SENATE DOCKET, NO. 744 FILED ON: 1/14/2025

SENATE . . . . . No. 684

The Commonwealth of Massachusetts

PRESENTED BY:

Cynthia Stone Creem

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to the Massachusetts Uniform Commercial Code.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Cynthia Stone Creem	*Norfolk and Middlesex*

SENATE DOCKET, NO. 744 FILED ON: 1/14/2025

SENATE . . . . . No. 684

By Ms. Creem, a petition (accompanied by bill, Senate, No. 684) of Cynthia Stone Creem for legislation relative to the Massachusetts Uniform Commercial Code. Financial Services.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Fourth General Court
(2025-2026)

An Act relative to the Massachusetts Uniform Commercial Code.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 1-201(b)(10) of chapter 106 of the General Laws, as appearing in the 2022 Official Edition, is hereby amended by (i) inserting, after the word "that", the following words:-- ", based on the totality of the circumstances,", (ii) striking out the words "Conspicuous terms include the following:" in that Section, and (iii) striking out subsections (A) and (B).

SECTION 2. Said chapter 106 is hereby amended by striking out Section 1-201(b)(15), and inserting in place thereof the following Section:--

(15) "Delivery", with respect to an electronic document of title, means voluntary transfer of control and, with respect to an instrument, a tangible document of title, or an authoritative tangible copy of a record evidencing chattel paper, means voluntary transfer of possession.

SECTION 3. Section 1-201(b)(16) of said chapter 106 is hereby is hereby amended by inserting the following new Section at the end of Section 1-201(b):--

(16A) “Electronic” means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

SECTION 4. Section 1-201(b)(21) of said chapter 106 is hereby amended by inserting in subsection C, after the word “control”, the following words:-- “, other than pursuant to Section 7-106(g)”.

SECTION 5. Said chapter 106 is hereby amended by striking out Section 1-201(b)(24), and inserting in place thereof the following Section:--

(24) “Money” means a medium of exchange that is currently authorized or adopted by a domestic or foreign government. The term includes a monetary unit of account established by an intergovernmental organization, or pursuant to an agreement between two or more countries. The term does not include an electronic record that is a medium of exchange recorded and transferable in a system that existed and operated for the medium of exchange before the medium of exchange was authorized or adopted by the government.

SECTION 6. Said chapter 106 is hereby amended by striking out Section 1-201(b)(27), and inserting in place thereof the following Section:--

(27) “Person” means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, or any other legal or commercial entity. The term includes a protected series, however denominated, of an entity if the protected series is established under law other than this chapter that limits, or limits if conditions specified under the law are satisfied, the ability of a creditor of the entity or of any other protected series of the entity to satisfy a claim from assets of the protected series.

SECTION 7. Said chapter 106 is hereby amended by striking out Section 1-201(b)(36), and inserting in place thereof the following Section:--

(36) “Send”, in connection with a record or notification, means:

(A) to deposit in the mail, deliver for transmission, or transmit by any other usual means of communication, with postage or cost of transmission provided for, addressed to any address reasonable under the circumstances; or

(B) to cause the record or notification to be received within the time it would have been received if properly sent under subparagraph (A).

SECTION 8. Said chapter 106 is hereby amended by striking out Section 1-201(b)(37), and inserting in place thereof the following Section:--

(37) “Sign” means, with present intent to authenticate or adopt a record:

(A) execute or adopt a tangible symbol; or

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

“Signed”, “signing”, and “signature” have corresponding meanings.

SECTION 9. Section 1-204 of said chapter 106 is hereby amended by (i) striking out the words “and 5,” and (ii) inserting in place thereof the following words:-- “5 and 12,”.

SECTION 10. Section 1-301(c) of said chapter 106 is hereby further amended by (i) striking out the period at the end of subsection (8) and by inserting in place thereof the following:-- “;”, and (ii) inserting the following new section at the end of Section 1-301(c):--

(9) Section 12-107.

SECTION 11. Section 1-306 of said chapter 106 is hereby amended by striking out the words “an authenticated” after the words “party in” and by inserting in place thereof the following words:-- “a signed”.

SECTION 12. Said chapter 106 is hereby amended by striking out Section 2-102 and inserting in place thereof the following Section:--

SECTION 2-102. Scope; Certain Security and Other Transactions Excluded from this Article.

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

(2) In a hybrid transaction:

(a) If the sale-of-goods aspects do not predominate, only the provisions of this Article that relate primarily to the sale-of-goods aspects of the transaction apply, and the provisions that relate primarily to the transaction as a whole do not apply.

(b) If the sale-of-goods aspects predominate, this Article applies to the transaction but does not preclude application in appropriate circumstances of other law to aspects of the transaction that do not relate to the sale of goods.

(3) This Article does not:

(a) apply to a transaction that, even though in the form of an unconditional contract to sell or present sale, operates only to create a security interest; or

(b) impair or repeal a statute regulating sales to consumers, farmers, or other specified classes of buyers.

SECTION 13. Section 2-106 of said chapter 106 is hereby amended by inserting (i) in the title of the section, after the word “Cancellation” and before the period, the words “; Hybrid Transaction” and (ii) the following new clause:--

(5) “Hybrid transaction” means a single transaction involving a sale of goods and:

(a) the provision of services;

(b) a lease of other goods; or

(c) a sale, lease, or license of property other than goods.

SECTION 14. Section 2-201 of said chapter 106 is hereby amended by striking out subsection (1), and by inserting in place thereof the following new subsection:--

(1) Except as otherwise provided in this section a contract for the sale of goods for the price of $500 or more is not enforceable by way of action or defense unless there is a record sufficient to indicate that a contract for sale has been made between the parties and signed by the party against whom enforcement is sought or by the party’s authorized agent or broker. A record is not insufficient because it omits or incorrectly states a term agreed upon but the contract is not enforceable under this subsection beyond the quantity of goods shown in the record.

SECTION 15. Section 2-201 of said chapter 106 is further amended by striking out subsection (2), and by and inserting in place thereof the following new subsection:--

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

SECTION 16. Section 2-202 of said chapter 106 is hereby amended by (i) striking out in the title of the section the word “written” after the word “final”, (ii) striking out the word “writing” wherever it appears in that Section and by inserting in each place thereof the following word:-- “record”, and (iii) inserting a colon after the word “supplemented”.

SECTION 17. Section 2-203 of said chapter 106 is hereby amended by striking out the word “writing” where it appears in that Section and by inserting in each place thereof the following word:-- “record”.

SECTION 18. Section 2-205 of said chapter 106 is hereby amended by striking out the word “writing” wherever it appears in that Section and by inserting in each place thereof the following word:-- “record”.

SECTION 19. Section 2-209 of said chapter 106 is hereby amended by inserting, after the word “writing”, the following:-- “or other signed record”.

SECTION 20. Section 2-607(3) of said chapter 106 is hereby amended by (i) striking out the word “he” after the word “after” in subsection (a) and inserting in place thereof the word “it”,

and (ii) striking out the words “such a” after the word “of” in subsection (b) and inserting in place thereof the following word:-- “the”.

SECTION 21. Section 2-607(5) of said chapter 106 is hereby amended by striking out the word “he” after the word “defend” in that Section, and by inserting in place thereof the following:-- “the seller”.

SECTION 22. Said chapter 106 is hereby amended by striking out Section 2A-102, and by inserting in place thereof the following new Section:--

Section 2A-102. Scope.

(1) This Article applies to any transaction, regardless of form, that creates a lease and, in the case of a hybrid lease, it applies to the extent provided in subsection (2).

(2) In a hybrid lease:

(a) if the lease-of-goods aspects do not predominate:

(i) only the provisions of this Article which relate primarily to the lease-of-goods aspects of the transaction apply, and the provisions that relate primarily to the transaction as a whole do not apply;

(ii) Section 2A 209 applies if the lease is a finance lease; and

(iii) Section 2A-407 applies to the promises of the lessee in a finance lease to the extent the promises are consideration for the right to possession and use of the leased goods; and

(b) if the lease-of-goods aspects predominate, this Article applies to the transaction, but does not preclude application in appropriate circumstances of other law to aspects of the lease which do not relate to the lease of goods.

SECTION 23. Section 2A-103 of said chapter 106 is hereby amended by inserting at the end of subsection (1) the following new clause:--

(h.1) "Hybrid lease" means a single transaction involving a lease of goods and:

(i) the provision of services;

(ii) a sale of other goods; or

(iii) a sale, lease, or license of property other than goods.

SECTION 24. Section 2A-107 of said chapter 106 is hereby amended by (i) striking out the word "written" after the word "a", (ii) inserting the words "in a" after the word "renunciation", and (iii) striking out the word "and" after the word "signed" and inserting in place thereof the following:-- "record".

SECTION 25. Section 2A-201 of said chapter 106 is hereby amended by striking out the word "writing" wherever it appears in that Section and by inserting in each place thereof the following:-- "record".

SECTION 26. Section 2A-202 of said chapter 106 is hereby amended by (i) striking out the word "written" after the word "final" in the title of that Section, and (ii) striking out the word "writing" wherever it appears in that Section and inserting in each place thereof the following:-- "record".

SECTION 27. Section 2A-203 of said chapter 106 is hereby amended by striking out the word “writing” wherever it appears in that Section and by inserting in each place thereof the following:-- “record”.

SECTION 28. Section 2A-205 of said chapter 106 is hereby amended by striking out the word “writing” where it appears in that Section and by inserting in each place thereof the following:-- “record”.

SECTION 29. Section 2A-208 of said chapter 106 is hereby amended by striking out the word “writing” where it appears in that Section and by inserting in each place thereof the following:-- “record”.

SECTION 30. Section 3-103(a) of chapter 106 of the General Laws is hereby amended by (i) striking the definition out of the definition of “good faith”, (ii) inserting the following definitions in alphabetical order and (iii) renumbering all of the definitions in numerical order:--

(2) “Consumer account” means an account established by an individual primarily for personal, family, or household purposes.

(3) “Consumer transaction” means a transaction in which an individual incurs an obligation primarily for personal, family, or household purposes.

(10) “Principal obligor,” with respect to an instrument, means the accommodated party or any other party to the instrument against whom a secondary obligor has recourse under this Article.

(13) “Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

(15) “Remotely-created consumer item” means an item drawn on a consumer account, which is not created by the payor bank and does not bear a handwritten signature purporting to be the signature of the drawer.

(16) “Secondary obligor,” with respect to an instrument, means (i) an indorser or an accommodation party, (ii) a drawer having the obligation described in Section 3-414(d), or (iii) any other party to the instrument that has recourse against another party to the instrument pursuant to Section 3-116(b).

SECTION 31. Section 3-103(b) of said chapter 106 is hereby amended by inserting a reference to a definition for “Account” which appears in “Section 4-104”.

SECTION 32. Section 3-104(a)(3) of said chapter 106 is hereby amended by striking the word “or” following “collateral,” in subsection (ii), by inserting a comma after the word “obligor” in subsection (iii) and by inserting the following new clauses at the end of Section 3-104(a):--

(iv) a term that specifies the law that governs the promise or order, or

(v) an undertaking to resolve in a specified forum a dispute concerning the promise or order.

SECTION 33: Section 3-105(a) of said chapter is hereby amended by inserting before the words “the first”, the following:--“(1)”, and by inserting after the word “person”, the following:--“; or”.

SECTION 34: Section 3-105(a) of said chapter is further amended by inserting the following new section after Section 3-105(a)(1):--

(2) if agreed by the payee, the first transmission by the drawer to the payee of an image of an item and information derived from the item that enables the depositary bank to collect the item by transferring or presenting under federal law an electronic check.

SECTION 35. Section 3-106 of said chapter 106 is hereby amended by striking out the word “writing” wherever it appears in that Section and by inserting in each place thereof the following word:-- “record”.

SECTION 36. Section 3-116(b) of said chapter 106 is hereby amended by striking out the words “3-419(e)” in that Section and by inserting in place thereof the following words:-- “3-419(f)”.

SECTION 37. Section 3-116(c) of said chapter 106 is hereby repealed.

SECTION 38. Section 3-119 of said chapter 106 is hereby amended by striking out the word “written” in that Section and by inserting, after the word “litigation”, the following words:-- “in a record”.

SECTION 39. Section 3-305(a) of said chapter 106 is hereby amended by striking out the words “stated in subsection (b)” in that Section and by inserting in place thereof the following words:-- “otherwise provided in this section”.

SECTION 40. Section 3-305 of said chapter 106 is hereby amended by inserting the following new subsections at the end of Section 3-305:--

(e) In a consumer transaction, if law other than this Article requires that an instrument include a statement to the effect that the rights of a holder or transferee are subject to a claim or

defense that the issuer could assert against the original payee and the instrument does not include such a statement:

(1) the instrument has the same effect as if the instrument included such a statement;

(2) the issuer may assert against the holder or transferee all claims and defenses that would have been available if the instrument included such a statement; and

(3) the extent to which the claims may be asserted against the holder or transferee is determined as if the instrument included such a statement.

(f) This section is subject to law other than this Article which establishes a different rule for consumer transactions.

SECTION 41. Said chapter 106 is hereby amended by striking out Section 3-309(a), and inserting in place thereof the following Section:--

(a) A person not in possession of an instrument is entitled to enforce the instrument if:

(1) the person seeking to enforce the instrument:

(A) was entitled to enforce the instrument when loss of possession occurred; or

(B) has directly or indirectly acquired ownership of the instrument from a person that was entitled to enforce the instrument when loss of possession occurred;

(2) the loss of possession was not the result of a transfer by the person or a lawful seizure; and

(3) the person cannot reasonably obtain possession of the instrument because the instrument was destroyed, its whereabouts cannot be determined, or it is in the wrongful possession of an unknown person or a person that cannot be found or is not amenable to service of process.

SECTION 42. Section 3-312(a)(3) of said chapter 106 is hereby amended by striking out the word “written” in that Section and by inserting, after the word “made”, the following words:-- “in a record”.

SECTION 43: Section 3-401 of said chapter is hereby amended by striking out the word “(a)” before the words “A person”, and by striking out section 3-401(b).

SECTION 44. Section 3-416(a) of said chapter 106 is hereby amended by (i) striking out the word “and” after the word “warrantor;” in clause (4), (ii) striking out the period at the end of clause (5), (iii) inserting in place thereof the following:-- “; and”, and (iv) by inserting the following new clause:--

(6) with respect to a remotely-created consumer item, that the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

SECTION 45. Section 3-416 of said chapter 106 is hereby further amended by inserting the following new subsection at the end of Section 3-416:--

(e) A claim for breach of the warranty in subsection (a)(6) is available against a previous transferor of the item only to the extent that under applicable law (including the applicable choice-of-law principle) all previous transferors of the item made the warranty in subsection (a)(6).

SECTION 46. Section 3-417(a) of said chapter 106 is hereby amended by (i) striking out the word “and” after the word “altered;” in clause (2), (ii) striking out the period at the end of clause (3) and inserting in place thereof the following:-- “; and”, and (iii) by inserting the following new clause:--

(4) with respect to any remotely-created consumer item, that the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

SECTION 47. Section 3-417 of said chapter 106 is hereby further amended by inserting the following new subsection at the end of Section 3-417:--

(g) A claim for breach of the warranty in subsection (a)(4) is available against a previous transferor of the item only to the extent that under applicable law (including the applicable choice-of-law principle) all previous transferors of the item made the warranty in subsection (a)(4).

SECTION 48. Section 3-419 of said chapter 106 is hereby amended by striking out subsection (e) and by inserting the following new subsections at the end of Section 3-419:--

(e) If the signature of a party to an instrument is accompanied by words indicating that the party guarantees payment or the signer signs the instrument as an accommodation party in some other manner that does not unambiguously indicate an intention to guarantee collection rather than payment, the signer is obliged to pay the amount due on the instrument to a person entitled to enforce the instrument in the same circumstances as the accommodated party would be obliged, without prior resort to the accommodated party by the person entitled to enforce the instrument.

(f) An accommodation party who pays the instrument is entitled to reimbursement from the accommodated party and is entitled to enforce the instrument against the accommodated party. In proper circumstances, an accommodation party may obtain relief that requires the accommodated party to perform its obligations on the instrument. An accommodated party that pays the instrument has no right of recourse against, and is not entitled to contribution from, an accommodation party.

SECTION 49. Said chapter 106 is hereby amended by striking out Section 3-602, and inserting in place thereof the following Section:--

SECTION 3-602. PAYMENT.

(a) Subject to subsection (e), an instrument is paid to the extent payment is made by or on behalf of a party obliged to pay the instrument, and to a person entitled to enforce the instrument.

(b) Subject to subsection (e), a note is paid to the extent payment is made by or on behalf of a party obliged to pay the note to a person that formerly was entitled to enforce the note only if at the time of the payment the party obliged to pay has not received adequate notification that the note has been transferred and that payment is to be made to the transferee. A notification is adequate only if it is signed by the transferor or the transferee, reasonably identifies the transferred note, and provides an address at which payments subsequently are to be made. Upon request, a transferee shall seasonably furnish reasonable proof that the note has been transferred. Unless the transferee complies with the request, a payment to the person that formerly was entitled to enforce the note is effective for purposes of subsection (c) even if the party obliged to pay the note has received a notification under this subsection.

(c) Subject to subsection (e), to the extent of a payment under subsections (a) and (b), the obligation of the party obliged to pay the instrument is discharged even if payment is made with knowledge of a claim to the instrument under Section 3-306 by another person.

(d) Subject to subsection (e), a transferee, or any party that has acquired rights in the instrument directly or indirectly from a transferee, including a party that has rights as a holder in due course, is deemed to have notice of any payment that is made under subsection (b) after the note is transferred to the transferee but before the party obliged to pay the note receives adequate notification of the transfer.

(e) The obligation of a party to pay an instrument is not discharged under subsections (a) through (d) if:

(1) a claim to the instrument under Section 3-306 is enforceable against the party receiving payment and (i) payment is made with knowledge by the payor that payment is prohibited by injunction or similar process of a court of competent jurisdiction, or (ii) in the case of an instrument other than a cashier's check, teller's check, or certified check, the party making payment accepted, from the person having a claim to the instrument, indemnity against loss resulting from refusal to pay the person entitled to enforce the instrument; or

(2) the person making payment knows that the instrument is a stolen instrument and pays a person it knows is in wrongful possession of the instrument.

SECTION 50. Section 3-604(a) of said chapter 106 is hereby amended by striking out the word “writing” in that Section and by inserting in place thereof the following word:-- “record”.

SECTION 51: Section 3-604(a)(ii) of said chapter 106 is hereby amended by inserting, after the word “record.” the following words:--

The obligation of a party to pay a check is not discharged solely by destruction of the check in connection with a process in which information is extracted from the check and an image of the check is made and, subsequently, the information and image are transmitted for payment.

SECTION 52. Section 3-604 of said chapter 106 is further amended by striking subsection (c).

SECTION 53. Said chapter 106 is hereby amended by striking out Section 3-605, and inserting in place thereof the following Section:--

SECTION 3-605. DISCHARGE OF SECONDARY OBLIGORS.

(a) If a person entitled to enforce an instrument releases the obligation of a principal obligor in whole or in part and another party to the instrument is a secondary obligor with respect to the obligation of that principal obligor, the following rules apply:

(1) Any obligations of the principal obligor to the secondary obligor with respect to any previous payment by the secondary obligor are not affected. Unless the terms of the release preserve the secondary obligor's recourse, the principal obligor is discharged, to the extent of the release, from any other duties to the secondary obligor under this Article.

(2) Unless the terms of the release provide that the person entitled to enforce the instrument retains the right to enforce the instrument against the secondary obligor, the secondary obligor is discharged to the same extent as the principal obligor from any unperformed

portion of its obligation on the instrument. If the instrument is a check and the obligation of the secondary obligor is based on an indorsement of the check, the secondary obligor is discharged without regard to the language or circumstances of the discharge or other release.

(3) If the secondary obligor is not discharged under paragraph (2), the secondary obligor is discharged to the extent of the value of the consideration for the release and to the extent that the release would otherwise cause loss to the secondary obligor.

(b) If a person entitled to enforce an instrument grants a principal obligor an extension of the time at which one or more payments are due on the instrument and another party to the instrument is a secondary obligor with respect to the obligation of that principal obligor, the following rules apply:

(1) Any obligations of the principal obligor to the secondary obligor with respect to any previous payment by the secondary obligor are not affected. Unless the terms of the extension preserve the secondary obligor's recourse, the extension correspondingly extends the time for performance of any other duties owed to the secondary obligor by the principal obligor under this Article.

(2) The secondary obligor is discharged to the extent that the extension would otherwise cause loss to the secondary obligor.

(3) To the extent that the secondary obligor is not discharged under paragraph (2), the secondary obligor may perform its obligations to a person entitled to enforce the instrument as if the time for payment had not been extended or, unless the terms of the extension provide that the person entitled to enforce the instrument retains the right to enforce the instrument against the

secondary obligor as if the time for payment had not been extended, treat the time for performance of its obligations as having been extended correspondingly.

(c) If a person entitled to enforce an instrument agrees, with or without consideration, to a modification of the obligation of a principal obligor other than a complete or partial release or an extension of the due date and another party to the instrument is a secondary obligor with respect to the obligation of that principal obligor, the following rules apply:

(1) Any obligations of the principal obligor to the secondary obligor with respect to any previous payment by the secondary obligor are not affected. The modification correspondingly modifies any other duties owed to the secondary obligor by the principal obligor under this Article.

(2) The secondary obligor is discharged from any unperformed portion of its obligation to the extent that the modification would otherwise cause loss to the secondary obligor.

(3) To the extent that the secondary obligor is not discharged under paragraph (2), the secondary obligor may satisfy its obligation on the instrument as if the modification had not occurred or treat its obligation on the instrument as having been modified correspondingly.

(d) If the obligation of a principal obligor is secured by an interest in collateral, another party to the instrument is a secondary obligor with respect to that obligation, and a person entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of the secondary obligor is discharged to the extent of the impairment. The value of an interest in collateral is impaired to the extent the value of the interest is reduced to an amount less than the amount of the recourse of the secondary obligor or the reduction in value of the interest causes an increase in the amount by which the amount of the recourse exceeds the value of the interest.

For purposes of this subsection, impairing the value of an interest in collateral includes failure to obtain or maintain perfection or recordation of the interest in collateral; release of collateral without substitution of collateral of equal value or equivalent reduction of the underlying obligation; failure to perform a duty to preserve the value of collateral owed, under Article 9 or other law, to a debtor or other person secondarily liable; and failure to comply with applicable law in disposing of or otherwise enforcing the interest in collateral.

(e) A secondary obligor is not discharged under subsections (a)(3), (b), (c), or (d) unless the person entitled to enforce the instrument knows that the person is a secondary obligor or has notice under Section 3-419(c) that the instrument was signed for accommodation.

(f) A secondary obligor is not discharged under this section if the secondary obligor consents to the occurrence or nonoccurrence of the event or conduct that is the basis of the discharge or the instrument or a separate agreement of the party provides for waiver of discharge under this section specifically or by general language indicating that parties waive defenses based on suretyship or impairment of collateral. Unless the circumstances indicate otherwise, consent by the principal obligor to an act that would lead to a discharge under this section constitutes consent to that act by the secondary obligor if the secondary obligor controls the principal obligor or deals with the person entitled to enforce the instrument on behalf of the principal obligor.

(g) A release or extension preserves a secondary obligor's recourse if the terms of the release or extension provide that:

(1) the person entitled to enforce the instrument retains the right to enforce the instrument against the secondary obligor; and

(2) the recourse of the secondary obligor continues as if the release or extension had not been granted.

(h) Except as otherwise provided in subsection (i), a secondary obligor asserting discharge under this section has the burden of persuasion both with respect to the occurrence of the acts alleged to harm the secondary obligor and loss or prejudice caused by those acts.

(i) If the secondary obligor demonstrates prejudice caused by an impairment of its recourse and the circumstances of the case indicate that the amount of loss is not reasonably susceptible of calculation or requires proof of facts that are not ascertainable, it is presumed that the act impairing recourse caused a loss or impairment equal to the liability of the secondary obligor on the instrument. In that event, the burden of persuasion as to any lesser amount of the loss is on the person entitled to enforce the instrument.

SECTION 54. Section 4-104(b) of said chapter 106 is hereby amended by striking out the reference to the definition for “bank” and to the definition for “good faith”.

SECTION 55. Section 4-104(c) of said chapter 106 is hereby amended by inserting a reference to a definition for “record” which appears in “Section 3-103”, and by inserting a reference to a definition for “remotely-created consumer item” which appears in “Section 3-103”.

SECTION 56. Section 4A-103(a)(1) of said chapter 106 is hereby amended by (i) striking out the comma following the word “orally” and (ii) striking out the words “electronically, or in a writing” following the word “orally”, and inserting in place thereof the following:-- “or in a record”.

SECTION 57. Section 4A-201(ii) of said chapter 106 is hereby amended by inserting, following the words “A security procedure”, the following:-- “may impose an obligation on the receiving bank or the customer and”

SECTION 58. Section 4A-201(ii) of said chapter 106 is further amended by (i) striking out the word “or” following the word “words” and inserting in place thereof a comma, (ii) inserting, following the word “numbers”, the following:-- “, symbols, sounds, biometrics”, and (iii) inserting, following the word “customer”, the following:-- “or requiring a payment order to be sent from a known email address, IP address, or telephone number”

SECTION 59. Section 4A-202(b)(ii) of said chapter 106 is hereby amended by (i) inserting, following the words “in compliance with”, the following words:-- “the bank’s obligations under”, (ii) striking out the word “written” following the words “procedure and any”, (iii) inserting the words “, evidenced by a record” following the words “instruction of the customer”, (iv) striking out the words “a written” following the word “violates” and inserting in place thereof the word “an”, and (iv) inserting, following the words “agreement with a customer”, the following:-- “evidenced by a record”

SECTION 60. Section 4A-202(c)(ii) of said chapter 106 is hereby amended by (i) striking out the word “writing” and inserting in place thereof the following words:-- “a record”, and (ii) inserting, following the words “in compliance with”, the following words:-- “the bank’s obligations under”.

SECTION 61. Section 4A-203(a)(1) of said chapter 106 is hereby amended by striking out the word “written” in that subsection and by inserting, after the word “agreement”, the words “evidenced by a record”.

SECTION 62. Section 4-207(a) of said chapter 106 is hereby amended by (i) striking out the word “and” after the word “warrantor;” in clause (4), (ii) striking out the period at the end of clause (5) and inserting in place thereof the following:-- “; and” and (iii) inserting the following new clause:--

(6) with respect to any remotely-created consumer item, the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

SECTION 63. Section 4-207 of said chapter 106 is hereby further amended by inserting the following new subsection at the end of Section 4-207:--

(f) A claim for breach of the warranty in subsection (a)(6) is available against a previous transferor of the item only to the extent that under applicable law (including the applicable choice-of-law principle) all previous transferors of the item made the warranty in subsection (a)(6).

SECTION 64. Section 4-208(a) of said chapter 106 is hereby amended by (i) striking out the word “and” after the word “altered;” in clause (2), (ii) striking out the period at the end of clause (3), and inserting in place thereof the following:-- “; and” and (iii) inserting the following new clause:--

(4) with respect to any remotely-created consumer item, the person on whose account the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

SECTION 65. Section 4-208 of said chapter 106 is hereby further amended by inserting the following new subsection at the end of Section 4-208:--

(g) A claim for breach of the warranty in subsection (a)(4) is available against a previous transferor of the item only to the extent that under applicable law (including the applicable choice-of-law principle) all previous transferors of the item made the warranty in subsection (a)(4).

SECTION 66. Section 4-212(a) of said chapter 106 is hereby amended by striking out the word “written” in that Section and by inserting in place thereof the following words:-- “record providing”.

SECTION 67. Section 4-301(a) of said chapter 106 is hereby amended by striking out the word “or” in clause (1), by striking out clause (2) and by inserting the following new clauses at the end of Section 4-301(a):--

(2) returns an image of the item, if the party to which the return is made has entered into an agreement to accept the an image as a return of the item; and the image is returned in accordance with that agreement; or

(3) sends a record providing notice of dishonor or nonpayment if the item is unavailable for return.

SECTION 68. Section 4-403(b) of said chapter 106 is hereby amended by striking out the word “writing” wherever it appears in that Section and by inserting in each place thereof the following word:-- “a record”.

SECTION 69. Section 4A-207(c)(2) of said chapter 106 is hereby amended by (i) striking out the word “writing” in that subsection and inserting in place thereof the word “record”.

SECTION 70. Section 4A-208(b)(2) of said chapter 106 is hereby amended by striking out the word “writing” in that Section and by inserting in place thereof the word “record”.

SECTION 71. Section 4A-210(a) of said chapter 106 is hereby amended by striking out the word “, electronically,” in that Section, and by striking out the word “writing” in that Section and inserting in place thereof the following words:-- “a record”.

SECTION 72. Section 4A-211(a) of said chapter 106 is hereby amended by striking out the word “, electronically,” in that Section, and by striking out the word “writing” in that Section and inserting in place thereof the following words:-- “a record”.

SECTION 73. Section 4A-305(c) of said chapter 106 is hereby amended by striking out the word “written”, and by inserting, following the word “bank”, the following words:--“, evidenced by a record”.

SECTION 74. Section 4A-305(d) of said chapter 106 is hereby amended by striking out the word “written”, and by inserting, following the words “of the receiving bank,”, the following words:-- “evidenced by a record,”.

SECTION 75. Section 5-104 of said chapter 106 is hereby amended by inserting the word “signed” before the word “record”, and by striking out the words “and is authenticated (i) by a signature or (ii) in accordance with the agreement of the parties or the standard practice referred to in Section 5-108(e)”.

SECTION 76. Section 5-116(a) of said chapter 106 is hereby amended by striking out the words “or otherwise authenticated” in that Section, and by striking out the words “in the manner provided in Section 5-104” in that Section.

SECTION 77. Section 5-116 of said chapter 106 is hereby amended by inserting the word "(c)" following the words "undertaking was issued." in subsection (b), by starting a new paragraph with the sentence now beginning with a (c) so that the new paragraph will be subsection (c), by striking out the word "this" following the words "located under" in new subsection (c), and by inserting the word "(d)" at the end of the new subsection (c)

SECTION 78. Section 5-116 of said chapter 106 is hereby further amended by inserting the following new subsection following the new subsection (c):--

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

SECTION 79. Section 5-116 of said chapter 106 is hereby further amended by striking out the word "(c)" from that Section and by inserting in place thereof the word "(e)", by striking out the word "(d)" from that Section and by inserting in place thereof the word "(f)", and by striking out the word "(e)" from that Section and by inserting in place thereof the word "(g)"

SECTION 80. Section 7-102(a)(10) of said chapter 106 is hereby amended by striking out the words ""Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form." and by inserting in place thereof the word "[Reserved.]"

SECTION 81. Section 7-102(a)(11) of said chapter 106 is hereby amended by striking out the words ""Sign" means, with present intent to authenticate or adopt a record: (A) to execute or adopt a tangible symbol; or (B) to attach to or logically associate with the record an electronic sound, symbol, or process." and by inserting in place thereof the word "[Reserved.]".

SECTION 82. Section 7-106(b) of said chapter 106 is hereby amended by (i) striking out the words “is deemed to have” in that Section and by inserting in place thereof the word “has”, (ii) striking out the word “assigned” in that section and by inserting in place thereof the word “transferred”, (iii) striking out the word “such” before the words “a manner”, and (iv) striking out the word “assignee” in subsection (4) of that section and by inserting in place thereof the word “transferee”.

SECTION 83. Section 7-106 of said chapter 106 is further hereby amended by inserting, following subsection (b), the following new subsections:--

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

(1) enables the person readily to identify each electronic copy as either an authoritative copy or a nonauthoritative copy;

(2) enables the person readily to identify itself in any way, including by name, identifying number, cryptographic key, office, or account number, as the person to which each authoritative electronic copy was issued or transferred; and

(3) gives the person exclusive power, subject to subsection (d), to:

(A) prevent others from adding or changing the person to which each authoritative electronic copy has been issued or transferred; and

(B) transfer control of each authoritative electronic copy.

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

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

(2) the power is shared with another person.

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

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

(2) the other person:

(A) can exercise the power without exercise of the power by the person; or

(B) is the transferor to the person of an interest in the document of title.

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

(g) A person has control of an electronic document of title if another person, other than the transferor to the person of an interest in the document:

(1) has control of the document and acknowledges that it has control on behalf of the person; or

(2) obtains control of the document after having acknowledged that it will obtain control of the document on behalf of the person.

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

(i) If a person acknowledges that it has or will obtain control on behalf of another person, unless the person otherwise agrees or law other than this article or Article 9 otherwise provides, the person does not owe any duty to the other person and is not required to confirm the acknowledgment to any other person.

SECTION 84. Section 8-102(a)(6)(i) of said chapter 106 is hereby amended by striking out the word “writing” in that Section and by inserting in place thereof the word “record”.

SECTION 85. Section 8-102 of said chapter 106 is hereby amended by striking subsection (b) and by inserting in place thereof the following new section:

(b) The following definitions in this Article and other Articles apply to this Article:

SECTION 86. Section 8-102(a) of said chapter 106 is hereby further amended by inserting the following definitions in alphabetical order:

“Controllable account”. Section 9-102.

“Controllable electronic record”. Section 12-102.

“Controllable payment intangible”. Section 9-102.

SECTION 87. Section 8-103 of said chapter 106 is hereby amended by inserting, at the end of Section 8-103, the following new section:--

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

SECTION 88. Section 8-106(d)(3) of said chapter 106 is hereby amended by striking out the words "person has control of the security entitlement on behalf of the purchaser or, having previously acquired control of the security entitlement, acknowledges that it has control on behalf of the purchaser." and by inserting in place thereof the following words and new clauses:--

"person, other than the transferor to the purchaser of an interest in the security entitlement:

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

(B) obtains control of the security entitlement after having acknowledged that it will obtain control of the security entitlement on behalf of the purchaser"

SECTION 89. Section 8-106 of said chapter 106 is further hereby amended by inserting, following subsection (g), the following new subsections:--

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

(i) If a person acknowledges that it has or will obtain control on behalf of a purchaser, unless the person otherwise agrees or law other than this Article or Article 9 otherwise provides, the person does not owe any duty to the purchaser and is not required to confirm the acknowledgment to any other person.

SECTION 90. Section 8-110 of said chapter 106 is hereby amended by inserting, at the end of subsection (f), the following new subsection:--

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

SECTION 91. Section 8-303(b) of said chapter 106 is hereby amended by striking out the words "In addition to acquiring the rights of a purchaser, a" and by inserting in place thereof the word "A".

SECTION 92. Section 9-102(a) of said chapter 106 is hereby amended by inserting, after the words "account for,", the following:-- " "account statement", "account to", "commodity account" in paragraph (14), "customer's account", "deposit account" in paragraph (29), "on account of", and "statement of account",.

SECTION 93. Section 9-102(a)(2) of said chapter 106 is further amended by (i) inserting the word "controllable accounts and" after the words "The term includes", (ii) striking out the words "rights to payment evidenced by chattel paper or an instrument" and inserting in place thereof the words "chattel paper" in clause (i), after the word "(i)", (iii) striking the word "or" after clause (v), and (iv) inserting, at the end of the section, the following: -- ", or (vii) rights to payment evidenced by an instrument".

SECTION 94. Section 9-102(a)(3) of said chapter 106 is hereby amended by inserting the words "negotiable" after the words "even if the", by striking out the words "constitutes part of", after the word "instrument" and inserting in place thereof the following: -- "evidences".

SECTION 95. Section 9-102(a)(4) of said chapter 106 is hereby amended by striking out the words “authenticated”, after the word “(A)” and inserting in place thereof the following: -- “signed”.

SECTION 96. Section 9-102(a)(7) of said chapter 106 is hereby amended by striking out the words “”Authenticate” means: (A) to sign; or (B) with present intent to adopt or accept a record, to attach to or logically associate with the record and electronic sound, symbol, or process.” and by inserting in place thereof the word “[Reserved.]”.

SECTION 97. Said chapter 106 is hereby amended by inserting following Section 9-102(a)(7), the following new definitions:

(7A) “Assignee”, except as used in “assignee for benefit of creditors”, means a person (i) in whose favor a security interest that secures an obligation is created or provided for under a security agreement, whether or not the obligation is outstanding or (ii) to which an account, chattel paper, payment intangible, or promissory note has been sold. The term includes a person to which a security interest has been transferred by a secured party.

(7B) “Assignor” means a person that (i) under a security agreement creates or provides for a security interest that secures an obligation or (ii) sells an account, chattel paper, payment intangible, or promissory note. The term includes a secured party that has transferred a security interest to another person.

SECTION 98. Said chapter 106 is hereby amended by striking out Section 9-102(a)(11) and by inserting in place thereof the following new definition:--

(11) “Chattel paper” means:

(A) a right to payment of a monetary obligation secured by specific goods, if the right to payment and security agreement are evidenced by a record; or

(B) a right to payment of a monetary obligation owed by a lessee under a lease agreement with respect to specific goods and a monetary obligation owed by the lessee in connection with the transaction giving rise to the lease, if:

(i) the right to payment and lease agreement are evidenced by a record; and

(ii) the predominant purpose of the transaction giving rise to the lease was to give the lessee the right to possession and use of the goods.

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

SECTION 99. Section 9-102(a) of said chapter 106 is hereby amended by inserting the following new definitions following Section 9-102(a)(27):--

(27A) “Controllable account” means an account evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that has control under Section 12-105 of the controllable electronic record.

(27B) “Controllable payment intangible” means a payment intangible evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that has control under Section 12-105 of the controllable electronic record.

SECTION 100. Said chapter 106 is hereby amended by striking out Section 9-102(a)(31) and by inserting in place thereof the following new definitions:--

(31) [Reserved.]

(31A) “Electronic money” means money in an electronic form.

SECTION 101. Section 9-102(a)(42) of said chapter 106 is hereby amended by inserting, after the word “includes”, the following:-- “controllable electronic records,”.

SECTION 102. Section 9-102(a)(47) of said chapter 106 is hereby amended by striking out the word “or”, after the word “credit,”, and by inserting after the words “with the card”. the following:-- “, or (iv) writings that evidence chattel paper”.

SECTION 103. Section 9-102(a) of said chapter 106 is hereby amended by inserting the following new definition following Section 9-102(a)(54):

(54A) “Money” has the meaning in Section 1-201(b)(24), but does not include (i) a deposit account or (ii) money in an electronic form that cannot be subjected to control under Section 9-105A.

SECTION 104. Section 9-102(a)(61) of said chapter 106 is hereby amended by inserting at the end of that section the following:-- “The term includes a controllable payment intangible.”

SECTION 105. Section 9-102(a)(66) of said chapter 106 is hereby amended by striking out the word “authenticated”, after the word “record”, and by inserting in place thereof the following:-- “signed”.

SECTION 106. Said chapter 106 is hereby amended by striking out Section 9-102(a)(75) and by inserting in place thereof the following new definition:--

(75) [Reserved.]

SECTION 107. Said chapter 106 is hereby amended by striking out Section 9-102(a)(79) and by inserting in place thereof the following new definitions:--

(79) [Reserved.]

(79A) “Tangible money” means money in a tangible form.

SECTION 108. Section 9-102(b) of said chapter 106 is hereby amended by inserting the following definitional cross-references in alphabetical order:--

“Controllable electronic record”. Section 12-102.

“Protected purchaser”. Section 8-303.

“Qualifying purchaser”. Section 12-102.

SECTION 109. Section 9-104(a) of said chapter 106 is hereby amended by (i) striking out the words “an authenticated”, after the word “in” in clause (2) and inserting in place thereof the words “a signed”, (ii) striking the word “or” in clause (2) after the word “debtor;” (iii) striking the period after the word “account”, and (iv) inserting the word “; or” after the word “account”.

SECTION 110. Section 9-104(a) of said chapter 106 is further amended by inserting the following new clause:

(4) another person, other than the debtor:

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

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

SECTION 111. Said chapter 106 is hereby amended by striking out Section 9-105 and by inserting in place thereof the following new section:--

Section 9-105. Control of Electronic Copy of Record Evidencing Chattel Paper.

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) transfer control of the authoritative electronic copy.

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

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

(2) the power is shared with another person.

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

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

(2) the other person:

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

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

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

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

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

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

SECTION 112. Section 9-105A of said chapter 106 is hereby amended by inserting the following new section:-

Section 9-105A. Control of Electronic Money.

(a) General rule: control of electronic money. A person has control of electronic money if:

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

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

(B) exclusive power, subject to subsection (b), to:

(i) prevent others from availing themselves of substantially all the benefit from the electronic money; and

(ii) transfer control of the electronic money to another person or cause another person to obtain control of other electronic money as a result of the transfer of the electronic money; and

(2) the electronic money, a record attached to or logically associated with the electronic money, or a system in which the electronic money is recorded enables the person readily to identify itself in any way, including by name, identifying number, cryptographic key, office, or account number, as having the powers under paragraph (1).

(b) Meaning of exclusive. Subject to subsection (c) a power is exclusive under subsection (a)(1)(B)(i) and (ii) even if:

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

(2) the power is shared with another person.

(c) When power not shared with another person. A power of a person is not shared with another person under subsection (b)(2) and the person's power is not exclusive if:

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

(2) the other person:

(A) can exercise the power without exercise of the power by the person; or

(B) is the transferor to the person of an interest in the electronic money.

(d) Presumption of exclusivity of certain powers. If a person has the powers specified in subsection (a)(1)(B)(i) and (ii), the powers are presumed to be exclusive.

(e) Control through another person. A person has control of electronic money if another person, other than the transferor to the person of an interest in the electronic money:

(1) has control of the electronic money and acknowledges that it has control on behalf of the person; or

(2) obtains control of the electronic money after having acknowledged that it will obtain control of the electronic money on behalf of the person.

SECTION 113. Section 9-107 of said chapter 106 is further amended by inserting the following new sections:

Section 9-107A. Control of Controllable Electronic Record, Controllable Account, or Controllable Payment Intangible.

(a) Control under Section 12-105. A secured party has control of a controllable electronic record as provided in Section 12-105.

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

Section 9-107B. No Requirement to Acknowledge or Confirm; No Duties.

(a) No requirement to acknowledge. A person that has control under Section 9-104, 9-105, or 9-105A is not required to acknowledge that it has control on behalf of another person.

(b) No duties or confirmation. If a person acknowledges that it has or will obtain control on behalf of another person, unless the person otherwise agrees or law other than this article otherwise provides, the person does not owe any duty to the other person and is not required to confirm the acknowledgment to any other person.

SECTION 114. Section 9-203(b)(3) of said chapter 106 is hereby amended by (i) striking out the word “authenticated”, in subsection (A) and inserting in place thereof the word “signed” and (ii) striking the word “or”, in subsection 3(C).

SECTION 115. Section 9-203(b)(3) of said chapter 106 is further amended by striking out subsection (D) and by inserting at the end of subsection (C) the following new sections:--

(D) the collateral is controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, investment property, or letter-of-credit rights, and the secured party has control under Section 7-106, 9-104, 9-105A, 9-106, or 9-107A pursuant to the debtor's security agreement; or

(E) the collateral is chattel paper and the secured party has possession and control under Section 9-314A pursuant to the debtor's security agreement.

SECTION 116. Section 9-204(b) of said chapter 106 is hereby amended by striking out the word "A" before the word "security", and by inserting in place thereof the following:-- "Subject to Subsection (b.1), a".

SECTION 117. Section 9-204 of said chapter 106 is hereby further amended by inserting at the end of subsection (b) the following new subsection:--

(b.1) Limitation on subsection (b). Subsection (b) does not prevent a security interest from attaching:

(1) to consumer goods as proceeds under Section 9-315(a) or commingled goods under Section 9 336(c);

(2) to a commercial tort claim as proceeds under Section 9-315(a); or

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

SECTION 118. Section 9-207 of said chapter 106 is hereby amended by striking out subsection (c) and by inserting in place thereof the following new subsection:--

(c) Duties and rights when secured party in possession or control. Except as otherwise provided in subsection (d), a secured party having possession of collateral or control of collateral under Section 7-106, 9-104, 9-105, 9-105A, 9-106, or 9-107, or 9-107A:

SECTION 119. Section 9-208(b) of said chapter 106 is hereby amended by striking out the words “an authenticated” after the word “receiving” in and by inserting in place thereof the following:-- “a signed”.

SECTION 120. Section 9-208(b)(1) of said chapter 106 is hereby amended by striking out the words “an authenticated statement” and by inserting in place thereof the following:--“a signed record”.

SECTION 121. Section 9-208(b) of said chapter 106 is hereby amended by striking out clauses (3) and (6) by inserting in place of each thereof the following new clauses:--

(3) a secured party, other than a buyer, having control under Section 9-105 of an authoritative electronic copy of a record evidencing chattel paper shall transfer control of the electronic copy to the debtor or a person designated by the debtor;

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

(7) a secured party having control under Section 9-105A of electronic money shall transfer control of the electronic money to the debtor or a person designated by the debtor; and

(8) a secured party having control under Section 12-105 of a controllable electronic record, other than a buyer of a controllable account or controllable payment intangible evidenced

by the controllable electronic record, shall transfer control of the controllable electronic record to the debtor or a person designated by the debtor.

SECTION 122. Section 9-208(b)(4) of said chapter 106 is hereby amended by striking the words “an authenticated” after the word “maintained” and by inserting in place thereof the following:--“a signed”.

SECTION 123. Section 9-208(b)(5) of said chapter 106 is hereby amended by striking the words “an authenticated” after the word “maintained”, by inserting in place thereof the following:--“a signed”, and by striking the word “and” at the end of such subsection.

SECTION 124. Section 9-209 of said chapter 106 is hereby amended by striking out subsection (b) and inserting in place thereof the following new subsection:--

(b) Duties of secured party after receiving demand from debtor. Within 10 days after receiving a signed demand by the debtor, a secured party shall send to an account debtor that has received notification under Section 9-406(a) or 12-106(b) of an assignment to the secured party as assignee a signed record that releases the account debtor from any further obligation to the secured party.

SECTION 125. Section 9-210(a) of said chapter 106 is hereby amended by striking out the word “authenticated” wherever the word appears in that Section and by inserting in place thereof the word “signed”.

SECTION 126. Section 9-210(b)(2) of said chapter 106 is hereby amended by striking out the word “authenticating” in that Section and by inserting in place thereof the word “signing”.

SECTION 127. Sections 9-210(c), (d), and (e) of said chapter 106 is hereby amended by striking out the words “an authenticated” in such Sections and by inserting in place thereof the words “a signed”.

SECTION 128. Section 9-301 of said chapter 106 is hereby amended by striking out the word “9-306”, after the word “through” and by inserting in place thereof the word “9-306B”.

SECTION 129. Section 9-301 of said chapter 106 is hereby amended by striking out subsection (3) and inserting in place thereof the following new subsection:--

(3) Except as otherwise provided in paragraph (4), while negotiable tangible documents, goods, instruments, or tangible money is located in a jurisdiction, the local law of that jurisdiction governs:

(A) perfection of a security interest in the goods by filing a fixture filing;

(B) perfection of a security interest in timber to be cut; and

(C) the effect of perfection or nonperfection and the priority of a nonpossessory security interest in the collateral.

SECTION 130. Section 9-304 of said chapter 106 is hereby amended by deleting the period at the end of subsection (a), and by inserting, at the end of subsection (a), the following:-- “ even if the transaction does not bear any relation to the bank’s jurisdiction.”

SECTION 131. Section 9-305 of said chapter 106 is hereby amended by inserting, at the end of subsection (4), the following new subsection:--

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

SECTION 132. Said chapter 106 is hereby amended by inserting after Section 9-306 the following new sections:

Section 9-306A. Law Governing Perfection and Priority of Security Interests in Chattel Paper.

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

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

(1) If the authoritative electronic copy of the record evidencing chattel paper, or a record attached to or logically associated with the electronic copy and readily available for review, expressly provides that a particular jurisdiction is the chattel paper's jurisdiction for purposes of this part, this article, or this chapter, that jurisdiction is the chattel paper's jurisdiction.

(2) If paragraph (1) does not apply and the rules of the system in which the authoritative electronic copy is recorded are readily available for review and expressly provide that a

particular jurisdiction is the chattel paper's jurisdiction for purposes of this part, this article, or this chapter, that jurisdiction is the chattel paper's jurisdiction.

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

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

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

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

(1) perfection of a security interest in the chattel paper by possession under Section 9-314A; and

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

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

Section 9-306B. Law Governing Perfection and Priority of Security Interests in Controllable Accounts, Controllable Electronic Records, and Controllable Payment Intangibles.

(a) Governing law: general rules. Except as provided in subsection (b), the local law of the controllable electronic record's jurisdiction specified in Section 12-107(c) and (d) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a controllable electronic record and a security interest in a controllable account or controllable payment intangible evidenced by the controllable electronic record.

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

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

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

SECTION 133. Section 9-310(b) of said chapter 106 is hereby amended by striking out subsection (8) and inserting in place thereof the following new sections:--

(8) in controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, investment property, or letter-of-credit rights which is perfected by control under Section 9-314;

(8.1) in chattel paper which is perfected by possession and control under Section 9-314A;

SECTION 134. Said chapter 106 is hereby amended by striking out Section 9-312 and inserting in place thereof the following new section:--

Section 9-312. Perfection of Security Interests in Chattel Paper, Controllable Accounts, Controllable Electronic Records, Controllable Payment Intangibles, Deposit Accounts, Negotiable Documents, Goods Covered by Documents, Instruments, Investment Property, Letter-of-Credit Rights, and Money; Perfection by Permissive Filing; Temporary Perfection Without Filing or Transfer of Possession.

(a) Perfection by filing permitted. A security interest in chattel paper, controllable accounts, controllable electronic records, controllable payment intangibles, instruments, investment property, or negotiable documents may be perfected by filing.

(b) Control or possession of certain collateral. Except as otherwise provided in Section 9-315(c) and (d) for proceeds:

(1) a security interest in a deposit account may be perfected only by control under Section 9-314;

(2) except as otherwise provided in Section 9-308(d), a security interest in a letter-of-credit right may be perfected only by control under Section 9-314;

(3) a security interest in tangible money may be perfected only by the secured party's taking possession under Section 9-313; and

(4) a security interest in electronic money may be perfected only by control under Section 9-314.

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

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

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

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

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

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

(3) filing as to the goods.

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

SECTION 135. Section 9-313 of said chapter 106 is hereby amended by striking out subsection (a) and inserting in place thereof the following new subsection:--

(a) Perfection by possession or delivery. Except as otherwise provided in subsection (b), a secured party may perfect a security interest in goods, instruments, negotiable tangible

documents, or tangible money by taking possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of the certificated securities under Section 8-301.

SECTION 136. Section 9-313(c) of said chapter 106 is hereby amended by striking out clauses (1) and (2) and by inserting in place thereof the following new clauses:--

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

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

SECTION 137. Section 9-313(d) of said chapter 106 is hereby amended by striking out the word "no" and by inserting in place thereof the word "not".

SECTION 138. Section 9-314 of said chapter 106 is hereby amended by striking out subsections (a) and (b) and inserting in place thereof the following new subsections:--

(a) Perfection by control. A security interest in controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, investment property, or letter-of-credit rights may be perfected by control of the collateral under Section 7-106, 9-104, 9-105A, 9-106, 9-107, or 9-107A.

(b) Specified collateral: time of perfection by control; continuation of perfection. A security interest in controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, or letter-of-credit rights is perfected by control under Section 7-106, 9-104, 9-105A, 9-107, or 9-107A not earlier than the

time the secured party obtains control and remains perfected by control only while the secured party retains control.

SECTION 139. Section 9-314(c) of said chapter 106 is hereby amended by striking out the word “from” after the word “9-106”, and by inserting in place thereof the following:--“not earlier than”.

SECTION 140. Said chapter 106 is hereby amended inserting the following new section following Section 9-314:--

Section 9-314A. Perfection by Possession and Control of Chattel Paper.

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

(b) Time of perfection; continuation of perfection. A security interest is perfected under subsection (a) not earlier than the time the secured party takes possession and obtains control and remains perfected under subsection (a) only while the secured party retains possession and control.

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

SECTION 141. Section 9-316 of said chapter 106 is hereby amended by striking out the chapeau of subsection (a) and inserting in place thereof the following new chapeau:--

(a) General rule: effect on perfection of change in governing law. A security interest perfected pursuant to the law of the jurisdiction designated in Section 9-301(1), 9-305(c), 9-306A(d), or 9-306B(b) remains perfected until the earliest of:

SECTION 142. Section 9-316 of said chapter 106 is hereby further amended by striking out the chapeau of subsection (f) and inserting in place thereof the following new chapeau:--

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

SECTION 143. Section 9-317 of said chapter 106 is hereby amended by striking out subsection (b) and inserting in place thereof the following new subsection:--

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

SECTION 144. Section 9-317 of said chapter 106 is hereby amended by striking out subsection (d) and inserting in place thereof the following new subsection:--

(d) Licensees and buyers of certain collateral. Subject to subsections (f) through (i), a licensee of a general intangible or a buyer, other than a secured party, of collateral other than electronic money, goods, instruments, tangible documents or a certificated security takes free of a security interest if the licensee or buyer gives value without knowledge of the security interest and before it is perfected.

SECTION 145. Section 9-317 of said chapter 106 is hereby further amended by inserting at the end of subsection (e) the following new subsections:

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

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

(2) if each authoritative electronic copy of the record evidencing the chattel paper can be subjected to control under Section 9-105, obtains control of each authoritative electronic copy.

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

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

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

SECTION 146. Section 9-323(d) of said chapter 106 is hereby amended by striking out the words “other than a buyer in ordinary course of business”, after the word “goods”.

SECTION 147. Section 9-323(f) of said chapter 106 is hereby amended by striking out the words “other than a lessee in ordinary course of business”, after the word “goods”.

SECTION 148. Section 9-324 of said chapter 106 is hereby amended by striking out the words “an authenticated” wherever it appears in that Section and by inserting in each place thereof the following:-- “a signed”.

SECTION 149. Said chapter 106 is hereby amended by inserting following Section 326 the following new section:

Section 9-326A. Priority of Security Interest in Controllable Account, Controllable Electronic Record, and Controllable Payment Intangible. A security interest in a controllable account, controllable electronic record, or controllable payment intangible held by a secured party having control of the account, electronic record, or payment intangible has priority over a conflicting security interest held by a secured party that does not have control.

SECTION 150. Section 9-330 of said chapter 106 is hereby amended by striking out subsections (a) and (b) and by inserting in place thereof the following new subsections:--

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

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

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

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

SECTION 151. Section 9-330 of said chapter 106 is hereby further amended by striking out subsection (f) and by inserting in place thereof the following new subsection:--

(f) Indication of assignment gives knowledge. For purposes of subsections (b) and (d), if the authoritative copies of the record evidencing chattel paper or an instrument indicate that the chattel paper or instrument has been assigned to an identified secured party other than the

purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase violates the rights of the secured party.

SECTION 152. Said chapter 106 is hereby amended by striking out Section 9-331 and by inserting in place thereof the following new Section:--

Section 9-331. Priority of Rights of Purchasers of Controllable Accounts, Controllable Electronic Records, Controllable Payment Intangibles, Documents, Instruments, and Securities Under Other Articles; Priority of Interests in Financial Assets and Security Entitlements and Protection Against Assertion of Claim Under Articles 8 and 12.

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

(b) Protection under Articles 8 and 12. This article does not limit the rights of or impose liability on a person to the extent that the person is protected against the assertion of a claim under Article 8 or 12.

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

SECTION 153. Said chapter 106 is hereby amended by striking out Section 9-332 and by inserting in place thereof the following new Section:--

Section 9-332. Transfer of Money; Transfer of Funds from Deposit Account.

(a) Transferee of tangible money. A transferee of tangible money takes the money free of a security interest if the transferee receives possession of the money without acting in collusion with the debtor in violating the rights of the secured party.

(b) Transferee of funds from deposit account. A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account if the transferee receives the funds without acting in collusion with the debtor in violating the rights of the secured party.

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

SECTION 154. Section 9-334(f) of said chapter 106 is hereby amended by striking out the words “an authenticated” in that subsection (1) and by inserting in place thereof the following:-- “a signed”.

SECTION 155. Section 9-338 of said chapter 106 is hereby amended by striking out in clause (2) and inserting in place thereof the following new clause (2):--

a purchaser, other than a secured party, of the collateral takes free of the security interest or agricultural lien to the extent that, in reasonable reliance upon the incorrect information, the purchaser gives value and, in the case of , tangible documents, goods, instruments, or a security certificate, receives possession or delivery of the collateral, and, in the case of chattel paper, takes possession of each authoritative tangible copy of the record evidencing the chattel paper

and obtains control of each authoritative electronic copy of the electronic record evidencing the chattel paper.

SECTION 156. Section 9-341 of said chapter 106 is hereby amended by striking out the words “an authenticated”, after the words “agrees in”, and by inserting in place thereof the following:-- “a signed”.

SECTION 157. Section 9-404(a) of said chapter 106 is hereby amended by striking out the words “authenticated” in clause (2) and by inserting in place thereof the following word:-- “signed”.

SECTION 158. Section 9-406 of said chapter 106 is hereby amended by striking out subsections (a) through (c) and by inserting in place thereof the following new subsections:--

(a) Discharge of account debtor; effect of notification. Subject to subsections (b) through (i) and (l), an account debtor on an account, chattel paper, or a payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, signed by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.

(b) When notification ineffective. Subject to subsections (h) and (l), notification is ineffective under subsection (a):

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

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

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

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

SECTION 159. Section 4-406(d) of said chapter 106 is amended by adding the following new sentence at the beginning of subsection (d): --" In this subsection, “promissory note” includes a negotiable instrument that evidences chattel paper.”

SECTION 160. Section 9-406 of said chapter 106 is further amended by striking out the words “subsection (h)”, after the word “to” in subsection (g), and by inserting in place thereof the following:-- “subsections (h) and (l)”.

SECTION 161. Section 9-406 of said chapter 106 is hereby amended by inserting following subsection (j) the following new subsections: --

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

(l) Inapplicability of certain subsections. Subsections (a), (b), (c), and (g) do not apply to a controllable account or controllable payment intangible.

SECTION 162. Section 9-408 of said chapter 106 is hereby amended by inserting at the end of subsection (f) the following new sections: --

(f) Inapplicability to interests in certain entities. This section does not apply to a security interest in an ownership interest in a general partnership, limited partnership, or limited liability company.

(g) “Promissory note.” In this section, “promissory note” includes a negotiable instrument that evidences chattel paper.

SECTION 163. Section 9-509(a)(1) of said chapter 106 is hereby amended by striking out the words “an authenticated” and by inserting in the following words:-- “a signed”.

SECTION 164. Section 9-509(b) of said chapter 106 is hereby amended by striking out the word “authenticating” in that Section and by inserting in place thereof the following word:-- “signing”.

SECTION 165. Section 9-513 of said chapter 106 is hereby amended by striking out the words “an authenticated” wherever they appear in that Section and by inserting in each place thereof the following words:-- “a signed”.

SECTION 166. Section 9-601(b) of said chapter 106 is hereby amended by inserting the word “9-105A,” after the word “9-105,” in that Section, by striking out the word “or” following the word “9-106,” in that Section, and by inserting the words “, or 9-107A” following the word “9-107” in that Section

SECTION 167. Section 9-605 of said chapter 106 is hereby amended by striking out the word “A” at the beginning of that Section and by inserting in place thereof the following words:-- “(a) In general: No duty owed by secured party. Except as provided in subsection (b), a”

SECTION 168. Section 9-605 of said chapter 106 is further hereby amended by inserting, at the end of subsection (a), the following new subsection:--

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

(1) the person is a debtor or obligor; and

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

SECTION 169. Section 9-608(a)(1)(C) of said chapter 106 is hereby amended by striking out the words “an authenticated” in that Section and by inserting in place thereof the following words:-- “a signed”.

SECTION 170. Section 9-611 of said chapter 106 is hereby amended by striking out the words “an authenticated” wherever they appear in that Section and by inserting in each place thereof the following words:-- “a signed”.

SECTION 171. Section 9-611(b) of said chapter 106 is hereby amended by striking out the word “authenticated” in that Section and by inserting in place thereof the following word:-- “signed”.

SECTION 172. Section 9-613 of said chapter 106 is hereby amended by inserting before the word “Except” in the beginning of that section the following:-- “(a) Contents and form of notification.”

SECTION 173. Section 9-613 of said chapter 106 is hereby amended by striking the chapeau of clause (5) and by inserting in its place the following new chapeau:

(5) The following form of notification and the form appearing in Section 9-614(a)(3), when completed in accordance with the instructions in subsection (b) and Section 9-614(b), each provides sufficient information:

SECTION 174. Section 9-613 of said chapter 106 is hereby amended by striking out the NOTIFICATION OF DISPOSITION OF COLLATERAL form in that Section and by inserting in place thereof the following form:--

NOTIFICATION OF DISPOSITION OF COLLATERAL

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

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

{1} Name of any debtor that is not an addressee:

(Name of each debtor)

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

(Date)

(Time)

(Place)

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

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

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

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

[End of Form]

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

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

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

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

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

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

SECTION 175. Section 9-614 of said chapter 106 is hereby amended by inserting before the word “In” in the beginning of that Section the following:-- “(a) Contents and form of notification.”

SECTION 176. Section 9-614(a), as amended, of said chapter 106 is hereby amended by striking out the word “9-613(1)“ in clause (1) of that Section and by inserting in place thereof the word “9-613(a)(1)”

SECTION 177. Section 9-614(3) of said chapter 106 is hereby amended by striking the comma after the word “completed”, by inserting after the word “completed” the words “in accordance with the instructions in subsection (b),”.

SECTION 178. Section 9-614(3) of said chapter 106 is hereby amended by striking out the NOTICE OF OUR PLAN TO SELL PROPERTY form in that Section and by inserting in place thereof the following form:--

(Name and address of secured party)

(Date)

NOTICE OF OUR PLAN TO SELL PROPERTY

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

Subject: (Identify transaction)

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

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

(Date)

(Time)

(Place)

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

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

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

{4} 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).

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

written explanation or an explanation in (description of electronic record)) (an explanation in (description of electronic record)).

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

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

{10} 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)

[End of Form]

SECTION 179. Section 9-614 of said chapter 106 is hereby amended by inserting following Section 6.14(a) as amended, the following new subsection:--

(b) Instructions for form of notification. The following instructions apply to the form of notification in subsection (a)(3):

(1) The instructions in this subsection refer to the numbers in braces before items in the form of notification in subsection (a)(3). Do not include the numbers or braces in the notification. The numbers and braces are used only for the purpose of these instructions.

(2) Include and complete either item {1}, if the notification relates to a public disposition of the collateral, or item {2}, if the notification relates to a private disposition of the collateral.

(3) Include and complete items {3}, {4}, {5}, {6}, and {7}.

(4) In item {5}, include and complete any one of the three alternative methods for the explanation—writing, writing or electronic record, or electronic record.

(5) In item {6}, include the telephone number. In addition, the sender may include and complete either or both of the two additional alternative methods of communication—writing or electronic communication—for the recipient of the notification to communicate with the sender. Neither of the two additional methods of communication is required to be included.

(6) In item {7}, include and complete the method or methods for the explanation—writing, writing or electronic record, or electronic record—included in item {5}.

(7) Include and complete item {8} only if a written explanation is included in item {5} as a method for communicating the explanation and the sender will charge the recipient for another written explanation.

(8) In item {9}, include either the telephone number or the address or both the telephone number and the address. In addition, the sender may include and complete the additional method of communication—electronic communication—for the recipient of the notification to communicate with the sender. The additional method of electronic communication is not required to be included.

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

SECTION 180. Section 9-615 of said chapter 106 is hereby amended by striking out the words “an authenticated” wherever they appear in that Section and by inserting in each place thereof the following words:-- “a signed”.

SECTION 181. Section 9-616(a)(1) of said chapter 106 is hereby amended by striking out the word “writing” in that Section and by inserting in place thereof the following word:-- “record”.

SECTION 182. Section 9-616(a)(2) of said chapter 106 is hereby amended by striking out the word “authenticated” in that Section and by inserting in place thereof the following word:-- “signed”.

SECTION 183. Section 9-616(b)(1)(A) of said chapter 106 is hereby amended by striking out the word “written” in that Section and by inserting, following the word “demand”, the following words:-- “in a record”.

SECTION 184. Section 9-616(c) of said chapter 106 is hereby amended by striking out the words “a writing” in that Section and by inserting in place thereof the following words:-- “an explanation”.

SECTION 185. Section 9-619(a) of said chapter 106 is hereby amended by striking out the word “authenticated” in that Section and by inserting in place thereof the following word:-- “signed”.

SECTION 186. Section 9-620(a)(2) of said chapter 106 is hereby amended by striking out the word “authenticated” and by inserting in each place thereof the following word:-- “signed”.

SECTION 187. Section 9-620(b) of said chapter 106 is hereby amended by striking out the word “an authenticated” in that Section and by inserting in each place thereof the following words:-- “a signed”.

SECTION 188. Section 9-620(c) of said chapter 106 is hereby amended by striking out the word “authenticated” wherever it appears in that Section and by inserting in each place thereof the following word:-- “signed”.

SECTION 189. Section 9-620(f)(2) of said chapter 106 is hereby amended by striking out the word “authenticated” and by inserting in each place thereof the following word:-- “signed”.

SECTION 190. Section 9-621(a)(1) of said chapter 106 is hereby amended by striking out the words “an authenticated” and by inserting in place thereof the following words:-- “a signed”.

SECTION 191. Section 9-624 of said chapter 106 is hereby amended by striking out the word “authenticated” wherever it appears in that Section and by inserting in each place thereof the following word:-- “signed”.

SECTION 192. Section 9-628(a) of said chapter 106 is hereby amended by striking out the word “Unless” in that Section and by inserting in place thereof the following words:-- “Subject to subsection (f), unless”.

SECTION 193. Section 9-628(b) of said chapter 106 is hereby amended by striking out the word “A”, following the words “Limitation of liability based on status as secured party.” in that Section and by inserting in place thereof the following words:-- “Subject to subsection (f), a”.

SECTION 194. Section 9-628 of said chapter 106 is further hereby amended by inserting, at the end of subsection (e), the following new subsection:--

(f) Exception: Limitation of liability under subsections (a) and (b) does not apply. Subsections (a) and (b) do not apply to limit the liability of a secured party to a person if, at the time the secured party obtains control of collateral that is a controllable account, controllable electronic record, or controllable payment intangible or at the time the security interest attaches to the collateral, whichever is later:

(1) the person is a debtor or obligor; and

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

SECTION 195. Chapter 106 is further amended by adding the following new article after Article 9:--

ARTICLE 12

CONTROLLABLE ELECTRONIC RECORDS

Section 12-101. Title.

This article may be cited as Uniform Commercial Code—Controllable Electronic Records.

Section 12-102. Definitions.

(a) Article 12 definitions.

In this article:

(1) “Controllable electronic record” means a record stored in an electronic medium that can be subjected to control under Section 12-105. The term does not include a controllable account, a controllable payment intangible, a deposit account, an electronic copy of a record evidencing chattel paper, an electronic document of title, electronic money, investment property, or a transferable record.

(2) “Qualifying purchaser” means a purchaser of a controllable electronic record or an interest in a controllable electronic record that obtains control of the controllable electronic record for value, in good faith, and without notice of a claim of a property right in the controllable electronic record.

(3) “Transferable record” has the meaning provided for that term in:

(A) Section 201(a)(1) of the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. Section 7021(a)(1), as amended; or

(B) Section 16(a) of the Massachusetts Uniform Electronic Transactions Act, Chapter 110G.

(4) “Value” has the meaning provided in Section 3-303(a), as if references in that subsection to an “instrument” were references to a controllable account, controllable electronic record, or controllable payment intangible.

(b) Definitions in Article 9. The definitions in Article 9 of “account debtor”, “controllable account”, “controllable payment intangible”, “chattel paper”, “deposit account”, “electronic money”, and “investment property” apply to this article.

(c) Article 1 definitions and principles. Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.

Section 12-103. Relation to Article 9 and Consumer Laws.

(a) Article 9 governs in case of conflict. If there is conflict between this article and Article 9, Article 9 governs.

(b) Applicable consumer law and other laws. A transaction subject to this article is subject to any applicable rule of law that establishes a different rule for consumers, to any other statute or regulation of the commonwealth that regulates the rates, charges, agreements, and practices for loans, credit sales, or other extensions of credit, and to any consumer-protection statute or regulation of the commonwealth.

Section 12-104. Rights in Controllable Account, Controllable Electronic Record, and Controllable Payment Intangible.

(a) Applicability of section to controllable account and controllable payment intangible. This section applies to the acquisition and purchase of rights in a controllable account or controllable payment intangible, including the rights and benefits under subsections (c), (d), (e), (g), and (h) of a purchaser and qualifying purchaser, in the same manner this section applies to a controllable electronic record.

(b) Control of controllable account and controllable payment intangible. To determine whether a purchaser of a controllable account or a controllable payment intangible is a qualifying purchaser, the purchaser obtains control of the account or payment intangible if it obtains control of the controllable electronic record that evidences the account or payment intangible.

(c) Applicability of other law to acquisition of rights. Except as provided in this section, law other than this article determines whether a person acquires a right in a controllable electronic record and the right the person acquires.

(d) Shelter principle and purchase of limited interest. A purchaser of a controllable electronic record acquires all rights in the controllable electronic record that the transferor had or had power to transfer, except that a purchaser of a limited interest in a controllable electronic record acquires rights only to the extent of the interest purchased.

(e) Rights of qualifying purchaser. A qualifying purchaser acquires its rights in the controllable electronic record free of a claim of a property right in the controllable electronic record.

(f) Limitation of rights of qualifying purchaser in other property. Except as provided in subsections (a) and (e) for a controllable account and a controllable payment intangible or law other than this article, a qualifying purchaser takes a right to payment, right to performance, or other interest in property evidenced by the controllable electronic record subject to a claim of a property right in the right to payment, right to performance, or other interest in property.

(g) No-action protection for qualifying purchaser. An action may not be asserted against a qualifying purchaser based on both a purchase by the qualifying purchaser of a controllable electronic record and a claim of a property right in another controllable electronic record, whether the action is framed in conversion, replevin, constructive trust, equitable lien, or other theory.

(h) Filing not notice. Filing of a financing statement under Article 9 is not notice of a claim of a property right in a controllable electronic record.

Section 12-105. Control of Controllable Electronic Record.

(a) General rule: control of controllable electronic record. A person has control of a controllable electronic record if the electronic record, a record attached to or logically associated with the electronic record, or a system in which the electronic record is recorded:

(1) gives the person:

(A) power to avail itself of substantially all the benefit from the electronic record; and

(B) exclusive power, subject to subsection (b), to:

(i) prevent others from availing themselves of substantially all the benefit from the electronic record; and

(ii) transfer control of the electronic record to another person or cause another person to obtain control of another controllable electronic record as a result of the transfer of the electronic record; and

(2) enables the person readily to identify itself in any way, including by name, identifying number, cryptographic key, office, or account number, as having the powers specified in paragraph (1).

(b) Meaning of exclusive. Subject to subsection (c), a power is exclusive under subsection (a)(1)(B)(i) and (ii) even if:

(1) the controllable electronic record, a record attached to or logically associated with the electronic record, or a system in which the electronic record is recorded limits the use of the

electronic record or has a protocol programmed to cause a change, including a transfer or loss of control or a modification of benefits afforded by the electronic record; or

(2) the power is shared with another person.

(c) When power not shared with another person. A power of a person is not shared with another person under subsection (b)(2) and the person's power is not exclusive if:

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

(2) the other person:

(A) can exercise the power without exercise of the power by the person; or

(B) is the transferor to the person of an interest in the controllable electronic record or a controllable account or controllable payment intangible evidenced by the controllable electronic record.

(d) Presumption of exclusivity of certain powers. If a person has the powers specified in subsection (a)(1)(B)(i) and (ii), the powers are presumed to be exclusive.

(e) Control through another person. A person has control of a controllable electronic record if another person, other than the transferor to the person of an interest in the controllable electronic record or a controllable account or controllable payment intangible evidenced by the controllable electronic record:

(1) has control of the electronic record and acknowledges that it has control on behalf of the person; or

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

(f) No requirement to acknowledge. A person that has control under this section is not required to acknowledge that it has control on behalf of another person.

(g) No duties or confirmation. If a person acknowledges that it has or will obtain control on behalf of another person, unless the person otherwise agrees or law other than this article or Article 9 otherwise provides, the person does not owe any duty to the other person and is not required to confirm the acknowledgment to any other person.

Section 12-106. Discharge of Account Debtor on Controllable Account or Controllable Payment Intangible.

(a) Discharge of account debtor. An account debtor on a controllable account or controllable payment intangible may discharge its obligation by paying:

(1) the person having control of the controllable electronic record that evidences the controllable account or controllable payment intangible; or

(2) except as provided in subsection (b), a person that formerly had control of the controllable electronic record.

(b) Content and effect of notification. Subject to subsection (d), the account debtor may not discharge its obligation by paying a person that formerly had control of the controllable electronic record if the account debtor receives a notification that:

(1) is signed by a person that formerly had control or the person to which control was transferred;

(2) reasonably identifies the controllable account or controllable payment intangible;

(3) notifies the account debtor that control of the controllable electronic record that evidences the controllable account or controllable payment intangible was transferred;

(4) identifies the transferee, in any reasonable way, including by name, identifying number, cryptographic key, office, or account number; and

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

(c) Discharge following effective notification. After receipt of a notification that complies with subsection (b), the account debtor may discharge its obligation by paying in accordance with the notification and may not discharge the obligation by paying a person that formerly had control.

(d) When notification ineffective. Subject to subsection (h), notification is ineffective under subsection (b):

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

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

(3) at the option of the account debtor, if the notification notifies the account debtor to:

(A) divide a payment;

(B) make less than the full amount of an installment or other periodic payment; or

(C) pay any part of a payment by more than one method or to more than one person.

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

(f) What constitutes reasonable proof. A person furnishes reasonable proof under subsection (e) that control has been transferred if the person demonstrates, using the method in the agreement referred to in subsection (d)(1), that the transferee has the power to:

(1) avail itself of substantially all the benefit from the controllable electronic record;

(2) prevent others from availing themselves of substantially all the benefit from the controllable electronic record; and

(3) transfer the powers specified in paragraphs (1) and (2) to another person.

(g) Rights not waivable. Subject to subsection (h), an account debtor may not waive or vary its rights under subsections (d)(1) and (e) or its option under subsection (d)(3).

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

Section 12-107. Governing Law.

(a) Governing law: general rule. Except as provided in subsection (b), the local law of a controllable electronic record's jurisdiction governs a matter covered by this article.

(b) Governing law: Section 12-106. For a controllable electronic record that evidences a controllable account or controllable payment intangible, the local law of the controllable electronic record's jurisdiction governs a matter covered by Section 12-106 unless an effective agreement determines that the local law of another jurisdiction governs.

(c) Controllable electronic record's jurisdiction. The following rules determine a controllable electronic record's jurisdiction under this section:

(1) If the controllable electronic record, or a record attached to or logically associated with the controllable electronic record and readily available for review, expressly provides that a particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this article or this chapter, that jurisdiction is the controllable electronic record's jurisdiction.

(2) If paragraph (1) does not apply and the rules of the system in which the controllable electronic record is recorded are readily available for review and expressly provide that a particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this article or this chapter, that jurisdiction is the controllable electronic record's jurisdiction.

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

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

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

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

(e) Relation of matter or transaction to controllable electronic record's jurisdiction not necessary. To the extent subsections (a) and (b) provide that the local law of the controllable electronic record's jurisdiction governs a matter covered by this article, that law governs even if the matter or a transaction to which the matter relates does not bear any relation to the controllable electronic record's jurisdiction.

(f) Rights of purchasers determined at time of purchase. The rights acquired under Section 12-104 by a purchaser or qualifying purchaser are governed by the law applicable under this section at the time of purchase.

SECTION 196. Chapter 106 is further amended by adding the following new article after Article 12:--

ARTICLE A

TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL CODE AMENDMENTS (2022)

PART 1

GENERAL PROVISIONS AND DEFINITIONS

Section A-101. Title.

This article may be cited as Transitional Provisions for Uniform Commercial Code Amendments (2022).

Section A-102. Definitions.

(a) Article A Definitions. In this article:

(1) “Adjustment date” means July 1, 2025, or the date that is one year after January 1, 2027, whichever is later.

(2) “Article 12” means Article 12 of this chapter.

(3) “Article 12 property” means a controllable account, controllable electronic record, or controllable payment intangible.

(b) Definitions in other articles. The following definitions in other articles of this chapter apply to this article.

“Controllable account”. Section 9-102.

“Controllable electronic record”. Section 12-102.

“Controllable payment intangible”. Section 9-102.

“Electronic money”. Section 9-102.

“Financing statement”. Section 9-102.

(c) Article 1 definitions and principles. Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article. References in this article to "this act" refer to the legislative enactment by which chapter 106 of the General Laws is amended effective on the date provided in Section A-401.

PART 2

GENERAL TRANSITIONAL PROVISION

Section A-201. Saving Clause.

Except as provided in Part 3, a transaction validly entered into before January 1, 2027 and the rights, duties, and interests flowing from the transaction remain valid thereafter and may

be terminated, completed, consummated, or enforced as required or permitted by law other than this chapter or, if applicable, this chapter as though this act had not taken effect.

PART 3

TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12

Section A-301. Saving Clause.

(a) Pre-effective-date transaction, lien, or interest. Except as provided in this part, Article 9 as amended by this act and Article 12 apply to a transaction, lien, or other interest in property, even if the transaction, lien, or interest was entered into, created, or acquired before January 1, 2027.

(b) Continuing validity. Except as provided in subsection (c) and Sections A-302 through A-306:

(1) a transaction, lien, or interest in property that was validly entered into, created, or transferred before January 1, 2027 and was not governed by this chapter, but would be subject to Article 9 as amended by this act or Article 12 if it had been entered into, created, or transferred on or after January 1, 2027, including the rights, duties, and interests flowing from the transaction, lien, or interest, remains valid on and after January 1, 2027; and

(2) the transaction, lien, or interest may be terminated, completed, consummated, and enforced as required or permitted by this chapter as amended by this act or by the law that would apply if this act had not taken effect.

(c) Pre-effective-date proceeding. This act does not affect an action, case, or proceeding commenced before January 1, 2027.

Section A-302. Security Interest Perfected Before Effective Date.

(a) Continuing perfection: perfection requirements satisfied. A security interest that is enforceable and perfected immediately before January 1, 2027 is a perfected security interest under this chapter as amended by this act if, on January 1, 2027, the requirements for enforceability and perfection under this chapter as amended by this act are satisfied without further action.

(b) Continuing perfection: enforceability or perfection requirements not satisfied. If a security interest is enforceable and perfected immediately before January 1, 2027, but the requirements for enforceability or perfection under this chapter as amended by this act, are not satisfied on January 1, 2027, the security interest:

(1) is a perfected security interest until the earlier of the time perfection would have ceased under the law in effect immediately before January 1, 2027 or the adjustment date;

(2) remains enforceable thereafter only if the security interest satisfies the requirements for enforceability under Section 9-203, as amended by this act before the adjustment date; and

(3) remains perfected thereafter only if the requirements for perfection under this chapter as amended by this act are satisfied before the time specified in paragraph (1).

Section A-303. Security Interest Unperfected Before Effective Date.

A security interest that is enforceable immediately before January 1, 2027 but is unperfected at that time:

(1) remains an enforceable security interest until the adjustment date;

(2) remains enforceable thereafter if the security interest becomes enforceable under Section 9-203, as amended by this act, on January 1, 2027 or before the adjustment date; and

(3) becomes perfected:

(A) without further action, on January 1, 2027 if the requirements for perfection under this chapter as amended by this act are satisfied before or at that time; or

(B) when the requirements for perfection are satisfied if the requirements are satisfied after that time.

Section A-304. Effectiveness of Actions Taken Before Effective Date.

(a) Pre-effective-date action; attachment and perfection before adjustment date. If action, other than the filing of a financing statement, is taken before January 1, 2027 and the action would have resulted in perfection of the security interest had the security interest become enforceable before January 1, 2027, the action is effective to perfect a security interest that attaches under this chapter as amended by this act before the adjustment date. An attached security interest becomes unperfected on the adjustment date unless the security interest becomes a perfected security interest under this chapter as amended by this act before the adjustment date.

(b) Pre-effective-date filing. The filing of a financing statement before January 1, 2027 is effective to perfect a security interest on January 1, 2027 to the extent the filing would satisfy the requirements for perfection under this chapter as amended by this act.

(c) Pre-effective-date enforceability action. The taking of an action before January 1, 2027 is sufficient for the enforceability of a security interest on January 1, 2027 if the action would satisfy the requirements for enforceability under this chapter as amended by this act.

Section A-305. Priority.

(a) Determination of priority. Subject to subsections (b) and (c), this chapter as amended by this act determines the priority of conflicting claims to collateral.

(b) Established priorities. Subject to subsection (c), if the priorities of claims to collateral were established before January 1, 2027, Article 9 as in effect before January 1, 2027 determines priority.

(c) Determination of certain priorities on adjustment date. On the adjustment date, to the extent the priorities determined by Article 9 as amended by this act modify the priorities established before January 1, 2027, the priorities of claims to Article 12 property and electronic money established before January 1, 2027 cease to apply.

Section A-306. Priority of Claims When Priority Rules of Article 9 Do Not Apply.

(a) Determination of priority. Subject to subsections (b) and (c), Article 12 determines the priority of conflicting claims to Article 12 property when the priority rules of Article 9 as amended by this act do not apply.

(b) Established priorities. Subject to subsection (c), when the priority rules of Article 9 as amended by this act do not apply and the priorities of claims to Article 12 property were established before January 1, 2027, law other than Article 12 determines priority.

(c) Determination of certain priorities on adjustment date. When the priority rules of Article 9 as amended by this act do not apply, to the extent the priorities determined by this chapter as amended by this act modify the priorities established before January 1, 2027, the

priorities of claims to Article 12 property established before January 1, 2027 cease to apply on the adjustment date.

PART 4

EFFECTIVE DATE

Section A-401. Effective Date.

This act takes effect on January 1, 2027.