition of
31 collateral, including the method, manner, time, place, and other terms, must be
32 commercially reasonable. If commercially reasonable, a secured party may dispose of
33 collateral by public or private proceedings, by one or more contracts, as a unit or in
34 parcels, and at any time and place and on any terms.

35 (c) Purchase by secured party. – A secured party may purchase collateral:

36 (1) At a public disposition; or

37 (2) At a private disposition only if the collateral is of a kind that is
38 customarily sold on a recognized market or the subject of widely
39 distributed standard price quotations.

40 (d) Warranties on disposition. – A contract for sale, lease, license, or other
41 disposition includes the warranties relating to title, possession, quiet enjoyment, and the
42 like which by operation of law accompany a voluntary disposition of property of the kind
43 subject to the contract.

1 (e) Disclaimer of warranties. – A secured party may disclaim or modify warranties
2 under subsection (d) of this section:

3 (1) In a manner that would be effective to disclaim or modify the warranties
4 in a voluntary disposition of property of the kind subject to the contract
5 of disposition; or

6 (2) By communicating to the purchaser a record evidencing the contract for
7 disposition and including an express disclaimer or modification of the
8 warranties.

9 (f) Record sufficient to disclaim warranties. – A record is sufficient to disclaim
10 warranties under subsection (e) of this section if it indicates 'There is no warranty relating
11 to title, possession, quiet enjoyment, or the like in this disposition' or uses words of
12 similar import.

13 **"§ 25-9-611. Notification before disposition of collateral.**

14 (a) 'Notification date.' – In this section, 'notification date' means the earlier of the
15 date on which:

16 (1) A secured party sends to the debtor and any secondary obligor an
17 authenticated notification of disposition; or

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

19 (b) Notification of disposition required. – Except as otherwise provided in
20 subsection (d) of this section, a secured party that disposes of collateral under G.S. 25-9-
21 610 shall send to the persons specified in subsection (c) of this section a reasonable
22 authenticated notification of disposition.

23 (c) Persons to be notified. – To comply with subsection (b) of this section, the
24 secured party shall send an authenticated notification of disposition to:

25 (1) The debtor;

26 (2) Any secondary obligor; and

27 (3) If the collateral is other than consumer goods:

28 a. Any other person from which the secured party has received,
29 before the notification date, an authenticated notification of a
30 claim of an interest in the collateral;

31 b. Any other secured party or lienholder that, 10 days before the
32 notification date, held a security interest in or other lien on the
33 collateral perfected by the filing of a financing statement that:

34 1. Identified the collateral;

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

36 3. Was filed in the office in which to file a financing
37 statement against the debtor covering the collateral as of
38 that date; and

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

1 (d) Subsection (b) inapplicable: perishable collateral; recognized market. –
2 Subsection (b) of this section does not apply if the collateral is perishable or threatens to
3 decline speedily in value or is of a type customarily sold on a recognized market.

4 (e) Compliance with sub-subdivision (c)(3)b. – A secured party complies with the
5 requirement for notification prescribed by sub-subdivision (c)(3)b. of this section if:

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

11 (2) Before the notification date, the secured party:

12 a. Did not receive a response to the request for information; or

13 b. Received a response to the request for information and sent an
14 authenticated notification of disposition to each secured party or
15 other lienholder named in that response whose financing
16 statement covered the collateral.

17 **§ 25-9-612. Timeliness of notification before disposition of collateral.**

18 (a) Reasonable time is question of fact. – Except as otherwise provided in
19 subsection (b) of this section, whether a notification is sent within a reasonable time is a
20 question of fact.

21 (b) Ten-day period sufficient in nonconsumer transaction. – In a transaction other
22 than a consumer transaction, a notification of disposition sent after default and 10 days or
23 more before the earliest time of disposition set forth in the notification is sent within a
24 reasonable time before the disposition.

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

27 Except in a consumer-goods transaction, the following rules apply:

28 (1) The contents of a notification of disposition are sufficient if the
29 notification:

30 a. Describes the debtor and the secured party;

31 b. Describes the collateral that is the subject of the intended
32 disposition;

33 c. States the method of intended disposition;

34 d. States that the debtor is entitled to an accounting of the unpaid
35 indebtedness and states the charge, if any, for an accounting; and

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

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

41 (3) The contents of a notification providing substantially the information
42 specified in subdivision (1) of this section are sufficient, even if the
43 notification includes:

- 1 a. Information not specified by that subdivision; or
 2 b. Minor errors that are not seriously misleading.
 3 (4) A particular phrasing of the notification is not required.
 4 (5) The following form of notification and the form appearing in G.S. 25-9-
 5 614(3), when completed, each provides sufficient information:

6
 7 **NOTIFICATION OF DISPOSITION OF COLLATERAL**

8
 9 To: [Name of debtor, obligor, or other person to which the notification
 10 is sent]
 11 From: [Name, address, and telephone number of secured party]
 12 Name of Debtor(s): [Include only if debtor(s) is/are not an addressee]
 13 [For a public disposition:]
 14 We will sell [or lease or license, as applicable] the [describe collateral] [to the
 15 highest qualified bidder] in public as follows:
 16 Day and Date:
 17 Time:
 18 Place:
 19 [For a private disposition:]
 20 We will sell [or lease or license, as applicable] the [describe collateral] privately
 21 sometime after [day and date] .
 22 You are entitled to an accounting of the unpaid indebtedness secured by the property that
 23 we intend to sell [or lease or license, as applicable] [for a charge of \$]. You may
 24 request an accounting by calling us at [telephone number]

25
 26 **"§ 25-9-614. Contents and form of notification before disposition of collateral:**
 27 **consumer-goods transaction.**

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

42 [Name and address of secured party]

43 [Date]

NOTICE OF OUR PLAN TO SELL PROPERTY

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

Subject: [Identification of Transaction]

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

[For a public disposition:]

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

Date: _____

Time: _____

Place: _____

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

[For a private disposition:]

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

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

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

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

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

We are sending this notice to the following other people who have an interest in [describe collateral] or who owe money under your agreement:
[Names of all other debtors and obligors, if any]

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

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

5 (6) If a notification under this section is not in the form of subdivision (3)
6 of this section, law other than this Article determines the effect of
7 including information not required by subdivision (1) of this section.

8 **"§ 25-9-615. Application of proceeds of disposition; liability for deficiency and right**
9 **to surplus.**

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

13 (1) The reasonable expenses of retaking, holding, preparing for disposition,
14 processing, and disposing, and, to the extent provided for by agreement
15 and not prohibited by law, reasonable attorney's fees and legal expenses
16 incurred by the secured party;

17 (2) The satisfaction of obligations secured by the security interest or
18 agricultural lien under which the disposition is made;

19 (3) The satisfaction of obligations secured by any subordinate security
20 interest in or other subordinate lien on the collateral if:

21 a. The secured party receives from the holder of the subordinate
22 security interest or other lien an authenticated demand for
23 proceeds before distribution of the proceeds is completed; and

24 b. In a case in which a consignor has an interest in the collateral, the
25 subordinate security interest or other lien is senior to the interest
26 of the consignor; and

27 (4) A secured party that is a consignor of the collateral if the secured party
28 receives from the consignor an authenticated demand for proceeds
29 before distribution of the proceeds is completed.

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

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

38 (d) Surplus or deficiency if obligation secured. – If the security interest under
39 which a disposition is made secures payment or performance of an obligation, after
40 making the payments and applications required by subsection (a) of this section and
41 permitted by subsection (c) of this section:

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

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

5 (e) No surplus or deficiency in sales of certain rights to payment. – If the
6 underlying transaction is a sale of accounts, chattel paper, payment intangibles, or
7 promissory notes:

8 (1) The debtor is not entitled to any surplus; and

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

10 (f) Calculation of surplus or deficiency in disposition to person related to secured
11 party. – The surplus or deficiency following a disposition is calculated based on the
12 amount of proceeds that would have been realized in a disposition complying with this
13 Part to a transferee other than the secured party, a person related to the secured party, or a
14 secondary obligor if:

15 (1) The transferee in the disposition is the secured party, a person related to
16 the secured party, or a secondary obligor; and

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

21 (g) Cash proceeds received by junior secured party. – A secured party that receives
22 cash proceeds of a disposition in good faith and without knowledge that the receipt
23 violates the rights of the holder of a security interest or other lien that is not subordinate
24 to the security interest or agricultural lien under which 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
27 satisfaction of obligations secured by the security interest or other lien;
28 and

29 (3) Is not obligated to account to or pay the holder of the security interest or
30 other lien for any surplus.

31 **"§ 25-9-616. Explanation of calculation of surplus or deficiency.**

32 (a) Definitions. – In this section:

33 (1) 'Explanation' means a writing that:

34 a. States the amount of the surplus or deficiency;

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

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

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

43 (2) 'Request' means a record:

- 1 a. Authenticated by a debtor or consumer obligor;
2 b. Requesting that the recipient provide an explanation; and
3 c. Sent after disposition of the collateral under G.S. 25-9-610.
4 (b) Explanation of calculation. – In a consumer-goods transaction in which the
5 debtor is entitled to a surplus or a consumer obligor is liable for a deficiency under G.S.
6 25-9-615, the secured party shall:
- 7 (1) Send an explanation to the debtor or consumer obligor, as applicable,
8 after the disposition and:
9 a. Before or when the secured party accounts to the debtor and pays
10 any surplus or first makes written demand on the consumer
11 obligor after the disposition for payment of the deficiency; and
12 b. Within 14 days after receipt of a request; or
13 (2) In the case of a consumer obligor who is liable for a deficiency, within
14 14 days after receipt of a request, send to the consumer obligor a record
15 waiving the secured party's right to a deficiency.
16 (c) Required information. – To comply with sub-subdivision (a)(1)b. of this
17 section, a writing must provide the following information in the following order:
- 18 (1) The aggregate amount of obligations secured by the security interest
19 under which the disposition was made, and, if the amount reflects a
20 rebate of unearned interest or credit service charge, an indication of that
21 fact, calculated as of a specified date:
22 a. If the secured party takes or receives possession of the collateral
23 after default, not more than 35 days before the secured party
24 takes or receives possession; or
25 b. If the secured party takes or receives possession of the collateral
26 before default or does not take possession of the collateral, not
27 more than 35 days before the disposition;
28 (2) The amount of proceeds of the disposition;
29 (3) The aggregate amount of the obligations after deducting the amount of
30 proceeds;
31 (4) The amount, in the aggregate or by type, and types of expenses,
32 including expenses of retaking, holding, preparing for disposition,
33 processing, and disposing of the collateral, and attorney's fees secured
34 by the collateral which are known to the secured party and relate to the
35 current disposition;
36 (5) The amount, in the aggregate or by type, and types of credits, including
37 rebates of interest or credit service charges, to which the obligor is
38 known to be entitled and which are not reflected in the amount in
39 subdivision (1) of this subsection; and
40 (6) The amount of the surplus or deficiency.
41 (d) Substantial compliance. – A particular phrasing of the explanation is not
42 required. An explanation complying substantially with the requirements of subsection (a)

1 of this section is sufficient, even if it includes minor errors that are not seriously
2 misleading.

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

8 **"§ 25-9-617. Rights of transferee of collateral.**

9 (a) Effects of disposition. – A secured party's disposition of collateral after default:

10 (1) Transfers to a transferee for value all of the debtor's rights in the
11 collateral;

12 (2) Discharges the security interest under which the disposition is made;
13 and

14 (3) Discharges any subordinate security interest or other subordinate lien.

15 (b) Rights of good-faith transferee. – A transferee that acts in good faith takes free
16 of the rights and interests described in subsection (a) of this section, even if the secured
17 party fails to comply with this Article or the requirements of any judicial proceeding.

18 (c) Rights of other transferee. – If a transferee does not take free of the rights and
19 interests described in subsection (a) of this section, the transferee takes the collateral
20 subject to:

21 (1) The debtor's rights in the collateral;

22 (2) The security interest or agricultural lien under which the disposition is
23 made; and

24 (3) Any other security interest or other lien.

25 **"§ 25-9-618. Rights and duties of certain secondary obligors.**

26 (a) Rights and duties of secondary obligor. – A secondary obligor acquires the
27 rights and becomes obligated to perform the duties of the secured party after the
28 secondary obligor:

29 (1) Receives an assignment of a secured obligation from the secured party;

30 (2) Receives a transfer of collateral from the secured party and agrees to
31 accept the rights and assume the duties of the secured party; or

32 (3) Is subrogated to the rights of a secured party with respect to collateral.

33 (b) Effect of assignment, transfer, or subrogation. – An assignment, transfer, or
34 subrogation described in subsection (a) of this section:

35 (1) Is not a disposition of collateral under G.S. 25-9-610; and

36 (2) Relieves the secured party of further duties under this Article.

37 **"§ 25-9-619. Transfer of record or legal title.**

38 (a) 'Transfer statement.' – In this section, 'transfer statement' means a record
39 authenticated by a secured party stating:

40 (1) That the debtor has defaulted in connection with an obligation secured
41 by specified collateral;

42 (2) That the secured party has exercised its postdefault remedies with
43 respect to the collateral;

1 (3) That, by reason of the exercise, a transferee has acquired the rights of
2 the debtor in the collateral; and

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

5 (b) Effect of transfer statement. – A transfer statement entitles the transferee to the
6 transfer of record of all rights of the debtor in the collateral specified in the statement in
7 any official filing, recording, registration, or certificate-of-title system covering the
8 collateral. If a transfer statement is presented with the applicable fee and request form to
9 the official or office responsible for maintaining the system, the official or office shall:

10 (1) Accept the transfer statement;

11 (2) Promptly amend its records to reflect the transfer; and

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

14 (c) Transfer not a disposition; no relief of secured party's duties. – A transfer of
15 the record or legal title to collateral to a secured party under subsection (b) of this section
16 or otherwise is not of itself a disposition of collateral under this Article and does not of
17 itself relieve the secured party of its duties under this Article.

18 **§ 25-9-620. Acceptance of collateral in full or partial satisfaction of obligation;**
19 **compulsory disposition of collateral.**

20 (a) Conditions to acceptance in satisfaction. – Except as otherwise provided in
21 subsection (g) of this section, a secured party may accept collateral in full or partial
22 satisfaction of the obligation it secures only if:

23 (1) The debtor consents to the acceptance under subsection (c) of this
24 section;

25 (2) The secured party does not receive, within the time set forth in
26 subsection (d) of this section, a notification of objection to the proposal
27 authenticated by:

28 a. A person to which the secured party was required to send a
29 proposal under G.S. 25-9-621; or

30 b. Any other person, other than the debtor, holding an interest in the
31 collateral subordinate to the security interest that is the subject of
32 the proposal;

33 (3) If the collateral is consumer goods, the collateral is not in the possession
34 of the debtor when the debtor consents to the acceptance; and

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

38 (b) Purported acceptance ineffective. – A purported or apparent acceptance of
39 collateral under this section is ineffective unless:

40 (1) The secured party consents to the acceptance in an authenticated record
41 or sends a proposal to the debtor; and

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

43 (c) Debtor's consent. – For purposes of this section:

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

1 (1) Any person from which the secured party has received, before the
2 debtor consented to the acceptance, an authenticated notification of a
3 claim of an interest in the collateral;

4 (2) Any other secured party or lienholder that, 10 days before the debtor
5 consented to the acceptance, held a security interest in or other lien on
6 the collateral perfected by the filing of a financing statement that:

7 a. Identified the collateral;

8 b. Was indexed under the debtor's name as of that date; and

9 c. Was filed in the office or offices in which to file a financing
10 statement against the debtor covering the collateral as of that
11 date; and

12 (3) Any other secured party that, 10 days before the debtor consented to the
13 acceptance, held a security interest in the collateral perfected by
14 compliance with a statute, regulation, or treaty described in G.S. 25-9-
15 311(a).

16 (b) Proposal to be sent to secondary obligor in partial satisfaction. – A secured
17 party that desires to accept collateral in partial satisfaction of the obligation it secures
18 shall send its proposal to any secondary obligor in addition to the persons described in
19 subsection (a) of this section.

20 **"§ 25-9-622. Effect of acceptance of collateral.**

21 (a) Effect of acceptance. – A secured party's acceptance of collateral in full or
22 partial satisfaction of the obligation it secures:

23 (1) Discharges the obligation to the extent consented to by the debtor;

24 (2) Transfers to the secured party all of a debtor's rights in the collateral;

25 (3) Discharges the security interest or agricultural lien that is the subject of
26 the debtor's consent and any subordinate security interest or other
27 subordinate lien; and

28 (4) Terminates any other subordinate interest.

29 (b) Discharge of subordinate interest notwithstanding noncompliance. – A
30 subordinate interest is discharged or terminated under subsection (a) of this section, even
31 if the secured party fails to comply with this Article.

32 **"§ 25-9-623. Right to redeem collateral.**

33 (a) Persons that may redeem. – A debtor, any secondary obligor, or any other
34 secured party or lienholder may redeem collateral.

35 (b) Requirements for redemption. – To redeem collateral, a person shall tender:

36 (1) Fulfillment of all obligations secured by the collateral; and

37 (2) The reasonable expenses and attorney's fees described in G.S. 25-9-
38 615(a)(1).

39 (c) When redemption may occur. – A redemption may occur at any time before a
40 secured party:

41 (1) Has collected collateral under G.S. 25-9-607;

42 (2) Has disposed of collateral or entered into a contract for its disposition
43 under G.S. 25-9-610; or

1 (3) Has accepted collateral in full or partial satisfaction of the obligation it
2 secures under G.S. 25-9-622.

3 **"§ 25-9-624. Waiver.**

4 (a) Waiver of disposition notification. – A debtor or secondary obligor may waive
5 the right to notification of disposition of collateral under G.S. 25-9-611 only by an
6 agreement to that effect entered into and authenticated after default.

7 (b) Waiver of mandatory disposition. – A debtor may waive the right to require
8 disposition of collateral under G.S. 25-9-620(e) only by an agreement to that effect
9 entered into and authenticated after default.

10 (c) Waiver of redemption right. – Except in a consumer-goods transaction, a
11 debtor or secondary obligor may waive the right to redeem collateral under G.S. 25-9-623
12 only by an agreement to that effect entered into and authenticated after default.

13 **"SUBPART 2. NONCOMPLIANCE WITH ARTICLE.**

14 **"§ 25-9-625. Remedies for secured party's failure to comply with Article.**

15 (a) Judicial orders concerning noncompliance. – If it is established that a secured
16 party is not proceeding in accordance with this Article, a court may order or restrain
17 collection, enforcement, or disposition of collateral on appropriate terms and conditions.

18 (b) Damages for noncompliance. – Subject to subsections (c), (d), and (f) of this
19 section, a person is liable for damages in the amount of any loss caused by a failure to
20 comply with this Article. Loss caused by a failure to comply may include loss resulting
21 from the debtor's inability to obtain, or increased costs of, alternative financing.

22 (c) Persons entitled to recover damages; statutory damages in consumer-goods
23 transaction. – Except as otherwise provided in G.S. 25-9-628:

24 (1) A person that, at the time of the failure, was a debtor, was an obligor, or
25 held a security interest in or other lien on the collateral may recover
26 damages under subsection (b) of this section for its loss; and

27 (2) If the collateral is consumer goods, a person that was a debtor or a
28 secondary obligor at the time a secured party failed to comply with this
29 Part may recover for that failure in any event an amount not less than
30 the credit service charge plus ten percent (10%) of the principal amount
31 of the obligation or the time-price differential plus ten percent (10%) of
32 the cash price.

33 (d) Recovery when deficiency eliminated or reduced. – A debtor whose deficiency
34 is eliminated under G.S. 25-9-626 may recover damages for the loss of any surplus.
35 However, a debtor or secondary obligor whose deficiency is eliminated or reduced under
36 G.S. 25-9-626 may not otherwise recover under subsection (b) of this section for
37 noncompliance with the provisions of this Part relating to collection, enforcement,
38 disposition, or acceptance.

39 (e) Statutory damages: noncompliance with specified provisions. – In addition to
40 any damages recoverable under subsection (b) of this section, the debtor, consumer
41 obligor, or person named as a debtor in a filed record, as applicable, may recover five
42 hundred dollars (\$500.00) in each case from a person that:

43 (1) Fails to comply with G.S. 25-9-208;

- 1 (2) Fails to comply with G.S. 25-9-209;
2 (3) Files a record that the person is not entitled to file under G.S. 25-9-
3 509(a);
4 (4) Fails to cause the secured party of record to file or send a termination
5 statement as required by G.S. 25-9-513(a) or (c);
6 (5) Fails to comply with G.S. 25-9-616(b)(1) and whose failure is part of a
7 pattern, or consistent with a practice, of noncompliance; or
8 (6) Fails to comply with G.S. 25-9-616(b)(2).

9 (f) Statutory damages: noncompliance with G.S. 25-9-210. – A debtor or
10 consumer obligor may recover damages under subsection (b) of this section and, in
11 addition, five hundred dollars (\$500.00) in each case from a person that, without
12 reasonable cause, fails to comply with a request under G.S. 25-9-210. A recipient of a
13 request under G.S. 25-9-210 which never claimed an interest in the collateral or
14 obligations that are the subject of a request under that section has a reasonable excuse for
15 failure to comply with the request within the meaning of this subsection.

16 (g) Limitation of security interest: noncompliance with G.S. 25-9-210. – If a
17 secured party fails to comply with a request regarding a list of collateral or a statement of
18 account under G.S. 25-9-210, the secured party may claim a security interest only as
19 shown in the list or statement included in the request as against a person that is
20 reasonably misled by the failure.

21 **"§ 25-9-626. Action in which deficiency or surplus is in issue.**

22 (a) Applicable rules if amount of deficiency or surplus in issue. – In an action
23 arising from a transaction, other than a consumer transaction, in which the amount of a
24 deficiency or surplus is in issue, the following rules apply:

- 25 (1) A secured party need not prove compliance with the provisions of this
26 Part relating to collection, enforcement, disposition, or acceptance
27 unless the debtor or a secondary obligor places the secured party's
28 compliance in issue.
29 (2) If the secured party's compliance is placed in issue, the secured party
30 has the burden of establishing that the collection, enforcement,
31 disposition, or acceptance was conducted in accordance with this Part.
32 (3) Except as otherwise provided in G.S. 25-9-628, if a secured party fails
33 to prove that the collection, enforcement, disposition, or acceptance was
34 conducted in accordance with the provisions of this Part relating to
35 collection, enforcement, disposition, or acceptance, the liability of a
36 debtor or a secondary obligor for a deficiency is limited to an amount by
37 which the sum of the secured obligation, expenses, and attorney's fees
38 exceeds the greater of:
39 a. The proceeds of the collection, enforcement, disposition, or
40 acceptance; or
41 b. The amount of proceeds that would have been realized had the
42 noncomplying secured party proceeded in accordance with the

1 provisions of this Part relating to collection, enforcement,
2 disposition, or acceptance.

3 (4) For purposes of sub-subdivision (a)(3)b. of this section, the amount of
4 proceeds that would have been realized is equal to the sum of the
5 secured obligation, expenses, and attorney's fees unless the secured
6 party proves that the amount is less than that sum.

7 (5) If a deficiency or surplus is calculated under G.S. 25-9-615(f), the
8 debtor or obligor has the burden of establishing that the amount of
9 proceeds of the disposition is significantly below the range of prices that
10 a complying disposition to a person other than the secured party, a
11 person related to the secured party, or a secondary obligor would have
12 brought.

13 (b) Nonconsumer transactions; no inference. – The limitation of the rules in
14 subsection (a) of this section to transactions other than consumer transactions is intended
15 to leave to the court the determination of the proper rules in consumer transactions. The
16 court may not infer from that limitation the nature of the proper rule in consumer
17 transactions and may continue to apply established approaches.

18 **"§ 25-9-627. Determination of whether conduct was commercially reasonable.**

19 (a) Greater amount obtainable under other circumstances; no preclusion of
20 commercial reasonableness. – The fact that a greater amount could have been obtained by
21 a collection, enforcement, disposition, or acceptance at a different time or in a different
22 method from that selected by the secured party is not of itself sufficient to preclude the
23 secured party from establishing that the collection, enforcement, disposition, or
24 acceptance was made in a commercially reasonable manner.

25 (b) Dispositions that are commercially reasonable. – A disposition of collateral is
26 made in a commercially reasonable manner if the disposition is made:

27 (1) In the usual manner on any recognized market;

28 (2) At the price current in any recognized market at the time of the
29 disposition; or

30 (3) Otherwise in conformity with reasonable commercial practices among
31 dealers in the type of property that was the subject of the disposition.

32 (c) Approval by court or on behalf of creditors. – A collection, enforcement,
33 disposition, or acceptance is commercially reasonable if it has been approved:

34 (1) In a judicial proceeding;

35 (2) By a bona fide creditors' committee;

36 (3) By a representative of creditors; or

37 (4) By an assignee for the benefit of creditors.

38 (d) Approval under subsection (c) of this section not necessary; absence of
39 approval has no effect. – Approval under subsection (c) of this section need not be
40 obtained, and lack of approval does not mean that the collection, enforcement,
41 disposition, or acceptance is not commercially reasonable.

42 **"§ 25-9-628. Nonliability and limitation on liability of secured party; liability of**
43 **secondary obligor.**

1 (a) Pre-effective-date transactions or liens. – Except as otherwise provided in this
2 Part, this act applies to a transaction or lien within its scope, even if the transaction or lien
3 was entered into or created before the effective date of this act.

4 (b) Continuing validity. – Except as otherwise provided in subsection (c) of this
5 section and G.S. 25-9-703 through G.S. 25-9-709:

6 (1) Transactions and liens that were not governed by former Article 9, were
7 validly entered into or created before the effective date of this act, and
8 would be subject to this act if they had been entered into or created after
9 the effective date of this act, and the rights, duties, and interests flowing
10 from those transactions and liens remain valid after the effective date of
11 this act; and

12 (2) The transactions and liens described in subdivision (1) of this subsection
13 may be terminated, completed, consummated, and enforced as required
14 or permitted by this act or by the law that otherwise would apply if this
15 act had not taken effect.

16 (c) Pre-effective-date proceedings. – This act does not affect an action, case, or
17 proceeding commenced before the effective date of this act.

18 **"§ 25-9-703. Security interest perfected before effective date.**

19 (a) Continuing priority over lien creditor: perfection requirements satisfied. – A
20 security interest that is enforceable immediately before the effective date of this act and
21 would have priority over the rights of a person that becomes a lien creditor at that time is
22 a perfected security interest under this act if, on the effective date of this act, the
23 applicable requirements for enforceability and perfection under this act are satisfied
24 without further action.

25 (b) Continuing priority over lien creditor: perfection requirements not satisfied. –
26 Except as otherwise provided in G.S. 25-9-705, if, immediately before the effective date
27 of this act, a security interest is enforceable and would have priority over the rights of a
28 person that becomes a lien creditor at that time, but the applicable requirements for
29 enforceability or perfection under this act are not satisfied on the effective date of this act,
30 the security interest:

31 (1) Is a perfected security interest for one year after the effective date of this
32 act;

33 (2) Remains enforceable thereafter only if the security interest becomes
34 enforceable under G.S. 25-9-203 before the year expires; and

35 (3) Remains perfected thereafter only if the applicable requirements for
36 perfection under this act are satisfied before the year expires.

37 **"§ 25-9-704. Security interest unperfected before effective date.**

38 A security interest that is enforceable immediately before the effective date of this act
39 but which would be subordinate to the rights of a person that becomes a lien creditor at
40 that time:

41 (1) Remains an enforceable security interest for one year after the effective
42 date of this act;

1 (2) Remains enforceable thereafter if the security interest becomes
2 enforceable under G.S. 25-9-203 on the effective date of this act or
3 within one year thereafter; and

4 (3) Becomes perfected:

5 a. Without further action, on the effective date of this act if the
6 applicable requirements for perfection under this act are satisfied
7 before or at that time; or

8 b. When the applicable requirements for perfection are satisfied if
9 the requirements are satisfied after that time.

10 **"§ 25-9-705. Effectiveness of action taken before effective date.**

11 (a) Pre-effective-date action; one-year perfection period unless reperfected. – If
12 action, other than the filing of a financing statement, is taken before the effective date of
13 this act and the action would have resulted in priority of a security interest over the rights
14 of a person that becomes a lien creditor had the security interest become enforceable
15 before the effective date of this act, the action is effective to perfect a security interest
16 that attaches under this act within one year after the effective date of this act. An
17 attached security interest becomes unperfected one year after the effective date of this act
18 unless the security interest becomes a perfected security interest under this act before the
19 expiration of that period.

20 (b) Pre-effective-date filing. – The filing of a financing statement before the
21 effective date of this act takes effect is effective to perfect a security interest to the extent
22 the filing would satisfy the applicable requirements for perfection under this act.

23 (c) Pre-effective-date filing in jurisdiction formerly governing perfection. – This
24 act does not render ineffective an effective financing statement that, before the effective
25 date of this act, is filed and satisfies the applicable requirements for perfection under the
26 law of the jurisdiction governing perfection as provided in G.S. 25-9-103 of former
27 Article 9. However, except as otherwise provided in subsections (d) and (e) of this
28 section and G.S. 25-9-706, the financing statement ceases to be effective at the earlier of:

29 (1) The time the financing statement would have ceased to be effective
30 under the law of the jurisdiction in which it is filed; and

31 (2) June 30, 2006.

32 (d) Continuation statement. – The filing of a continuation statement after the
33 effective date of this act does not continue the effectiveness of the financing statement
34 filed before the effective date of this act. However, upon the timely filing of a
35 continuation statement after the effective date of this act and in accordance with the law
36 of the jurisdiction governing perfection as provided in Part 3 of this Article, the
37 effectiveness of a financing statement filed in the same office in that jurisdiction before
38 the effective date of this act continues for the period provided by the law of that
39 jurisdiction.

40 (e) Application of subdivision (c)(2) to transmitting utility financing statement. –
41 Subdivision (c)(2) of this section applies to a financing statement that, before the
42 effective date of this act, is filed against a transmitting utility and satisfies the applicable
43 requirements for perfection under the law of the jurisdiction governing perfection as

1 provided in G.S. 25-9-103 of former Article 9 only to the extent that Part 3 of this Article
2 provides that the law of a jurisdiction other than the jurisdiction in which the financing
3 statement is filed governs perfection of a security interest in collateral covered by the
4 financing statement.

5 (f) Application of Part 5. – A financing statement that includes a financing
6 statement filed before the effective date of this act and a continuation statement filed after
7 the effective date of this act is effective only to the extent that it satisfies the requirements
8 of Part 5 of this Article for an initial financing statement.

9 **"§ 25-9-706. When initial financing statement suffices to continue effectiveness of**
10 **financing statement.**

11 (a) Initial financing statement in lieu of continuation statement. – The filing of an
12 initial financing statement in the office specified in G.S. 25-9-501 continues the
13 effectiveness of a financing statement filed before the effective date of this act if:

- 14 (1) The filing of an initial financing statement in that office would be
15 effective to perfect a security interest under this act;
- 16 (2) The pre-effective-date financing statement was filed in an office in
17 another state or another office in this state; and
- 18 (3) The initial financing statement satisfies subsection (c) of this section.

19 (b) Period of continued effectiveness. – The filing of an initial financing statement
20 under subsection (a) of this section continues the effectiveness of the pre-effective-date
21 financing statement:

- 22 (1) If the initial financing statement is filed before the effective date of this
23 act, for the period provided in G.S. 25-9-403 of former Article 9 with
24 respect to a financing statement; and
- 25 (2) If the initial financing statement is filed after the effective date of this
26 act, for the period provided in G.S. 25-9-515 with respect to an initial
27 financing statement.

28 (c) Requirement for initial financing statement under subsection (a). – To be
29 effective for purposes of subsection (a) of this section, an initial financing statement
30 must:

- 31 (1) Satisfy the requirements of Part 5 of this Article for an initial financing
32 statement;
- 33 (2) Identify the pre-effective-date financing statement by indicating the
34 office in which the financing statement was filed and providing the
35 dates of filing and file numbers, if any, of the financing statement and of
36 the most recent continuation statement filed with respect to the
37 financing statement; and
- 38 (3) Indicate that the pre-effective-date financing statement remains
39 effective.

40 **"§ 25-9-707. Amendment of pre-effective-date financing statement.**

41 (a) 'Pre-effective-date financing statement'. – In this section, 'pre-effective-date
42 financing statement' means a financing statement filed before the effective date of this
43 act.

1 **(b) Applicable law.** – After the effective date of this act, a person may add or
2 delete collateral covered by, continue or terminate the effectiveness of, or otherwise
3 amend the information provided in, a pre-effective-date financing statement only in
4 accordance with the law of the jurisdiction governing perfection as provided in Part 3 of
5 this Article. However, the effectiveness of a pre-effective-date financing statement also
6 may be terminated in accordance with the law of the jurisdiction in which the financing
7 statement is filed.

8 **(c) Method of amending: general rule.** – Except as otherwise provided in
9 subsection (d) of this section, if the law of this State governs perfection of a security
10 interest, the information in a pre-effective-date financing statement may be amended after
11 the effective date of this act only if:

12 **(1)** The pre-effective-date financing statement and an amendment are filed
13 in the office specified in G.S. 25-9-501;

14 **(2)** An amendment is filed in the office specified in G.S. 25-9-501
15 concurrently with, or after the filing in that office of, an initial financing
16 statement that satisfies G.S. 25-9-706(c); or

17 **(3)** An initial financing statement that provides the information as amended
18 and satisfies G.S. 25-9-706(c) is filed in the office specified in G.S. 25-
19 9-501.

20 **(d) Method of amending: continuation.** – If the law of this State governs perfection
21 of a security interest, the effectiveness of a pre-effective-date financing statement may be
22 continued only under G.S. 25-9-705(d) and (f) or G.S. 25-9-706.

23 **(e)** Reserved.

24 **(f) Method of amending: termination.** – If the law of this State governs perfection
25 of a security interest, the effectiveness of a pre-effective-date financing statement may be
26 terminated after the effective date of this act only if:

27 **(1)** The pre-effective-date financing statement and a termination statement
28 are filed in the office specified in G.S. 25-9-501; or

29 **(2)** A termination statement is filed in the office specified in G.S. 25-9-501
30 concurrently with the filing in that office of an initial financing
31 statement that satisfies G.S. 25-9-706(c). Under this subsection, no
32 separate fee shall be charged for the filing or indexing of the termination
33 statement.

34 **"§ 25-9-708. Persons entitled to file initial financing statement or continuation**
35 **statement.**

36 A person may file an initial financing statement or a continuation statement under this
37 Part if:

38 **(1)** The secured party of record authorizes the filing; and

39 **(2)** The filing is necessary under this Part:

40 **a.** To continue the effectiveness of a financing statement filed
41 before the effective date of this act; or

42 **b.** To perfect or continue the perfection of a security interest.

43 **"§ 25-9-709. Priority.**

1 (a) Law governing priority. – This act determines the priority of conflicting claims
2 to collateral. However, if the relative priorities of the claims were established before the
3 effective date of this act, former Article 9 determines priority.

4 (b) Priority if security interest becomes enforceable under G.S. 25-9-203. – For
5 purposes of G.S. 25-9-322(a), the priority of a security interest that becomes enforceable
6 under G.S. 25-9-203 dates from the effective date of this act if the security interest is
7 perfected under this act by the filing of a financing statement before the effective date of
8 this act which would not have been effective to perfect the security interest under former
9 Article 9. This subsection does not apply to conflicting security interests each of which is
10 perfected by the filing of such a financing statement.

11 **§ 25-9-710. Special transitional provision for maintaining and searching local filing**
12 **office records.**

13 (a) In this section:

14 (1) 'Former-Article-9 records' means:

15 a. Financing statements and other records that have been filed in the
16 local-filing office before July 1, 2001, and that are, or upon
17 processing and indexing will be, reflected in the index
18 maintained, as of June 30, 2001, by the local-filing office for
19 financing statements and other records filed in the local-filing
20 office before July 1, 2001; and

21 b. The index as of June 30, 2001.

22 The term does not include records presented to a local-filing office for
23 filing after June 30, 2001, whether or not the records relate to financing
24 statements filed in the local-filing office before July 1, 2001.

25 (2) 'Local-filing office' means a filing office, other than the office of the
26 Secretary of State, that is designated as the proper place to file a
27 financing statement under G.S. 25-9-401(1) of former Article 9. The
28 term applies only with respect to a record that covers a type of collateral
29 as to which the filing office is designated in that section as the proper
30 place to file.

31 (b) A local-filing office must not accept for filing a record presented after June 30,
32 2001, whether or not the record relates to a financing statement filed in the local-filing
33 office before July 1, 2001.

34 (c) Until July 1, 2008, each local-filing office must maintain all former Article 9
35 records in accordance with former Article 9. A former Article 9 record that is not
36 reflected on the index maintained at June 30, 2001, by the local-filing office must be
37 processed and indexed, and reflected on the index as of June 30, 2001, as soon as
38 practicable but in any event no later than July 30, 2001.

39 (d) Until at least June 30, 2008, each local-filing office must respond to requests
40 for information with respect to former Article 9 records relating to a debtor and issue
41 certificates, in accordance with former Article 9. The fees charged for responding to
42 requests for information relating to a debtor and issuing certificates with respect to

1 former-Article-9 records must be the fees in effect under former Article 9 on June 30,
2 2001.

3 (e) After June 30, 2008, each local-filing office may remove and destroy, in
4 accordance with any then applicable record retention law of this State, all former-Article-
5 9 records, including the related index.

6 (f) This section does not apply, with respect to financing statements and other
7 records, to a filing office in which mortgages or records of mortgages on real property are
8 required to be filed or recorded, if:

9 (1) The collateral is timber to be cut or as-extracted collateral, or

10 (2) The record is or relates to a financing statement filed as a fixture and the
11 collateral is goods that are or are to become fixtures."

12 Section 2.(a) Article 9 of Chapter 25 of the General Statutes, as enacted by
13 Section 1 of this act, is amended by adding the following new section to read:

14 "**§ 25-9-521. Uniform form of written financing statement and amendment.**

15 (a) Initial financing statement form. – A filing office that accepts written records
16 may not refuse to accept a written initial financing statement in the following form and
17 format except for a reason set forth in G.S. 25-9-516(b):

18 (b) Amendment form. – A filing office that accepts written records may not refuse
19 to accept a written record in the form and format except for a reason set forth in G.S. 25-
20 9-516(b):"

21 Section 2.(b) The Revisor of Statutes shall cause to be printed in G.S. 25-9-521(a),
22 as enacted by subsection (a) of this section, the "National UCC Financing Statement
23 (Form UCC1) (Rev. 07/29/98)"and the "National UCC Financing Statement Addendum
24 (Form UCC1 Ad) (Rev. 07/29/98)"as reproduced in the official text of U.C.C. Article 9
25 (1999), which are hereby incorporated by reference into G.S. 25-9-521(a).

26 Section 2.(c) The Revisor of Statutes shall cause to be printed in G.S. 25-9-
27 521(b), as enacted by subsection (a) of this section, the "National UCC Financing
28 Statement Amendment (Form UCC3) (Rev. 07/29/98)"and the "National UCC Financing
29 Statement Amendment Addendum (Form UCC3 Ad) (Rev. 07/29/98)"as reproduced in
30 the official text of U.C.C. Article 9 (1999), which are hereby incorporated by reference
31 into G.S. 25-9-521(b).

32 33 **PART II. CONFORMING AMENDMENTS TO OTHER ARTICLES OF THE** 34 **UNIFORM COMMERCIAL CODE.**

35 Section 3. G.S. 25-1-105(2) reads as rewritten:

36 "(2) Where one of the following provisions of this Chapter specifies the
37 applicable law, that provision governs and a contrary agreement is
38 effective only to the extent permitted by the law (including the conflict
39 of laws rules) so specified:

40 Rights of creditors against sold goods. (G.S. 25-2-402).

41 Applicability of the article on bank deposits and collections. (G.S. 25-4-102).

42 Governing law in the article on Funds Transfers. (G.S. 25-4A-507).

43 Letters of Credit. (G.S. 25-5-116).

1 Bulk transfers subject to the article on bulk transfers. (G.S. 25-6-102).

2 Applicability of the article on investment securities. (G.S. 25-8-110).

3 ~~Perfection provisions of the article on secured transactions. (G.S. 25-9-103).~~

4 Law governing perfection, the effect of perfection or nonperfection, and the priority
5 of security interests and agricultural liens. (G.S. 25-9-301 through G.S. 25-9-307).

6 ~~Governing law in the article on Funds Transfers. (G.S. 25-4A-507).~~

7 ~~Letters of Credit. (G.S. 25-5-116)."~~

8 Section 4. G.S. 25-1-109 reads as rewritten:

9 "**§ 25-1-109. Section captions.**

10 Section captions are parts of this chapter. The subsection headings in Article 9
11 of this Chapter are not parts of this Chapter."

12 Section 5. G.S. 25-1-201(9) reads as rewritten:

13 "(9) 'Buyer in ordinary course of business' means a person ~~who~~that buys
14 goods in good faith and faith, without knowledge that the sale ~~to him is~~
15 ~~in violation of~~violates the ownership rights ~~or security interest~~ of a ~~third~~
16 ~~party~~another person in the ~~goods~~goods, and ~~buys in the~~ ordinary
17 course from a ~~person~~person, other than a pawnbroker, in the business of
18 selling goods of that kind ~~but does not include a pawnbroker.~~ All
19 ~~persons who sell minerals or the like (including oil and gas) at wellhead~~
20 ~~or minehead shall be deemed to be persons~~kind. A person buys goods
21 in the ordinary course if the sale to the person comports with the usual
22 or customary practices in the kind of business in which the seller is
23 engaged or with the seller's own usual or customary practices. A person
24 that sells oil, gas, or other minerals at the wellhead or minehead is a
25 person in the business of selling goods of that kind. "Buying" A buyer in
26 ordinary course of business may be buy for cash~~cash,~~ ~~or by exchange of~~
27 ~~other property~~property, or on secured or unsecured ~~credit~~credit, and
28 ~~includes receiving~~may acquire goods or documents of title under a
29 ~~preexisting contract for sale but does not include a transfer in bulk or as~~
30 ~~security for or in total or partial satisfaction of a money debt.~~ sale. Only
31 a buyer that takes possession of the goods or has a right to recover the
32 goods from the seller under Article 2 of this Chapter may be a buyer in
33 ordinary course of business. A person that acquires goods in a transfer
34 in bulk or as security for or in total or partial satisfaction of a money
35 debt is not a buyer in ordinary course of business."

36 Section 6. G.S. 25-1-201(32) reads as rewritten:

37 "(32) 'Purchase' includes taking by sale, discount, negotiation, mortgage,
38 pledge, lien, security interest, issue or re-issue, gift or any other
39 voluntary transaction creating an interest in property."

40 Section 7. G.S. 25-1-201(37) reads as rewritten:

41 "(37) 'Security interest' means an interest in personal property or fixtures
42 which secures payment or performance of an obligation. ~~The retention~~
43 ~~or reservation of title by a seller of goods notwithstanding shipment or~~

1 delivery to the buyer (G.S. 25-2-401) is limited in effect to a reservation
2 of a "security interest".—The term also includes any interest of a
3 consignor and a buyer of accounts or accounts, chattel paper which
4 paper, a payment intangible, or a promissory note in a transaction that is
5 subject to Article 9 of this Chapter. The special property interest of a
6 buyer of goods on identification of those goods to a contract for sale
7 under G.S. 25-2-401 is not a 'security interest,' but a buyer may also
8 acquire a 'security interest' by complying with Article 9 of this Chapter.
9 Unless a consignment is intended as security, reservation of title
10 thereunder is not a "security interest" but a consignment is in any event
11 subject to the provisions on consignment sales (G.S. 25-2-326). Except
12 as otherwise provided in G.S. 25-2-505, the right of a seller or lessor of
13 goods under Article 2 or 2A of this Chapter to retain or acquire
14 possession of the goods is not a 'security interest,' but a seller or lessor
15 may also acquire a 'security interest' by complying with Article 9 of this
16 Chapter. The retention or reservation of title by a seller of goods
17 notwithstanding shipment or delivery to the buyer (G.S. 25-2-401) is
18 limited in effect to a reservation of a 'security interest'.

19 (a) Whether a transaction creates a lease or security interest is
20 determined by the facts of each case; however, a transaction
21 creates a security interest ~~if~~ if the consideration the lessee is to
22 pay the lessor for the right to possession and use of the goods is
23 an obligation for the term of the lease not subject to termination
24 by the lessee, and:

25 (i) The original term of the lease is equal to or greater than
26 the remaining economic life of the goods, or

27 (ii) The lessee is bound to renew the lease for the remaining
28 economic life of the goods or is bound to become the
29 owner of the goods, or

30 (iii) The lessee has an option to renew the lease for
31 the remaining economic life of the goods for no
32 additional consideration or nominal additional
33 consideration upon compliance with the lease
34 agreement, or

35 (iv) The lessee has an option to become the owner of the
36 goods for no additional consideration or nominal
37 additional consideration upon compliance with the lease
38 agreement.

39 (b) A transaction does not create a security interest merely because it
40 provides that:

41 (i) The present value of the consideration the lessee is
42 obligated to pay the lessor for the right to possession and
43 use of the goods is substantially equal to or is greater than

- 1 the fair market value of the goods at the time the lease is
2 entered into,
- 3 (ii) The lessee assumes risk of loss of the goods, or agrees to
4 pay taxes, insurance, filing, recording, or registration fees,
5 or service or maintenance costs with respect to the goods,
- 6 (iii) The lessee has an option to renew the lease or to
7 become the owner of the goods,
- 8 (iv) The lessee has an option to renew the lease for a fixed rent
9 that is equal to or greater than the reasonably predictable
10 fair market rent for the use of the goods for the term of the
11 renewal at the time the option is to be performed, or
- 12 (v) The lessee has an option to become the owner of the
13 goods for a fixed price that is equal to or greater than the
14 reasonably predictable fair market value of the goods at
15 the time the option is to be performed.
- 16 (c) For purposes of this subsection (37):
- 17 (i) Additional consideration is not nominal if (i) when the
18 option to renew the lease is granted to the lessee the rent is
19 stated to be the fair market rent for the use of the goods
20 for the term of the renewal determined at the time the
21 option is to be performed, or (ii) when the option to
22 become the owner of the goods is granted to the lessee the
23 price is stated to be the fair market value of the goods
24 determined at the time the option is to be performed.
25 Additional consideration is nominal if it is less than the
26 lessee's reasonably predictable cost of performing under
27 the lease agreement if the option is not exercised;
- 28 (ii) 'Reasonably predictable' and 'remaining economic life of
29 the goods' are to be determined with reference to the facts
30 and circumstances at the time the transaction is entered
31 into; and
- 32 (iii) 'Present value' means the amount as of a date
33 certain of one or more sums payable in the future,
34 discounted to the date certain. The discount is
35 determined by the interest rate specified by the
36 parties if the rate is not manifestly unreasonable
37 at the time the transaction is entered into;
38 otherwise, the discount is determined by a
39 commercially reasonable rate that takes into
40 account the facts and circumstances of each case
41 at the time the transaction was entered into."

42 Section 8. G.S. 25-2-103(3) reads as rewritten:

- 43 "(3) The following definitions in other articles apply to this article:

1 'Check.' G.S. 25-3-104.

2 'Consignee.' G.S. 25-7-102.

3 'Consignor.' G.S. 25-7-102.

4 'Consumer goods.' ~~G.S. 25-9-109.~~ G.S. 25-9-102.

5 'Dishonor.' ~~G.S. 25-3-507.~~ G.S. 25-3-502.

6 'Draft.' G.S. 25-3-104."

7 Section 9. G.S. 25-2-210 reads as rewritten:

8 **"§ 25-2-210. Delegation of performance; assignment of rights.**

9 (1) ~~A party may perform his duty through a delegate unless otherwise agreed or~~
10 ~~unless the other party has a substantial interest in having his original promisor perform or~~
11 ~~control the acts required by the contract. No delegation of performance relieves the party~~
12 ~~delegating of any duty to perform or any liability for breach.~~

13 (2) ~~Unless otherwise agreed all rights of either seller or buyer can be assigned~~
14 ~~except where the assignment would materially change the duty of the other party, or~~
15 ~~increase materially the burden or risk imposed on him by his contract, or impair~~
16 ~~materially his chance of obtaining return performance. A right to damages for breach of~~
17 ~~the whole contract, or a right arising out of the assignor's due performance of his entire~~
18 ~~obligation can be assigned despite agreement otherwise.~~

19 (3) ~~Unless the circumstances indicate the contrary a prohibition of assignment of~~
20 ~~"the contract" is to be construed as barring only the delegation to the assignee of the~~
21 ~~assignor's performance.~~

22 (4) ~~An assignment of "the contract" or of "all my rights under the contract" or an~~
23 ~~assignment in similar general terms is an assignment of rights and unless the language or~~
24 ~~the circumstances (as in an assignment for security) indicate the contrary, it is a~~
25 ~~delegation of performance of the duties of the assignor and its acceptance by the assignee~~
26 ~~constitutes a promise by him to perform those duties. This promise is enforceable by~~
27 ~~either the assignor or the other party to the original contract.~~

28 (5) ~~The other party may treat any assignment which delegates performance as~~
29 ~~creating reasonable grounds for insecurity and may without prejudice to his rights against~~
30 ~~the assignor demand assurances from the assignee.~~

31 (1) A party may perform his duty through a delegate unless otherwise agreed or
32 unless the other party has a substantial interest in having his original promisor perform or
33 control the acts required by the contract. No delegation of performance relieves the party
34 delegating of any duty to perform or any liability for breach.

35 (2) Except as otherwise provided in G.S. 25-9-406, unless otherwise agreed, all
36 rights of either seller or buyer can be assigned except where the assignment would
37 materially change the duty of the other party, or increase materially the burden or risk
38 imposed on him by his contract, or impair materially his chance of obtaining return
39 performance. A right to damages for breach of the whole contract or a right arising out of
40 the assignor's due performance of his entire obligation can be assigned despite agreement
41 otherwise.

42 (3) The creation, attachment, perfection, or enforcement of a security interest in
43 the seller's interest under a contract is not a transfer that materially changes the duty of or

1 increases materially the burden or risk imposed on the buyer or impairs materially the
2 buyer's chance of obtaining return performance within the purview of subsection (2) of
3 this section unless, and then only to the extent that, enforcement actually results in a
4 delegation of material performance of the seller. Even in that event, the creation,
5 attachment, perfection, and enforcement of the security interest remain effective, but (i)
6 the seller is liable to the buyer for damages caused by the delegation to the extent that the
7 damages could not reasonably be prevented by the buyer, and (ii) a court having
8 jurisdiction may grant other appropriate relief, including cancellation of the contract for
9 sale or an injunction against enforcement of the security interest or consummation of the
10 enforcement.

11 (4) Unless the circumstances indicate the contrary, a prohibition of assignment of
12 'the contract' is to be construed as barring only the delegation to the assignee of the
13 assignor's performance.

14 (5) An assignment of 'the contract' or of 'all my rights under the contract' or an
15 assignment in similar general terms is an assignment of rights and unless the language or
16 the circumstances (as in an assignment for security) indicate the contrary, it is a
17 delegation of performance of the duties of the assignor and its acceptance by the assignee
18 constitutes a promise by him to perform those duties. This promise is enforceable by
19 either the assignor or the other party to the original contract.

20 (6) The other party may treat any assignment which delegates performance as
21 creating reasonable grounds for insecurity and may without prejudice to his rights against
22 the assignor demand assurances from the assignee."

23 Section 10. G.S. 25-2-326 reads as rewritten:

24 **"§ 25-2-326. Sale on approval and sale or return; ~~consignment sales and rights of~~**
25 **creditors.**

26 ~~(1) Unless otherwise agreed, if delivered goods may be returned by the buyer even~~
27 ~~though they conform to the contract, the transaction is~~

28 ~~(a) a "sale on approval" if the goods are delivered primarily for use, and~~

29 ~~(b) a "sale or return" if the goods are delivered primarily for resale.~~

30 ~~(2) Except as provided in subsection (3), goods held on approval are not subject to~~
31 ~~the claims of the buyer's creditors until acceptance; goods held on sale or return are~~
32 ~~subject to such claims while in the buyer's possession.~~

33 ~~(3) Where goods are delivered to a person for sale and such person maintains a~~
34 ~~place of business at which he deals in goods of the kind involved, under a name other~~
35 ~~than the name of the person making delivery, then with respect to claims of creditors of~~
36 ~~the person conducting the business the goods are deemed to be on sale or return. The~~
37 ~~provisions of this subsection are applicable even though an agreement purports to reserve~~
38 ~~title to the person making delivery until payment or resale or uses such words as "on~~
39 ~~consignment" or "on memorandum." However, this subsection is not applicable if the~~
40 ~~person making delivery~~

41 ~~(a) complies with an applicable law providing for a consignor's interest or the like~~
42 ~~to be evidenced by a sign, or~~

1 (b) ~~establishes that the person conducting the business is generally known by his~~
2 ~~creditors to be substantially engaged in selling the goods of others, or~~

3 (c) ~~complies with the filing provisions of the article on secured transactions~~
4 ~~(article 9).~~

5 (4) ~~Any "or return" term of a contract for sale is to be treated as a separate contract~~
6 ~~for sale within the statute of frauds section of this article (G.S. 25-2-201) and as~~
7 ~~contradicting the sale aspect of the contract within the provisions of this article on parol~~
8 ~~or extrinsic evidence (G.S. 25-2-202).~~

9 (1) Unless otherwise agreed, if delivered goods may be returned by the buyer even
10 though they conform to the contract, the transaction is:

11 (a) a 'sale on approval' if the goods are delivered primarily for use, and

12 (b) a 'sale or return' if the goods are delivered primarily for resale.

13 (2) Goods held on approval are not subject to the claims of the buyer's creditors
14 until acceptance; goods held on sale or return are subject to such claims while in the
15 buyer's possession.

16 (3) Any 'or return' term of a contract for sale is to be treated as a separate contract
17 for sale within the statute of frauds section of this article (G.S. 25-2-201) and as
18 contradicting the sale aspect of the contract within the provisions of this article on parol
19 or extrinsic evidence (G.S. 25-2-202)."

20 Section 11. G.S. 25-2-502 reads as rewritten:

21 **"§ 25-2-502. Buyer's right to goods on seller's repudiation, failure to deliver, or**
22 **insolvency.**

23 (1) ~~Subject to subsection (2) and even though the goods have not been shipped a~~
24 ~~buyer who has paid a part or all of the price of goods in which he has a special property~~
25 ~~under the provisions of the immediately preceding section [G.S. 25-2-501] may on~~
26 ~~making and keeping good a tender of any unpaid portion of their price recover them from~~
27 ~~the seller if the seller becomes insolvent within ten days after receipt of the first~~
28 ~~installment on their price.~~

29 (2) ~~If the identification creating his special property has been made by the buyer~~
30 ~~he acquires the right to recover the goods only if they conform to the contract for sale.~~

31 (1) Subject to subsections (2) and (3) of this section and even though the goods have
32 not been shipped, a buyer who has paid a part or all of the price of goods in which he has
33 a special property under G.S. 25-2-501 may, on making and keeping good a tender of any
34 unpaid portion of their price, recover them from the seller if:

35 a. in the case of goods bought for personal, family, or household purposes,
36 the seller repudiates or fails to deliver as required by the contract; or

37 b. in all cases, the seller becomes insolvent within 10 days after receipt of
38 the first installment on their price.

39 (2) The buyer's right to recover the goods under subdivision (1)a. of this section
40 vests upon acquisition of a special property, even if the seller had not then repudiated or
41 failed to deliver.

42 (3) If the identification creating his special property has been made by the buyer,
43 he acquires the right to recover the goods only if they conform to the contract for sale."

1 Section 12. G.S. 25-2-716(3) reads as rewritten:

2 "(3) The buyer has a right of replevin for goods identified to the contract if
3 after reasonable effort he is unable to effect cover for such goods or the
4 circumstances reasonably indicate that such effort will be unavailing or
5 if the goods have been shipped under reservation and satisfaction of the
6 security interest in them has been made or tendered. In the case of
7 goods bought for personal, family, or household purposes, the buyer's
8 right of replevin vests upon acquisition of a special property, even if the
9 seller had not then repudiated or failed to deliver."

10 Section 13. G.S. 25-2A-103(3) reads as rewritten:

11 "(3) The following definitions in other Articles apply to this Article:

12 'Account'. ~~G.S. 25-9-106.~~ G.S. 25-9-102(a)(2).

13 'Between merchants'. G.S. 25-2-104(3).

14 'Buyer'. G.S. 25-2-103(1)(a).

15 'Chattel paper'. ~~G.S. 25-9-105(1)(b).~~ G.S. 25-9-102(a)(11).

16 'Consumer goods'. ~~G.S. 25-9-109(1).~~ G.S. 25-9-102(a)(23).

17 'Document'. ~~G.S. 25-9-105(1)(f).~~ G.S. 25-9-102(a)(30).

18 'Entrusting'. G.S. 25-2-403(3).

19 '~~General intangibles~~'. ~~G.S. 25-9-106.~~

20 'General intangible'. G.S. 25-9-102(a)(42).

21 'Good faith'. G.S. 25-2-103(1)(b).

22 'Instrument'. ~~G.S. 25-9-105(1)(i).~~ G.S. 25-9-102(a)(47).

23 'Merchant'. G.S. 25-2-104(1).

24 'Mortgage'. ~~G.S. 25-9-105(1)(j).~~ G.S. 25-9-102(a)(55).

25 'Pursuant to commitment'. ~~G.S. 25-9-105(1)(k).~~ G.S. 25-9-102(a)(68).

26 'Receipt'. G.S. 25-2-103(1)(c).

27 'Sale'. G.S. 25-2-106(1).

28 'Sale on approval'. G.S. 25-2-326.

29 'Sale or return'. G.S. 25-2-326.

30 'Seller'. G.S. 25-2-103(1)(d)."

31 Section 14. G.S. 25-2A-303 reads as rewritten:

32 "**§ 25-2A-303. Alienability of party's interest under lease contract or of lessor's**
33 **residual interest in goods; delegation of performance; transfer of rights.**

34 (1) ~~As used in this section, "creation of a security interest" includes the sale of a~~
35 ~~lease contract that is subject to Article 9 of this Chapter, Secured Transactions, by reason~~
36 ~~of G.S. 25-9-102(1)(b).~~

37 (2) ~~Except as provided in subsections (3) and (4) of this section, a provision in a~~
38 ~~lease agreement which (i) prohibits the voluntary or involuntary transfer, including a~~
39 ~~transfer by sale, sublease, creation, or enforcement of a security interest, or attachment,~~
40 ~~levy, or other judicial process, of an interest of a party under the lease contract or of the~~
41 ~~lessor's residual interest in the goods; or (ii) makes such a transfer an event of default,~~
42 ~~gives rise to the rights and remedies provided in subsection (5) of this section, but a~~

1 transfer that is prohibited or is an event of default under the lease agreement is otherwise
2 effective.

3 ~~(3) A provision in a lease agreement which (i) prohibits the creation or~~
4 ~~enforcement of a security interest in an interest of a party under the lease contract or in~~
5 ~~the lessor's residual interest in the goods, or (ii) makes such a transfer an event of default,~~
6 ~~is not enforceable unless, and then only to the extent that, there is an actual transfer by~~
7 ~~the lessee of the lessee's right of possession or use of the goods in violation of the~~
8 ~~provision or an actual delegation of a material performance of either party to the lease~~
9 ~~contract in violation of the provision. Neither the granting nor the enforcement of a~~
10 ~~security interest in (i) the lessor's interest under the lease contract or (ii) the lessor's~~
11 ~~residual interest in the goods is a transfer that materially impairs the prospect of obtaining~~
12 ~~return performance by, materially changes the duty of, or materially increases the burden~~
13 ~~or risk imposed on, the lessee within the purview of subsection (5) of this section unless,~~
14 ~~and then only to the extent that, there is an actual delegation of a material performance of~~
15 ~~the lessor.~~

16 ~~(4) A provision in a lease agreement which (i) prohibits a transfer of a right to~~
17 ~~damages for default with respect to the whole lease contract or of a right to payment~~
18 ~~arising out of the transferor's due performance of the transferor's entire obligation, or (ii)~~
19 ~~makes such a transfer an event of default, is not enforceable, and such a transfer is not a~~
20 ~~transfer that materially impairs the prospect of obtaining return performance by,~~
21 ~~materially changes the duty of, or materially increases the burden or risk imposed on, the~~
22 ~~other party to the lease contract within the purview of subsection (5) of this section.~~

23 ~~(5) Subject to subsections (3) and (4) of this section:~~

24 ~~(a) if a transfer is made which is made an event of default under a lease~~
25 ~~agreement, the party to the lease contract not making the transfer, unless~~
26 ~~that party waives the default or otherwise agrees, has the rights and~~
27 ~~remedies described in G.S. 25-2A-501(2);~~

28 ~~(b) if paragraph (a) is not applicable and if a transfer is made that (i) is~~
29 ~~prohibited under a lease agreement or (ii) materially impairs the~~
30 ~~prospect of obtaining return performance by, materially changes the~~
31 ~~duty of, or materially increases the burden or risk imposed on, the other~~
32 ~~party to the lease contract, unless the party not making the transfer~~
33 ~~agrees at any time to the transfer in the lease contract or otherwise, then,~~
34 ~~except as limited by contract, (i) the transferor is liable to the party not~~
35 ~~making the transfer for damages caused by the transfer to the extent that~~
36 ~~the damages could not reasonably be prevented by the party not making~~
37 ~~the transfer and (ii) a court having jurisdiction may grant other~~
38 ~~appropriate relief, including cancellation of the lease contract or an~~
39 ~~injunction against the transfer.~~

40 ~~(6) A transfer of "the lease" or of "all my rights under the lease", or a transfer in~~
41 ~~similar general terms, is a transfer of rights and, unless the language or the circumstances,~~
42 ~~as in a transfer for security, indicate the contrary, the transfer is a delegation of duties by~~
43 ~~the transferor to the transferee. Acceptance by the transferee constitutes a promise by the~~

1 transferee to perform those duties. The promise is enforceable by either the transferor or
2 the other party to the lease contract.

3 (7) ~~Unless otherwise agreed by the lessor and the lessee, a delegation of~~
4 ~~performance does not relieve the transferor as against the other party of any duty to~~
5 ~~perform or of any liability for default.~~

6 (8) ~~In a consumer lease, to prohibit the transfer of an interest of a party under the~~
7 ~~lease contract or to make a transfer an event of default, the language must be specific, by~~
8 ~~a writing, and conspicuous.~~

9 (1) As used in this section, 'creation of a security interest' includes the sale of a lease
10 contract that is subject to Article 9 of this Chapter, Secured Transactions, by reason of
11 G.S. 25-9-109(a)(3).

12 (2) Except as provided in subsection (3) of this section and G.S. 25-9-407, a
13 provision in a lease agreement which (i) prohibits the voluntary or involuntary transfer,
14 including a transfer by sale, sublease, creation, or enforcement of a security interest, or
15 attachment, levy, or other judicial process, of an interest of a party under the lease
16 contract or of the lessor's residual interest in the goods; or (ii) makes such a transfer an
17 event of default, gives rise to the rights and remedies provided in subsection (4) of this
18 section, but a transfer that is prohibited or is an event of default under the lease
19 agreement is otherwise effective.

20 (3) A provision in a lease agreement which (i) prohibits a transfer of a right to
21 damages for default with respect to the whole lease contract or of a right to payment
22 arising out of the transferor's due performance of the transferor's entire obligation, or (ii)
23 makes such a transfer an event of default, is not enforceable, and such a transfer is not a
24 transfer that materially impairs the prospect of obtaining return performance by,
25 materially changes the duty of, or materially increases the burden or risk imposed on, the
26 other party to the lease contract within the purview of subsection (4) of this section.

27 (4) Subject to subsection (3) of this section and G.S. 25-9-407:

28 (a) if a transfer is made which is made an event of default under a lease
29 agreement, the party to the lease contract not making the transfer, unless
30 that party waives the default or otherwise agrees, has the rights and
31 remedies described in G.S. 25-2A-501(2);

32 (b) if paragraph (a) is not applicable and if a transfer is made that (i) is
33 prohibited under a lease agreement or (ii) materially impairs the
34 prospect of obtaining return performance by, materially changes the
35 duty of, or materially increases the burden or risk imposed on, the other
36 party to the lease contract, unless the party not making the transfer
37 agrees at any time to the transfer in the lease contract or otherwise, then,
38 except as limited by contract, (i) the transferor is liable to the party not
39 making the transfer for damages caused by the transfer to the extent that
40 the damages could not reasonably be prevented by the party not making
41 the transfer and (ii) a court having jurisdiction may grant other
42 appropriate relief, including cancellation of the lease contract or an
43 injunction against the transfer.

1 (5) A transfer of 'the lease' or of 'all my rights under the lease', or a transfer in
2 similar general terms, is a transfer of rights and, unless the language or the circumstances,
3 as in a transfer for security, indicate the contrary, the transfer is a delegation of duties by
4 the transferor to the transferee. Acceptance by the transferee constitutes a promise by the
5 transferee to perform those duties. The promise is enforceable by either the transferor or
6 the other party to the lease contract.

7 (6) Unless otherwise agreed by the lessor and the lessee, a delegation of
8 performance does not relieve the transferor as against the other party of any duty to
9 perform or of any liability for default.

10 (7) In a consumer lease, to prohibit the transfer of an interest of a party under the
11 lease contract or to make a transfer an event of default, the language must be specific, by
12 a writing, and conspicuous."

13 Section 15. G.S. 25-2A-307 reads as rewritten:

14 **"§ 25-2A-307. Priority of liens arising by attachment or levy on, security interests**
15 **in, and other claims to goods.**

16 (1) ~~Except as otherwise provided in G.S. 25-2A-306, a creditor of a lessee takes~~
17 ~~subject to the lease contract.~~

18 (2) ~~Except as otherwise provided in subsections (3) and (4) of this section and in~~
19 ~~G.S. 25-2A-306 and G.S. 25-2A-308, a creditor of a lessor takes subject to the lease~~
20 ~~contract unless:~~

21 (a) ~~the creditor holds a lien that attached to the goods before the lease~~
22 ~~contract became enforceable;~~

23 (b) ~~the creditor holds a security interest in the goods and the lessee did not~~
24 ~~give value and receive delivery of the goods without knowledge of the~~
25 ~~security interest; or~~

26 (c) ~~the creditor holds a security interest in the goods which was perfected~~
27 ~~(G.S. 25-9-303) before the lease contract became enforceable.~~

28 (3) ~~A lessee in the ordinary course of business takes the leasehold interest free of a~~
29 ~~security interest in the goods created by the lessor even though the security interest is~~
30 ~~perfected (G.S. 25-9-303) and the lessee knows of its existence.~~

31 (4) ~~A lessee other than a lessee in the ordinary course of business takes the~~
32 ~~leasehold interest free of a security interest to the extent that it secures future advances~~
33 ~~made after the secured party acquires knowledge of the lease or more than 45 days after~~
34 ~~the lease contract becomes enforceable, whichever first occurs, unless the future~~
35 ~~advances are made pursuant to a commitment entered into without knowledge of the~~
36 ~~lease and before the expiration of the 45-day period.~~

37 (1) Except as otherwise provided in G.S. 25-2A-306, a creditor of a lessee takes
38 subject to the lease contract.

39 (2) Except as otherwise provided in subsection (3) of this section and in G.S. 25-
40 2A-306 and G.S. 25-2A-308, a creditor of a lessor takes subject to the lease contract
41 unless the creditor holds a lien that attached to the goods before the lease contract became
42 enforceable.

1 (3) Except as otherwise provided in G.S. 25-9-317, 25-9-321, and 25-9-323, a
2 lessee takes a leasehold interest subject to a security interest held by a creditor of the
3 lessor."

4 Section 16. G.S. 25-2A-309(1)(b) reads as rewritten:

5 "(b) a 'fixture filing' is the filing, in the office where a record of a mortgage
6 on the real estate would be filed or recorded, of a financing statement
7 covering goods that are or are to become fixtures and conforming to the
8 requirements of ~~G.S. 25-9-402(5)~~; ~~G.S. 25-9-502(a) and (b)~~."

9 Section 17. G.S. 25-4-208(c) reads as rewritten:

10 "(c) Receipt by a collecting bank of a final settlement for an item is a realization on
11 its security interest in the item, accompanying documents, and proceeds. So long as the
12 bank does not receive final settlement for the item or give up possession of the item or
13 accompanying documents for purposes other than collection, the security interest
14 continues to that extent and is subject to Article 9, but:

15 (1) No security agreement is necessary to make the security interest
16 enforceable (~~G.S. 25-9-203(1)(a)~~; (~~G.S. 25-9-203(b)(3)a~~);

17 (2) No filing is required to perfect the security interest; and

18 (3) The security interest has priority over conflicting perfected security
19 interests in the item, accompanying documents or proceeds."

20 Section 18. Article 5 of Chapter 25 of the General Statutes is amended by
21 adding a new section to read:

22 "**§ 25-5-118. Security interest of issuer or nominated person.**

23 (a) An issuer or nominated person has a security interest in a document presented
24 under a letter of credit to the extent that the issuer or nominated person honors or gives
25 value for the presentation.

26 (b) So long as and to the extent that an issuer or nominated person has not been
27 reimbursed or has not otherwise recovered the value given with respect to a security
28 interest in a document under subsection (a) of this section, the security interest continues
29 and is subject to Article 9 of this Chapter, but:

30 (1) A security agreement is not necessary to make the security interest
31 enforceable under ~~G.S. 25-9-203(b)(3)~~;

32 (2) If the document is presented in a medium other than a written or other
33 tangible medium, the security interest is perfected; and

34 (3) If the document is presented in a written or other tangible medium and
35 is not a certificated security, chattel paper, a document of title, an
36 instrument, or a letter of credit, the security interest is perfected and has
37 priority over a conflicting security interest in the document so long as
38 the debtor does not have possession of the document."

39 Section 19. G.S. 25-6-102 reads as rewritten:

40 "**§ 25-6-102. 'Bulk transfers'; transfers of equipment; enterprises subject to this**
41 **article; bulk transfers subject to this article.**

1 (1) A 'bulk transfer' is any transfer in bulk and not in the ordinary course of the
2 transferor's business of a major part of the materials, supplies, merchandise or other
3 inventory ~~(G.S. 25-9-109)~~ (G.S. 25-9-102) of an enterprise subject to this article.

4 (2) A transfer of a substantial part of the equipment ~~(G.S. 25-9-109)~~ (G.S. 25-9-
5 102) of such an enterprise is a bulk transfer if it is made in connection with a bulk
6 transfer of inventory, but not otherwise.

7 (3) The enterprises subject to this article are all those whose principal business is
8 the sale of merchandise from stock, including those who manufacture what they sell.

9 (4) Except as limited by ~~the following section [G.S. 25-6-103]~~ G.S. 25-6-103 all
10 bulk transfers of goods located within this State are subject to this article."

11 Section 20. G.S. 25-7-503(1) reads as rewritten:

12 "(1) A document of title confers no right in goods against a person who before
13 issuance of the document had a legal interest or a perfected security interest in them and
14 who neither

15 (a) delivered or entrusted them or any document of title covering them to the
16 bailor or his nominee with actual or apparent authority to ship, store or sell or with power
17 to obtain delivery under this article (G.S. 25-7-403) or with power of disposition under
18 this chapter (G.S. 25-2-403 and ~~25-9-307~~) G.S. 25-9-320 or other statute or rule of law;
19 nor

20 (b) acquiesced in the procurement by the bailor or his nominee of any document of
21 title."

22 Section 21. G.S. 25-8-103(f) reads as rewritten:

23 "(f) A commodity contract, as defined in ~~G.S. 25-9-115~~, G.S. 25-9-102(a)(15), is
24 not a security or financial asset."

25 Section 22. G.S. 25-8-106 reads as rewritten:

26 "**§ 25-8-106. Control.**

27 (a) A purchaser has 'control' of a certificated security in bearer form if the
28 certificated security is delivered to the purchaser.

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

31 (1) The certificate is endorsed to the purchaser or in blank by an effective
32 endorsement; or

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

35 (c) A purchaser has 'control' of an uncertificated security if:

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

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

39 (d) A purchaser has 'control' of a security entitlement if:

40 (1) The purchaser becomes the entitlement holder; ~~or~~

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

1 (3) Another person has control of the security entitlement on behalf of the
2 purchaser or, having previously acquired control of the security
3 entitlement, acknowledges that it has control on behalf of the purchaser.

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

7 (f) A purchaser who has satisfied the requirements of ~~subdivision (e) (2) or (d) (2)~~
8 subsection (c) or (d) of this section has ~~control~~ control, even if the registered owner in the
9 case of ~~subdivision (e) (2)~~ subsection (c) of this section or the entitlement holder in the
10 case of ~~subdivision (d) (2)~~ subsection (d) of this section retains the right to make
11 substitutions for the uncertificated security or security entitlement, to originate
12 instructions or entitlement orders to the issuer or securities intermediary, or otherwise to
13 deal with the uncertificated security or security entitlement.

14 (g) An issuer or a securities intermediary may not enter into an agreement of the
15 kind described in subdivision (c) (2) or (d) (2) of this section without the consent of the
16 registered owner or entitlement holder, but an issuer or a securities intermediary is not
17 required to enter into such an agreement even though the registered owner or entitlement
18 holder so directs. An issuer or securities intermediary that has entered into such an
19 agreement is not required to confirm the existence of the agreement to another party
20 unless requested to do so by the registered owner or entitlement holder."

21 Section 23. G.S. 25-8-110(e) reads as rewritten:

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

24 ~~(1) If an agreement between the securities intermediary and its entitlement~~
25 ~~holder specifies that it is governed by the law of a particular jurisdiction,~~
26 ~~that jurisdiction is the securities intermediary's jurisdiction.~~

27 ~~(2) If an agreement between the securities intermediary and its entitlement~~
28 ~~holder does not specify the governing law as provided in subdivision (1)~~
29 ~~of this subsection, but expressly specifies that the securities account is~~
30 ~~maintained at an office in a particular jurisdiction, that jurisdiction is the~~
31 ~~securities intermediary's jurisdiction.~~

32 ~~(3) If an agreement between the securities intermediary and its entitlement~~
33 ~~holder does not specify a jurisdiction as provided in subdivision (1) or~~
34 ~~(2) of this subsection, the securities intermediary's jurisdiction is the~~
35 ~~jurisdiction in which is located the office identified in an account~~
36 ~~statement as the office serving the entitlement holder's account.~~

37 ~~(4) If an agreement between the securities intermediary and its entitlement~~
38 ~~holder does not specify a jurisdiction as provided in subdivision (1) or~~
39 ~~(2) of this subsection and an account statement does not identify an~~
40 ~~office serving the entitlement holder's account as provided in~~
41 ~~subdivision (3) of this subsection, the securities intermediary's~~
42 ~~jurisdiction is the jurisdiction in which is located the chief executive~~
43 ~~office of the securities intermediary.~~

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
4 holder governing the securities account expressly provides that a
5 particular jurisdiction is the securities intermediary's jurisdiction for
6 purposes of this Part, this Article, or this Chapter, that jurisdiction is the
7 securities intermediary's jurisdiction.

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

13 (3) If neither subdivision (1) nor subdivision (2) of this section applies and
14 an agreement between the securities intermediary and its entitlement
15 holder governing the securities account expressly provides that the
16 securities account is maintained at an office in a particular jurisdiction,
17 that jurisdiction is the securities intermediary's jurisdiction.

18 (4) If none of the preceding subdivisions applies, the securities
19 intermediary's jurisdiction is the jurisdiction in which the office
20 identified in an account statement as the office serving the entitlement
21 holder's account is located.

22 (5) If none of the preceding subdivisions applies, the securities
23 intermediary's jurisdiction is the jurisdiction in which the chief
24 executive office of the securities intermediary is located."

25 Section 24. G.S. 25-8-301(a) reads as rewritten:

26 "(a) Delivery of a certificated security to a purchaser occurs when:

27 (1) The purchaser acquires possession of the security certificate;

28 (2) Another person, other than a securities intermediary, either acquires
29 possession of the security certificate on behalf of the purchaser or,
30 having previously acquired possession of the certificate, acknowledges
31 that it holds for the purchaser; or

32 (3) A securities intermediary acting on behalf of the purchaser acquires
33 possession of the security certificate, only if the certificate is in
34 registered form and ~~has been~~ is (i) registered in the name of the
35 purchaser, (ii) payable to the order of the purchaser, or (iii) specially
36 indorse to the purchaser by an effective ~~indorsement.~~ indorsement and
37 has not been indorsed to the securities intermediary or in blank."

38 Section 25. G.S. 25-8-302(a) reads as rewritten:

39 "(a) Except as otherwise provided in subsections (b) and (c) of this section, ~~upon~~
40 ~~delivery to a purchaser~~ of a certificated or uncertificated security to a purchaser, the
41 ~~purchaser~~ acquires all rights in the security that the transferor had or had power to
42 transfer."

43 Section 26. G.S. 25-8-510 reads as rewritten:

1 **"§ 25-8-510. Rights of purchaser of security entitlement from entitlement holder.**

2 (a) ~~An~~In a case not covered by the priority rules in Article 9 of this Chapter or the
3 rules stated in subsection (c) of this section, an action based on an adverse claim to a
4 financial asset or security entitlement, whether framed in conversion, replevin,
5 constructive trust, equitable lien, or other theory, may not be asserted against a person
6 who purchases a security entitlement, or an interest therein, from an entitlement holder if
7 the purchaser gives value, does not have notice of the adverse claim, and obtains control.

8 (b) If an adverse claim could not have been asserted against an entitlement holder
9 under G.S. 25-8-502, the adverse claim cannot be asserted against a person who
10 purchases a security entitlement, or an interest therein, from the entitlement holder.

11 (c) In a case not covered by the priority rules in ~~Article 9,~~Article 9 of this
12 Chapter, a purchaser for value of a security entitlement, or an interest therein, who
13 obtains control has priority over a purchaser of a security entitlement, or an interest
14 therein, who does not obtain control. ~~Purchasers~~Except as otherwise provided in
15 subsection (d) of this section, purchasers who have control rank equally, except that a
16 according to priority in time of:

17 (1) The purchaser's becoming the person for whom the securities account,
18 in which the security entitlement is carried, is maintained, if the
19 purchaser obtained control under G.S. 25-8-106(d)(1);

20 (2) The securities intermediary's agreement to comply with the purchaser's
21 entitlement orders with respect to security entitlements carried or to be
22 carried in the securities account in which the security entitlement is
23 carried, if the purchaser obtained control under G.S. 25-8-106(d)(2); or

24 (3) If the purchaser obtained control through another person under G.S. 25-
25 8-106(d)(3), the time on which priority would be based under this
26 subsection if the other person were the secured party.

27 (d) A securities intermediary as purchaser has priority over a conflicting purchaser
28 who has control unless otherwise agreed by the securities intermediary."

29
30 **PART III. CONFORMING AMENDMENTS TO OTHER SECTIONS OF THE**
31 **GENERAL STATUTES.**

32 Section 27. G.S. 6-21.2(5) reads as rewritten:

33 "(5) The holder of an unsecured note or other writing(s) evidencing an
34 unsecured debt, and/or the holder of a note and chattel mortgage or
35 other security agreement and/or the holder of a conditional sale contract
36 or any other such security agreement which evidences both a monetary
37 obligation and a security interest in or a lease of specific goods, or his
38 attorney at law, shall, after maturity of the obligation by default or
39 otherwise, notify the maker, debtor, account debtor, endorser or party
40 sought to be held on said obligation that the provisions relative to
41 payment of attorneys' fees in addition to the "outstanding balance" shall
42 be enforced and that such maker, debtor, account debtor, endorser or
43 party sought to be held on said obligation has five days from the mailing

1 of such notice to pay the "outstanding balance" without the attorneys'
2 fees. If such party shall pay the "outstanding balance" in full before the
3 expiration of such time, then the obligation to pay the attorneys' fees
4 shall be void, and no court shall enforce such provisions.

5 Notwithstanding the foregoing, however, if debtor has defaulted or
6 violated the terms of the security agreement and has refused, on
7 demand, to surrender possession of the collateral to the secured party as
8 authorized by ~~§ 25-9-503~~, G.S. 25-9-609, with the result that said
9 secured party is required to institute an ancillary claim and delivery
10 proceeding to secure possession of said collateral; no such written
11 notice shall be required before enforcement of the provisions relative to
12 payment of attorneys' fees in addition to the "outstanding balance."

13 Section 28. G.S. 20-28.2(f)(5) reads as rewritten:

14 "(5) The lienholder agrees to sell the motor vehicle in accordance with the
15 terms of its agreement and pursuant to the provisions of ~~Part 5~~ Part 6 of
16 Article 9 of Chapter 25 of the General Statutes. Upon the sale of the
17 motor vehicle, the lienholder will pay to the clerk of court of the county
18 in which the vehicle was forfeited all proceeds from the sale, less the
19 amount of the lien in favor of the lienholder, and any towing and storage
20 costs paid by the lienholder."

21 Section 29. G.S. 20-28.3(e3)(1) reads as rewritten:

22 "(1) A lienholder may file a petition with the clerk of court requesting the
23 court to order pretrial release of a seized motor vehicle. The lienholder
24 shall serve a copy of the petition on all interested parties which shall
25 include the registered owner, the titled owner, the district attorney, and
26 the county board of education attorney. Upon 10 days' prior notice of
27 the date, time, and location of the hearing sent by the lienholder to all
28 interested parties, a judge, after a hearing, shall order a seized motor
29 vehicle released to the lienholder conditioned upon payment of all
30 towing and storage costs incurred as a result of the seizure and
31 impoundment of the motor vehicle if the judge determines, by the
32 greater weight of the evidence, that:

- 33 a. Default on the obligation secured by the motor vehicle has
34 occurred;
- 35 b. As a consequence of default, the lienholder is entitled to
36 possession of the motor vehicle;
- 37 c. The lienholder agrees to sell the motor vehicle in accordance
38 with the terms of its agreement and pursuant to the provisions of
39 ~~Part 5~~ Part 6 of Article 9 of Chapter 25 of the General Statutes.
40 Upon sale of the motor vehicle, the lienholder will pay to the
41 clerk of court of the county in which the driver was charged all
42 proceeds from the sale, less the amount of the lien in favor of the

1 lienholder, and any towing and storage costs paid by the
2 lienholder;

3 d. The lienholder agrees not to sell, give, or otherwise transfer
4 possession of the seized motor vehicle while the motor vehicle is
5 subject to forfeiture, or the forfeited motor vehicle after the
6 forfeiture hearing, to the defendant or the motor vehicle owner;
7 and

8 e. The seized motor vehicle while the motor vehicle is subject to
9 forfeiture, or the forfeited motor vehicle after the forfeiture
10 hearing, had not previously been released to the lienholder as a
11 result of a prior seizure involving the same defendant or motor
12 vehicle owner."

13 Section 30. G.S. 20-58.8 reads as rewritten:

14 **"§ 20-58.8. Applicability of §§ 20-58 to 20-58.8; use of term 'lien'.**

15 (a) ~~The provisions of G.S. 20-58 through 20-58.8 apply to the perfection of~~
16 ~~security interests pursuant to G.S. 25-9-302.~~

17 (b) The provisions of G.S. 20-58 through 20-58.8 inclusive shall not apply to or
18 affect:

19 (1) A lien given by statute or rule of law for storage of a motor vehicle or
20 to a supplier of services or materials for a vehicle;

21 (2) A lien arising by virtue of a statute in favor of the United States, this
22 State or any political subdivision of this State; or

23 (3) A security interest in a vehicle created by a manufacturer or by a dealer
24 in new or used vehicles who holds the vehicle in his inventory. ~~Such~~
25 ~~security interests shall be perfected by filing a financing statement~~
26 ~~under Article 9 of the Uniform Commercial Code.~~

27 (c) When the term "lien" is used in other sections of this Chapter, or has been used
28 prior to October 1, 1969, with reference to transactions governed by G.S. 20-58 through
29 20-58.8, to describe contractual agreements creating security interests in personal
30 property, the term "lien" shall be construed to refer to a "security interest" as the term is
31 used in G.S. 20-58 through 20-58.8 and the Uniform Commercial Code."

32 Section 31. G.S. 25A-16 reads as rewritten:

33 **"§ 25A-16. Transfer of equity.**

34 If a buyer voluntarily transfers his rights in collateral pursuant to ~~G.S. 25-9-311~~
35 applicable law and the seller agrees, the seller may impose a transfer fee not to exceed ten
36 percent (10%) of the unpaid balance of the debt or thirty-five dollars (\$35.00), whichever
37 is less."

38 Section 32. G.S. 25A-22(b) reads as rewritten:

39 "(b) Upon the payment of all sums for which the buyer is obligated under a
40 consumer credit sale, the seller shall promptly release any security interest in accordance
41 with the terms of ~~G.S. 25-9-404~~ G.S. 25-9-513 or G.S. 20-58.4, whichever is applicable.
42 In the event a security interest in real property is involved, the seller shall take such

1 action as is necessary to enable the lien to be discharged of record under the provisions of
2 G.S. 45-37."

3 Section 33. G.S. 44-68.14(a)(1) reads as rewritten:

4 "(1) The Secretary of State, he shall cause the notice to be ~~marked, held, and~~
5 ~~indexed~~ numbered, maintained, and indexed in accordance with ~~the~~
6 ~~provisions of G.S. 25-9-403(4), G.S. 25-9-519,~~ as if the notice were a
7 financing statement within the meaning of the Uniform Commercial
8 Code, Chapter 25 of the General Statutes; or".

9 Section 34. G.S. 44-68.14(b) reads as rewritten:

10 "(b) If a certificate of release, nonattachment, discharge, or subordination of any
11 lien is presented to the Secretary of State for filing he shall cause:

12 (1) A record of a certificate of release or nonattachment to be ~~marked, held,~~
13 ~~and indexed~~ numbered, maintained, and indexed as if a record of the
14 certificate were a termination statement within the meaning of the
15 Uniform Commercial Code, Chapter 25 of the General Statutes, but the
16 record of the notice of lien to which the certificate relates may not be
17 removed from the files; and

18 (2) A record of a certificate of discharge or subordination to be ~~marked,~~
19 ~~held, and indexed~~ numbered, maintained, and indexed as if the record of
20 the certificate were a release of collateral within the meaning of the
21 Uniform Commercial Code, Chapter 25 of the General Statutes."

22 Section 35. G.S. 47-20(b)(1) reads as rewritten:

23 "(1) 'Rents, issues, or profits' means all amounts payable by or on behalf of
24 any lessee, tenant, or other person having a possessory interest in real
25 estate on account of or pursuant to any written or oral lease or other
26 instrument evidencing a possessory interest in real property or pursuant
27 to any form of tenancy implied by law, and all amounts payable by or
28 on behalf of any licensee or permittee or other person occupying or
29 using real property under license or permission from the owner or
30 person entitled to possession. The term shall not include farm products
31 as defined in ~~G.S. 25-9-109(3), G.S. 25-9-102(34),~~ timber, the proceeds
32 from the sale of farm products or timber, or the proceeds from the
33 recovery or severance of any mineral deposits located on or under real
34 property."

35 Section 36. G.S. 53-177 reads as rewritten:

36 "**§ 53-177. Recording fees.**

37 The licensee may collect from the borrower the amount of any fees necessary to file
38 or record its security interest with any public official or agency of a county or the State as
39 may be required pursuant to ~~G.S. 25-9-302 et seq.~~ Article 9 of Chapter 25 of the General
40 Statutes or G.S. 20-58 **et seq.** Upon full disclosure to the borrower on how the fees will
41 be applied, such fees may either (i) be paid by the licensee to such public official or
42 agency of the county or State, or (ii) in lieu of recording or filing, applied by the licensee
43 to purchase nonfiling or nonrecording insurance on the instrument securing the loan, or

1 (iii) be retained by a licensee that elects to self insure against the loss of a security
2 interest by reason of not filing or recording its security instrument: Provided, however,
3 the amount collected by the licensee from the borrower for the purchase of a nonfiling or
4 nonrecording insurance policy, or for self insurance, shall be the premium amount for
5 such insurance as fixed by the Commissioner of Insurance. Such premium shall be at
6 least one dollar (\$1.00) less than the cost of recording or filing a security interest.
7 Provided further, a licensee shall not collect or permit to be collected any notary fee in
8 connection with any loan made under this Article, nor may a licensee collect any fee from
9 the borrower for the cost of releasing a security interest except such fee as actually paid
10 to any public official or agency of the county or State for such purpose."

11 Section 37. G.S. 63A-11(e) reads as rewritten:

12 "(e) ~~The provisions of G.S. 25-9-104(e) and G.S. 25-9-302(6) to the contrary~~
13 ~~notwithstanding, the provisions of Article 9 of the North Carolina Uniform Commercial~~
14 ~~Code, G.S. 25-9-101 to G.S. 25-9-607 inclusive, shall apply to transactions under this~~
15 ~~section, but not to transactions involving the issuance of bonds for airport projects, to the~~
16 ~~same extent the provisions of Article 9 would apply were G.S. 25-9-104(e) and G.S. 25-~~
17 ~~9-302(6) repealed. Article 9 of Chapter 25 of the General Statutes applies to transactions~~
18 under this section but not to transactions involving the issuance of bonds for airport
19 projects."

20 Section 38. G.S. 75A-41 reads as rewritten:

21 "**§ 75A-41. Security interests subsequently created.**

22 ~~Security interests, other than a security interest in inventory held for sale to be~~
23 ~~perfected only as provided in G.S. 25-9-301 to G.S. 25-9-408, Except for security~~
24 interests in watercraft that are inventory held for sale, security interests created in
25 watercraft by the voluntary act of the owner after the original issue of title to the owner
26 must be shown on the certificate of title. In such cases, the owner shall file an application
27 with the Commission on a blank furnished for that purpose, setting forth the security
28 interests and other information as the Commission requires. The Commission, if satisfied
29 that it is proper that the same be recorded and upon surrender of the certificate of title
30 covering the watercraft, shall thereupon issue a new certificate of title showing their
31 security interests in the order of the priority according to the date of the filing of the
32 application. For the purpose of recording the subsequent security interest, the
33 Commission may require any secured party to deliver the certificate of title to the
34 Commission. The newly issued certificate shall be sent or delivered to the secured party
35 from whom the prior certificate was obtained."

36 Section 39. G.S. 75A-42 reads as rewritten:

37 "**§ 75A-42. Certificate as notice of security interest.**

38 A certificate of title, when issued by the Commission showing a security interest,
39 shall be deemed adequate notice to the State, creditors, and purchasers that a security
40 interest in the watercraft exists and the recording or filing of the creation or reservation of
41 a security interest in the county or city wherein the purchaser or debtor resides or
42 elsewhere is not necessary and shall not be required. Watercraft, other than those that are
43 inventory held for sale, for which a certificate of title is currently in ~~effect~~, effect shall be

1 exempt from the provisions of ~~G.S. 25-9-302, 25-9-304, 25-9-307, 25-9-309, 25-9-312,~~
2 ~~25-9-318, and 25-9-401 to 25-9-408~~ G.S. 25-9-309, 25-9-310, 25-9-312, 25-9-320, 25-9-
3 322, 25-9-323, 25-9-324, 25-9-331, 25-9-404, 25-9-405, 25-9-406, and 25-9-501 to 25-9-
4 526 for so long as the certificate of title remains in effect."

5 Section 40. G.S. 75A-44 reads as rewritten:

6 **"§ 75A-44. Priority of security interests shown on certificates.**

7 ~~The security interests, except security interests in watercraft which are inventory held~~
8 ~~for sale and which are perfected under G.S. 25-9-301 to 25-9-408, Except for security~~
9 ~~interests in watercraft that are inventory held for sale, security interests shown upon the~~
10 certificates of title issued by the Commission pursuant to applications for certificates
11 shall have priority over any other liens or security interests against the watercraft
12 however created and recorded, except for a mechanics lien for repairs, provided that the
13 mechanic furnishes the holder of any recorded lien who may request it with an itemized
14 sworn statement of the work done and materials supplied for which the lien is claimed."

15 Section 41. G.S. 143B-456.1(f) reads as rewritten:

16 "(f) ~~The provisions of G.S. 25-9-104(e) and G.S. 25-9-302(6) to the contrary~~
17 ~~notwithstanding, the provisions of Article 9 of the North Carolina Uniform Commercial~~
18 ~~Code, being G.S. 25-9-101 to G.S. 25-9-607, inclusive, shall apply to transactions under~~
19 ~~this section to the same extent the provisions of such Article 9 would apply were G.S. 25-~~
20 ~~9-104(e) and G.S. 25-9-302(6) hereby repealed. Article 9 of Chapter 25 of the General~~
21 Statutes applies to transactions under this section."

22 Section 42. G.S. 159C-28 reads as rewritten:

23 **"§ 159C-28. Application of the U.C.C.**

24 ~~The provisions of G.S. 25-9-104(e) and 25-9-302(6) to the contrary~~
25 ~~notwithstanding, the provisions of Article 9 of the North Carolina Uniform Commercial~~
26 ~~Code, being G.S. 25-9-101 to 25-9-607, inclusive, shall apply to transactions under~~
27 ~~Chapter 159C to the same extent the provisions of such Article 9 would apply were G.S.~~
28 ~~25-9-104(e) and 25-9-302(6) hereby repealed. Article 9 of Chapter 25 of the General~~
29 Statutes applies to transactions under this Chapter."

30 Section 43. G.S. 159D-23 reads as rewritten:

31 **"§ 159D-23. Application of Article 9 of Chapter 25.**

32 ~~The provisions of G.S. 25-9-104(e) and 25-9-302(6) to the contrary~~
33 ~~notwithstanding, the provisions of Article 9 of North Carolina Uniform Commercial~~
34 ~~Code, being G.S. 25-9-101 to 25-9-607, inclusive, shall apply [to] transactions under this~~
35 ~~Chapter 159D to the same extent the provisions of such Article 9 would apply were G.S.~~
36 ~~25-9-104(e) and 25-9-302(6) hereby repealed. Article 9 of Chapter 25 of the General~~
37 Statutes applies to transactions under this Chapter."

38 Section 44. G.S. 161-10(a)(13) reads as rewritten:

39 "(13) Uniform Commercial Code. – Such fees as are provided for in Chapter
40 25, Article 9, ~~Part 4, Part 5,~~ of the General Statutes."

41
42 **PART IV. UCC ARTICLE 9 FILING FEES INCREASE.**

43 Section 45. G.S. 25-9-403(5) reads as rewritten:

1 "(5) The uniform fee for filing and indexing and for stamping a copy furnished by
2 the secured party to show the date and place of filing for an original financing statement
3 or for a continuation statement is ~~fifteen dollars (\$15.00)~~ thirty dollars (\$30.00)."

4 Section 46. G.S. 25-9-405 reads as rewritten:

5 **"§ 25-9-405. Assignment of security interest; duties of filing officer; fees.**

6 (1) A financing statement may disclose an assignment of a security interest in the
7 collateral described in the financing statement by indication in the financing statement of
8 the name and address of the assignee or by an assignment itself or a copy thereof on the
9 face or back of the statement. On presentation to the filing officer of such a financing
10 statement the filing officer shall mark the same as provided in G.S. 25-9-403(4). The
11 uniform fee for filing, indexing, and furnishing filing data for a financing statement so
12 indicating an assignment is ~~fifteen dollars (\$15.00)~~ thirty dollars (\$30.00).

13 (2) A secured party may assign of record all or part of his rights under a financing
14 statement by the filing in the place where the original financing statement was filed of a
15 separate written statement of assignment signed by the secured party of record and setting
16 forth the name of the secured party of record and the debtor, the file number and also the
17 most current file number if it has been continued and the date of filing of the financing
18 statement and the name and address of the assignee and containing a description of the
19 collateral assigned. A copy of the assignment is sufficient as a separate statement if it
20 complies with the preceding sentence. On presentation to the filing officer of such a
21 separate statement, the filing officer shall mark such separate statement with the date and
22 hour of the filing. He shall note the assignment on the Uniform Commercial Code index
23 of the financing statement, and in the case of a fixture filing, or a filing covering timber
24 to be cut, or covering minerals or the like (including oil and gas) or accounts subject to
25 subsection (5) of G.S. 25-9-103, he shall index in the real estate index the assignment
26 under the name of the assignor as grantor and, to the extent that the law of this State
27 provides for indexing the assignment of a mortgage under the name of the assignee, he
28 shall index the assignment of the financing statement under the name of the assignee. The
29 uniform fee for filing, indexing, and furnishing filing data about such a separate
30 statement of assignment is ~~fifteen dollars (\$15.00)~~ thirty dollars (\$30.00).
31 Notwithstanding the provisions of this subsection, an assignment of record of a security
32 interest in a fixture contained in a mortgage effective as a fixture filing (subsection (6) of
33 G.S. 25-9-402) may be made only by an assignment of the mortgage in the manner
34 provided by the law of the State other than this Chapter.

35 (3) After the disclosure or filing of an assignment under this section, the assignee
36 is the secured party of record."

37 Section 47. G.S. 25-9-406 reads as rewritten:

38 **"§ 25-9-406. Release of collateral; duties of filing officer; fees.**

39 A secured party of record may, by his signed statement, release all or a part of any
40 collateral described in a filed financing statement. The statement of release is sufficient if
41 it contains a description of the collateral being released, the name and address of the
42 debtor, the name and address of the secured party, and the file number of the financing
43 statement. A statement of release signed by a person other than the secured party of

1 record must be accompanied by a separate written statement of assignment signed by the
2 secured party of record and complying with subsection (2) of G.S. 25-9-405, including
3 payment of the required fee. Upon presentation of such a statement of release to the filing
4 officer he shall mark the statement with the hour and date of filing and shall note the
5 same upon the margin of the index of the filing of the financing statement. The uniform
6 fee for filing and noting such a statement of release is ~~fifteen dollars (\$15.00).~~ thirty
7 dollars (\$30.00)."

8 Section 48. G.S. 25-9-407 reads as rewritten:

9 "**§ 25-9-407. Information from filing officer.**

10 (1) If the person filing any financing statement, termination statement, statement
11 of assignment or statement of release furnishes the filing officer a copy thereof, the filing
12 officer shall upon request note upon the copy the file number and date and hour of the
13 filing of the original and deliver or send the copy to such person.

14 (2) Upon request of any person, the filing officer shall issue his certificate for
15 which he shall not be liable showing whether there is on file, on the date and hour stated
16 therein, any presently effective financing statement naming a particular debtor and any
17 statement of assignment thereof and if there is, giving the date and hour of filing of each
18 such statement and the names and addresses of each secured party therein. The uniform
19 fee for such a certificate shall be ~~fifteen dollars (\$15.00).~~ thirty dollars (\$30.00). Where
20 the Uniform Commercial Code index has been automated, the filing officer shall issue a
21 computer printout of the index entries for a particular debtor for a fee of ~~fifteen dollars~~
22 ~~(\$15.00).~~ thirty dollars (\$30.00). Upon request the filing officer shall furnish a copy of
23 any filed financing statement or statement of assignment for a uniform fee of one dollar
24 (\$1.00) per page."

25
26 **PART V. DIRECTIONS AND EFFECTIVE DATE.**

27 Section 49. The Revisor of Statutes shall cause to be printed along with this
28 act all relevant portions of the official comments to the Uniform Commercial Code,
29 Revised Article 9 and conforming amendments to Articles 1, 2, 2A, 4, 5, 6, 7, and 8 and
30 all explanatory comments of the drafters of this act as the Revisor deems appropriate.

31 Section 50. Part IV of this act becomes effective September 1, 2000, and
32 applies to fees paid on or after that date. Except as otherwise provided, this act becomes
33 effective July 1, 2001.