GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

HOUSE BILL 40
RATIFIED BILL

AN ACT TO ENACT VARIOUS RECOMMENDATIONS OF THE GENERAL STATUTES COMMISSION.

The General Assembly of North Carolina enacts:

PART I. TECHNICAL CORRECTIONS

SECTION 1.(a) G.S. 1-18 is repealed.

SECTION 1.(b) G.S. 29-30 reads as rewritten:

"**§ 29-30. Election of surviving spouse to take life interest in lieu of intestate share provided.**

(a) Except as provided in this subsection, in lieu of the intestate share provided in G.S. 29-14 or G.S. 29-21, or of the elective share provided in G.S. 30-3.1, the surviving spouse of an intestate or the surviving spouse who has petitioned for an elective share is entitled to take as the surviving spouse's intestate share or elective share a life estate in one third in value of all the real estate of which the deceased spouse was seised and possessed of an estate of inheritance at any time during ~~coverture.~~ the marriage. The surviving spouse is not entitled to take a life estate in any of the following circumstances:

…

(b) The surviving spouse may elect to take a life estate in the usual dwelling house occupied by the surviving spouse at the time of the death of the deceased spouse if the dwelling house was owned by the deceased spouse at the time of the deceased spouse's death, together with the outbuildings, ~~improvements~~ improvements, and ~~easements thereunto belonging or appertaining,~~ easements, and ~~lands~~ land upon which the dwelling house is situated and that is reasonably necessary to ~~the~~ its use and ~~enjoyment thereof, as well as~~ enjoyment. The surviving spouse may also elect to take a fee simple ownership in the household furnishings ~~therein,~~ despite the fact that a life estate ~~therein~~ in the dwelling house might exceed the fractional limitation provided for in subsection (a) of this section. If the value of a life estate in the dwelling house is less than the value of a life estate in one-third in value of all the real estate, the surviving spouse may elect to take a life estate in the dwelling and a life estate in such other real estate as to make the aggregate life estate of the surviving spouse equal to a life estate in one-third in value of all the real estate.

(c) The election provided for in subsection (a) of this section ~~shall be~~ is made by ~~the~~ filing ~~of~~ a petition in accordance with Article 2 of Chapter 28A of the General Statutes (i) with the clerk of the superior court of the county in which the administration of the estate is pending or (ii) if no administration is pending, then with the clerk of the superior court of any county in which the administration of the estate could be commenced, together with ~~the~~ recording ~~of~~ a notice indicating the county and file number of the clerk's filing with the register of deeds in every county where real property ~~to be~~ claimed under the filing is located. The election shall be made prior to the following applicable periods:

(1) In case of testacy, the shorter of (i) within 12 months of the date of death of the deceased spouse if letters testamentary are not issued within that period, or (ii) within one month after the expiration of the time limit for filing a claim for elective share if letters have been issued.

(2) In case of intestacy, the shorter of (i) within 12 months after the date of death of the deceased spouse if letters of administration are not issued within that period, or (ii) within one month after the expiration of the time limit for filing claims against the estate, if letters have been issued.

(3) Repealed by Session Laws 2011-344, s. 5, effective January 1, 2012.

(4) If litigation that affects the share of the surviving spouse in the estate is pending, including a pending petition for determination of an elective share, then within ~~such~~ a reasonable time ~~as may be~~ allowed by written order of the clerk of the superior court.

Nothing in this subsection extends the period of time for a surviving spouse to petition for an elective share under Article 1A of Chapter 30 of the General Statutes.

(c1) The petition described in subsection (c) of this section shall do all of the following:

(1) Be directed to the clerk with whom it is filed.

(2) State that the surviving spouse making the petition elects to take under this section rather than under ~~the provisions of~~ G.S. 29-14, 29-21, or 30-3.1, as applicable.

(3) Set forth the names of all heirs, devisees, personal ~~representatives~~ representatives, and all other persons in possession of or claiming an estate or an interest in the property described in subsection (a) of this section.

(4) Request the allotment of the life estate provided for in subsection (a) of this section.

(c2) The petition described in subsection (c) of this section may be filed in ~~person,~~ person or by attorney authorized in a writing executed and duly acknowledged by the surviving spouse and attested by at least one witness. If the surviving spouse is a minor or an incompetent, the petition may be executed and filed by a general guardian or by the guardian of the person or estate of the minor or incompetent spouse. If the minor or incompetent spouse has no guardian, the petition may be executed and filed by a guardian ad litem appointed by the clerk. The petition, whether in person or by attorney, shall be filed as a record of the court, and a summons together with a copy of the petition shall be served upon each of the interested persons named in the petition, in accordance with G.S. 1A-1, Rule 4.

(d) In case of election to take a life estate in lieu of an intestate share or elective share, as provided in either G.S. 29-14, 29-21, or 30-3.1, the clerk of superior court, with whom the petition has been filed, shall summon and appoint a jury of three disinterested persons who being first duly sworn shall promptly allot and set apart to the surviving spouse the life estate provided for in subsection (a) of this section and make a final report of this action to the clerk.

(e) The final report shall be filed by the jury not more than 60 days after ~~the~~ their summoning and ~~appointment thereof,~~ appointment, shall be signed by all jurors, and shall describe by metes and bounds the real estate in which the surviving spouse ~~shall have~~ has been allotted and set aside a life estate. It shall be filed as a record of court and a certified copy ~~thereof~~ of it shall be filed and recorded in the office of the register of deeds of each county in which any part of the real property of the deceased spouse, affected by the allotment, is located.

(f) In the election and procedure to have the life estate allotted and set apart provided for in this section, the rules of procedure relating to partition proceedings apply except insofar as the rules would be inconsistent with ~~the provisions of~~ this section. A determination of the life estate under this section may be appealed in accordance with G.S. 1-301.3.

(g) Neither the household furnishings in the dwelling house nor the life ~~estates~~ estate taken by election under this section are subject to the payment of debts due from the estate of the deceased spouse, except those debts secured by ~~such~~ the property as follows:

(1) By a mortgage or deed of trust in which the surviving spouse has waived the surviving spouse's rights by joining with the other ~~spouse in the making thereof.~~spouse.

(2) By a mortgage or deed of trust given by the deceased spouse to secure a loan, the proceeds of which were used to pay all or a portion of the purchase price of the encumbered real property, regardless of whether the secured party is the seller of the real property or a third-party ~~lender, or by~~lender.

(2a) By a conditional sales contract of personal property in which title is retained by the vendor, made prior to or during the marriage.

(3) By a mortgage or deed of trust made prior to the marriage.

(4) By a mortgage or deed of trust constituting a lien on the property at the time of its acquisition by the deceased spouse either before or during the marriage.

(5) By a mortgage or deed of trust on property with respect to which the elective life estate provided for in this section does not apply as provided in subsection (a) of this section.

(h) If no election is made in the manner and within the time provided for in subsection (c) of this section, the surviving spouse ~~shall be~~ is conclusively deemed to have waived the surviving spouse's right to elect to take under ~~the provisions of~~ this section, and any interest ~~which~~ that the surviving spouse may have had in the real estate of the deceased spouse by virtue of this section ~~shall terminate.~~is terminated."

SECTION 1.(c) G.S. 50-11 reads as rewritten:

"**§ 50-11. Effects of absolute divorce.**

(a) After a judgment of divorce from the bonds of matrimony, all rights arising out of the marriage ~~shall cease and determine except as hereinafter set out,~~ cease, except as otherwise provided by this section, and either party may marry again without restriction arising from the dissolved marriage.

(b) No judgment of divorce shall cause any child in esse or begotten of the body of the wife during ~~coverture~~ the marriage to be treated as a child born out of wedlock.

(c) A divorce obtained pursuant to G.S. 50-5.1 or G.S. 50-6 ~~shall~~ does not affect the rights of either spouse with respect to any action for alimony or postseparation support pending at the time the judgment for divorce is granted. Furthermore, a judgment of absolute divorce ~~shall~~ does not impair or destroy the right of a spouse to receive alimony or postseparation support or affect any other rights provided for ~~such~~ the spouse under any judgment or decree of a court rendered before or at the time of the judgment of absolute divorce.

(d) A divorce obtained outside the State in an action in which jurisdiction over the person of the dependent spouse was not obtained ~~shall~~ does not impair or destroy the right of the dependent spouse to alimony as provided by the laws of this State.

(e) An absolute divorce obtained ~~within~~ in this State ~~shall destroy~~ destroys the right of a spouse to equitable distribution under G.S. 50-20 unless the right is asserted prior to judgment of absolute divorce; ~~except,~~ however, the defendant may bring an action or file a motion in the cause for equitable distribution within six months from the date of the judgment in ~~such a~~ the case if service of process upon the defendant was by publication pursuant to G.S. 1A-1, ~~Rule 4~~ Rule 4, and the defendant failed to appear in the action for divorce.

(f) An absolute divorce by a court that lacked personal jurisdiction over the absent spouse or lacked jurisdiction to dispose of the property ~~shall~~ does not destroy the right of a spouse to equitable distribution under G.S. 50-20 if an action or motion in the cause is filed within six months after the judgment of divorce is entered. The validity of ~~such~~ the divorce may be attacked in the action for equitable distribution."

SECTION 1.(d) G.S. 52-10 reads as rewritten:

"**§ 52-10. Contracts between husband and wife generally; releases.**

(a) Contracts between husband and wife not inconsistent with public policy are valid, and any persons of full age about to be married and married persons may, with or without a valuable consideration, release and quitclaim ~~such~~ rights ~~which~~ they might respectively acquire or may have acquired by marriage in the property of each ~~other; and such~~ other. These releases may be

pleaded in bar of any action or proceeding for the recovery of the rights and estate ~~so~~ released. No contract or release between husband and wife made during their ~~coverture shall be valid to affect or change any part of the real estate of either spouse, or the accruing income thereof for a longer time than three years next ensuing the making of such contract or release,~~ marriage affects either of the following, unless it is in writing and is acknowledged by both parties before a certifying ~~officer.~~officer:

(1) Either spouse's real property.

(2) Income from either spouse's real property accruing more than three years after the execution of the contract or release.

(a1) A contract between a husband and wife made, with or without a valuable consideration, during a period of separation to waive, release, or establish rights and obligations to ~~post-separation~~ postseparation support, alimony, or spousal support is valid and not inconsistent with public policy. A provision waiving, releasing, or establishing rights and obligations to ~~post-separation~~ postseparation support, alimony, or spousal support ~~shall remain~~ remains valid following a period of reconciliation and subsequent separation, if the contract satisfies all of the following requirements:

(1) The contract is in writing.

(2) The provision waiving the rights or obligations is clearly stated in the contract.

(3) The contract was acknowledged by both parties before a certifying officer.

A release made pursuant to this subsection may be pleaded in bar of any action or proceeding for the recovery of the rights released.

(b) ~~Such~~ A certifying officer under this section shall be a notary public, or a justice, judge, magistrate, clerk, assistant ~~clerk~~ clerk, or deputy clerk of the General Court of Justice, or the equivalent or corresponding officers of the state, ~~territory~~ territory, or foreign country where the acknowledgment is made. ~~Such~~ The officer ~~must~~ shall not be a party to the contract.

(c) This section ~~shall~~ does not apply to any judgment of the superior court or other State court of competent ~~jurisdiction, which,~~ jurisdiction that, by reason of its being consented to by a husband and wife, or their attorneys, may be construed to constitute a contract or release between ~~such~~ the husband and wife."

SECTION 2. G.S. 1-569.17 reads as rewritten:

"**§ 1-569.17. Witnesses; subpoenas; depositions; discovery.**

(a) An arbitrator may issue a subpoena for the attendance of a witness and for the production of records and other evidence at any hearing and may administer oaths. A subpoena shall be served in the manner for service of subpoenas in a civil action and, upon motion to the court by a party to the arbitration proceeding or the arbitrator, enforced in the manner for enforcement of subpoenas in a civil action.

…

(d) If an arbitrator permits discovery under subsection (c) of this section, the arbitrator may order a party to the arbitration proceeding to comply with the arbitrator's discovery-related orders, issue subpoenas for the attendance of a witness and for the production of records and other evidence at a discovery proceeding, and take action against a noncomplying party to the extent a court could if the controversy were the subject of a civil action in this State.

…

(g) The court may enforce a subpoena or discovery-related order for the attendance of a witness within this State and for the ~~protection~~ production of records and other evidence issued by an arbitrator in connection with an arbitration proceeding in another state upon conditions determined by the court so as to make the arbitration proceeding fair, expeditious, and cost-effective. A subpoena or discovery-related order issued by an arbitrator in another state shall be served in the manner provided by law for service of subpoenas in a civil action in this State and, upon motion to the court by a party to the arbitration proceeding or the arbitrator, enforced in the manner provided by law for enforcement of subpoenas in a civil action in this State.

(h) An arbitrator ~~shall~~ does not have the authority to hold a party in contempt of any order the arbitrator makes under this section. A court may hold parties in contempt for failure to obey an arbitrator's order, or an order made by the court, pursuant to this section, among other sanctions imposed by the arbitrator or the court."

SECTION 3. G.S. 7B-2204(d) reads as rewritten:

"(d) Should the juvenile be found guilty, or enter a plea of guilty or no contest to a criminal offense in superior court and receive an active sentence, then immediate transfer to the Division of Prisons of the Department of Adult Correction shall be ordered. Until ~~such time as~~ the juvenile is transferred to the Division of Prisons of the Department of Adult Correction, the juvenile may be detained in a holdover facility or detention facility approved by the ~~Section.or approved by the~~ Division of Juvenile Justice of the Department of Public Safety."

SECTION 4. G.S. 14-113.7A reads as rewritten:

"**§ 14-113.7A. Application of Article to ~~credit~~ financial transaction cards.**

This Article ~~shall not be construed as being applicable~~ does not apply to ~~any credit~~ a financial transaction card as ~~the term is~~ defined in G.S. 14-113.8."

SECTION 5. Article 15A of Chapter 15 of the General Statutes is repealed.

SECTION 6. G.S. 58-6-25 reads as rewritten:

"**§ 58-6-25. Insurance regulatory charge.**

…

(b) Rates. – The rate of the charge for each taxable year ~~shall be~~ is six and one-half percent (6.5%). When the Department prepares its budget request for each upcoming fiscal year, the Department shall propose a percentage rate of the charge levied in this section. The Governor shall submit that proposed rate to the General Assembly each fiscal year. It is the intent of the General Assembly that the percentage rate not exceed the rate necessary to generate funds sufficient to defray the estimated cost of the operations of the Department for each upcoming fiscal year, including a reasonable margin for a reserve that shall be used to provide for unanticipated expenditures requiring a budget adjustment as authorized by G.S. 143C-6-4. In calculating the amount of the reserve, the General Assembly shall consider all relevant factors that may affect the cost of operating the Department or a possible unanticipated increase or decrease in North Carolina premiums or other charge revenue.

…

(d) Use of Proceeds. – The Insurance Regulatory Fund is created as an interest-bearing special fund to which the proceeds of the charge levied in this section and all fees collected under Articles 69 through 71 of this Chapter and under Articles 9 and 9C of Chapter 143 of the General Statutes shall be credited. Moneys in the Fund may be spent only pursuant to appropriation by the General Assembly, and the Fund is subject to the provisions of the State Budget Act. All money credited to the Fund shall be used to reimburse the General Fund for the following:

…

(9) Money appropriated to the Department of Insurance for the regulation of the professional employer organization industry pursuant to Article 89A of ~~Chapter 58 of the General Statutes.~~this Chapter.

…."

SECTION 7.(a) The last sentence of Section 5 of S.L. 2013-357 is codified as the last sentence of G.S. 58-50-130(a)(5)b.

SECTION 7.(b) G.S. 58-50-130, as amended by subsection (a) of this section, reads as rewritten:

"**§ 58-50-130. Required health care plan provisions.**

(a) Health benefit plans covering small employers are subject to the following provisions:

…

(5) No small employer carrier, insurer, subsidiary of an insurer, or controlled individual of an insurance holding company shall provide stop loss,

catastrophic, or reinsurance coverage that does not comply with the applicable standards in this Article, including underwriting and rating standards, to small employers ~~who employ~~ employing fewer than 12 eligible ~~employees that does not comply with the underwriting, rating, and other applicable standards in this Act.~~ employees. An insurer shall not issue a stop loss health insurance policy to any person, firm, corporation, partnership, or association defined as a small employer that does any of the following:

a. Provides direct coverage of health expenses payable to an individual.

b. Has an annual attachment point for claims incurred per individual that is lower than twenty thousand dollars ($20,000) for plan years beginning in 2013. For subsequent policy years, the amount shall be indexed using the Consumer Price Index for Medical Services for All Urban Consumers for the South Region and shall be rounded to the nearest whole thousand dollars. The index factor ~~shall be~~ is the index as of July of the year preceding the change divided by the index as of July 2012. The Department ~~of Insurance~~ shall make ~~the amount of the attachment points in Section 3 of this act~~ the indexed amount available to the public annually.

c. Has an annual aggregate attachment point lower than the greater of one of the following:

1. One hundred twenty percent (120%) of expected claims.

2. Twenty thousand dollars ($20,000) for plan years beginning in 2013. For subsequent policy years, the amount shall be indexed using the Consumer Price Index for Medical Services for All Urban Consumers for the South Region and shall be rounded to the nearest whole thousand dollars. The index factor ~~shall be~~ is the index as of July of the year preceding the change divided by the index as of July 2012.

Nothing in this subsection prohibits an insurer from providing additional incentives to small employers with benefits promoting a medical home or benefits that provide health care screenings, are focused on outcomes and key performance indicators, or are reimbursed on an outcomes basis rather than a fee-for-service basis.

(6) If a small employer carrier offers coverage to a small employer, the small employer carrier shall offer coverage to all eligible employees of a small employer and their dependents. A small employer carrier shall not offer coverage to only certain individuals in a small employer group except in the case of late enrollees as provided in ~~G.S. 58-50-130(a)(4).~~subdivision (a)(4) of this section.

(7), (8) Repealed by Session Laws 1997-259, s. 5.

(9) The health benefit plan ~~must~~ shall meet the applicable requirements of Article 68 of this Chapter.

(b) For all small employer health benefit plans that are grandfathered health benefit plans and that are subject to this section, the premium rates are subject to all of the following provisions:

(1) Small employer carriers shall use an adjusted-community rating methodology in which the premium for each small employer can vary only on the basis of the eligible employee's or dependent's age as determined under subdivision (6) of this subsection, the gender of the eligible employee or dependent, number of family members covered, or geographic area as determined under subdivision (7) of this subsection, or industry as determined under subdivision

(9) of this subsection. Premium rates charged during a rating period to small employers with similar case characteristics for the same coverage shall not vary from the adjusted community rate by more than twenty-five percent (25%) for any reason, including differences in administrative costs and claims experience.

(2) Rating factors related to age, gender, number of family members covered, geographic location, or industry may be developed by each carrier to reflect the carrier's experience. The factors used by carriers are subject to the Commissioner's review.

(3) A small employer carrier shall not modify the premium rate charged to a small employer or a small employer group member, including changes in rates related to the increasing age of a group member, for 12 months from the initial issue date or renewal date, unless the group is ~~composite rated~~ composite-rated and composition of the group changed by twenty percent (20%) or more or benefits are changed. The percentage increase in the premium rate charged to a small employer for a new rating period shall not exceed the sum of all of the following:

…

(4), (5) Repealed by Session Laws 1995, c. 238, s. 1.

(6) Unless the small employer carrier uses composite rating, the small employer carrier shall use the following age brackets:

a. Younger than 15 ~~years;~~years.
b. 15 to 19 ~~years;~~years.
c. 20 to 24 ~~years;~~years.
d. 25 to 29 ~~years;~~years.
e. 30 to 34 ~~years;~~years.
f. 35 to 39 ~~years;~~years.
g. 40 to 44 ~~years;~~years.
h. 45 to 49 ~~years;~~years.
i. 50 to 54 ~~years;~~years.
j. 55 to 59 ~~years;~~years.
k. 60 to 64 ~~years;~~years.
l. 65 years.

Carriers may combine, but shall not split, complete age brackets for the purposes of determining rates under this subsection. Small employer carriers shall be permitted to develop separate rates for individuals aged 65 years and older for coverage for which Medicare is the primary payor and coverage for which Medicare is not the primary payor.

(7) A carrier shall define geographic area to mean medical care system. Medical care system factors shall reflect the relative differences in expected costs, shall produce rates that are not excessive, inadequate, or unfairly discriminatory in the medical care system areas, and shall be ~~revenue neutral~~ revenue-neutral to the small employer carrier.

(8) The Department may adopt rules to administer this subsection and to assure that rating practices used by small employer carriers are consistent with the purposes of this subsection. Those rules shall include consideration of differences based on all of the following:

a. Health benefit plans that use different provider network arrangements may be considered separate plans for the purposes of determining the rating in subdivision (1) of this ~~subsection, provided that~~ subsection so

long as the different arrangements are expected to result in substantial differences in claims costs.

b. Except as provided for in sub-subdivision a. of this subdivision, differences in rates charged for different health benefit plans shall be reasonable and reflect objective differences in plan ~~design,~~ design but shall not permit differences in premium rates because of the case characteristics of groups assumed to select particular health benefit plans.

c. Small employer carriers shall apply allowable rating factors consistently with respect to all small employers.

(9) In any case where the small employer carrier uses industry as a case characteristic in establishing premium rates, the rate factor associated with any industry classification divided by the lowest rate factor associated with any other industry classification shall not exceed 1.2.

(b1) For all small employer health benefit plans that are not grandfathered health benefit plans and that are subject to this section, the premium rates are subject to all of the following provisions:

(1) A small employer carrier shall use a method to develop premiums for small employer group health benefit plans that are not grandfathered health plans ~~which~~ that spreads financial risk across a large population and allows adjustments for only the following factors:

a. Age, except that the rate shall not vary by more than the ratio of three to one (3:1) for adults.

b. Whether the plan or coverage covers individual or family.

c. Geographic rating areas.

d. Tobacco use, except that the rate shall not vary by more than the ratio of one and two-tenths to one (1.2:1) due to tobacco use.

With respect to family coverage under a health benefit plan, the rating variations for age and tobacco use shall be applied based on the portion of premium that is attributable to each family member covered under the plan.

…

(f) Each small employer carrier shall file with the Commissioner annually on or before March 15 an actuarial certification certifying that it is in compliance with this ~~Act~~ Article and that its rating methods are actuarially sound. The small employer carrier shall retain a copy of the certification at its principal place of business.

(g) A small employer carrier shall make the information and documentation described in subsection (e) of this section available to the Commissioner upon request. Except in cases of violations of this ~~Act,~~ Article, the information is proprietary and trade secret information and is not subject to disclosure by the Commissioner to persons outside of the Department except as agreed to by the small employer carrier or as ordered by a court of competent jurisdiction. Nothing in this section affects the Commissioner's authority to approve rates before their use under G.S. 58-65-60(e) or G.S. 58-67-50(c).

~~(h) The provisions of subdivisions (a)(1), (3), and (5) and subsections (b) through (g) of this section apply to health benefit plans delivered, issued for delivery, renewed, or continued in this State or covering persons residing in this State on or after January 1, 1992. The provisions of subdivisions (a)(2) and (4) of this section apply to health benefit plans delivered, issued for delivery, renewed, or continued in this State or covering persons residing in this State on or after the date the plan becomes operational, as designated by the Commissioner. For purposes of this subsection, the date a health benefit plan is continued is the anniversary date of the issuance of the health benefit plan.~~

…."

SECTION 7.(c) The introductory language of Section 12 of S.L. 2015-281 reads as rewritten:

"**SECTION 12.** ~~Section 4(b) of S.L. 2013-357 reads as rewritten:~~

"~~**SECTION 4.(b)**~~ G.S. 58-50-110 reads as rewritten:"

SECTION 7.(d) Subsection (c) of this section is retroactively effective January 1, 2016. The remainder of this section is effective when it becomes law.

SECTION 9.(a) G.S. 89E-3 reads as rewritten:

"**§ 89E-3. Definitions.**

When used in this Chapter, unless the context otherwise requires:

(1) "Board" means the North Carolina Board for Licensing of Geologists.

(2) "Geologist". The term "geologist", within the intent of this Chapter, shall mean a person who is trained and educated in the science of geology.

(3) The term "geologist-in-training" means a person who has ~~taken and~~ successfully passed the portion of professional examination covering fundamental or academic geologic subjects, prior to ~~his~~ completion of the requisite years of experience in geologic work as ~~provided for in~~ required for licensure under this Chapter.

…

(5) The term "good moral character" means such character as tends to ensure the faithful discharge of ~~the fiduciary duties of the licensed geologist to his~~ a licensed geologist's fiduciary duties to a client.

…

(8) "Public practice of geology" means the performance for others of geological service or work in the nature of work or consultation, investigation, surveys, evaluations, planning, mapping and inspection of geological work, in which the performance is related to the public welfare of safeguarding of life, health, property and the environment, except as specifically exempted by this Chapter. The definition shall not include or allow the practice of engineering as defined in Chapter 89C of the North Carolina General Statutes.

(9) The term "qualified geologist" means a person who possesses all of the qualifications specified in this Chapter for licensing ~~except that he or she~~ but is not licensed.

(10) The term "responsible charge of work" means the independent control and direction by the use of initiative, skill and independent judgment of geological work or the supervision of such work.

(11) The term "subordinate" means ~~any~~ either of the following who does not assume the responsible charge of work:

a. A person who assists a licensed geologist in the practice of ~~geology without assuming the responsible charge of work.~~geology.

b. A geologist-in-training working under the supervision of a licensed geologist."

SECTION 9.(b) G.S. 89E-4 reads as rewritten:

"**§ 89E-4. North Carolina Board for Licensing of Geologists; appointments; terms; composition.**

…

(c) Each member of the Board shall be a citizen of the United States and shall have been a resident of this State for at least six months immediately preceding ~~his or her appointment.~~appointment to the Board.

…."

SECTION 9.(c) G.S. 89E-6 reads as rewritten:

"**§ 89E-6. Exemptions.**

Any person except as specifically exempted below who shall publicly practice or offer to publicly practice geology in this State is subject to the provisions of this Chapter. The following persons are exempt:

(1) Persons engaged solely in teaching the science of geology or engaged solely in geologic research in this ~~State may pursue their teaching and/or research without licensing.~~ State. A teacher or researcher must, however, be a licensed geologist ~~if he or she performs~~ to perform geologic work and services for which a ~~licensed geologist~~ license is required by this Chapter.

(2) Officers and employees of the United States of America and the State of North Carolina practicing solely as such officers or employees.

(3) Officers and employees of petroleum companies practicing solely as such officers and employees and not offering their professional services to the public for hire.

(4) A subordinate to a licensed geologist ~~or a geologist-in-training licensed under this Chapter insofar as he or she acts solely in such~~ when acting solely in that capacity. This exemption does not permit ~~any such~~ a subordinate to practice geology for others in ~~his~~ the subordinate's own right or use the term "licensed geologist"."

SECTION 9.(d) G.S. 89E-7 reads as rewritten:

"**§ 89E-7. Limitations.**

…

(b) This Chapter shall not be construed to prevent or to affect:

…

(2) The public practice of geology by a person not a resident of and having no established place of business in this State, when ~~such~~ the practice does not exceed in the aggregate more than 90 days in any calendar year, ~~and provided such person~~ the nonresident is ~~duly~~ licensed to practice ~~such profession~~ geology in another state where the requirements for a license are not lower than those specified in this ~~Chapter for obtaining the license required for such work; and provided further that such~~ Chapter, the nonresident ~~shall file~~ files with the ~~Board~~ Board, within 10 days of entering this State for commencing ~~of such~~ work, a statement giving ~~his~~ the nonresident's name, ~~residence, the number of his license, and by what authority issued, and~~ residence address, nonresident license number and issuing state, and, upon ~~the~~ completion of the work, files with the Board a statement of the time engaged in ~~such~~ the work ~~within~~ in the State; or

(3) The public practice of geology by a person who is not a resident of and ~~having~~ has no established place of business in this ~~State, or who~~ State or has recently become a resident ~~hereof, practicing or offering~~ of this State and who practices or offers to practice ~~herein~~ in this State for more than 90 days in any calendar year ~~the profession of geology, if he~~ if the person is licensed in another ~~state or qualified as defined herein, if he shall have~~ state, has filed with the Board an application for a ~~license~~ license, and ~~shall have~~ has paid the fee required by this Chapter. ~~Such~~ A practice ~~shall be~~ under this exemption is deemed a provisional practice and shall continue only for ~~such~~ the time ~~as~~ the Board requires reasonably for the consideration of the applicant for licensing under this Chapter as a geologist."

SECTION 9.(e) G.S. 89E-8 reads as rewritten:

"**§ 89E-8. Applications.**

An application for licensing as a geologist shall be made under oath, shall show the applicant's education and a summary of ~~his~~ the applicant's geological work, ~~plus~~ and shall set out any other

relevant criteria to be determined by the Board. The Board shall have the power to determine a reasonable application fee ~~which~~ that shall accompany each application."

SECTION 9.(f) G.S. 89E-9 reads as rewritten:

"**§ 89E-9. Minimum qualifications.**

An applicant shall be eligible for a license as a geologist in North Carolina provided that each applicant meets the following minimum qualifications:

(1) Be of good moral and ethical character.

(2) Have graduated from an accredited college or university, and have a degree with a major in geology, engineering geology or geological engineering or related geologic science; or have completed 30 semester hours or the equivalent in geological science courses leading to a major in geology, of which at least 24 hours of the equivalent were upper level undergraduate courses or graduate courses. ~~The Board shall waive the academic requirements for a person already practicing geology at the time this Chapter is enacted, provided application for license is made not later than one year after appointment of the initial Board and provided further that the applicant can provide evidence to satisfy the Board that he or she is competent to engage in the public practice of geology.~~

(3) Successfully pass such examination established by the Board which shall be designed to demonstrate that the applicant has the necessary knowledge and requisite skill to exercise the responsibilities of the public practice of geology. ~~The Board shall waive the examination for licensing as a geologist of an applicant who makes written application to the Board not later than one year after appointment of the initial Board, and who otherwise meets the qualification of this Chapter.~~

(4) Have at least five years of professional geological work which shall include a minimum of three years of professional geological work under the supervision of a licensed geologist; or a minimum of three cumulative years work in responsible charge of geological work satisfactory to the Board. The following criteria of education and experience qualify as specified toward accumulation of the required five years of professional geological work:

…

d. The ability of the applicant shall have been demonstrated by ~~his~~ having performed the work in a responsible position as determined by the Board. The adequacy of the required supervision and the experience shall be determined by the Board in accordance with the standards set forth in ~~regulations~~ rules adopted by it."

SECTION 9.(g) G.S. 89E-11 reads as rewritten:

"**§ 89E-11. Comity.**

A person holding a license to engage in the practice of geology, on the basis of comparable licensing requirements issued ~~to him~~ by a proper authority by the State, territory, or possession of the United States or the District of Columbia, and who, in the opinion of the Board otherwise meets the requirements of this Chapter based upon verified evidence may, upon application, be licensed without further examination."

SECTION 9.(h) G.S. 89E-13 reads as rewritten:

"**§ 89E-13. Seals; requirements.**

Each geologist licensed ~~hereunder,~~ under this Chapter, upon the issuance of a license, shall obtain from the secretary at a cost prescribed by the Board, a seal of the design authorized by the Board bearing the licensee's name and the legend "Licensed Geologist – State of North Carolina". All drawings, ~~reports~~ reports, or other geologic papers or documents involving geologic work ~~as defined in this Chapter which shall have been~~ that are prepared or approved by a licensed

~~geologist or a subordinate employee under his direction for the use of or~~ geologist, or a nonresident geologist who has been exempted under this Chapter, for delivery to any person or for public record ~~within~~ in this State shall be signed by ~~him or her~~ and impressed with ~~the said seal or~~ the seal of ~~a nonresident practicing under the provisions of this Chapter, either of which shall indicate his or her responsibility therefor.~~the geologist. The signature and seal each indicate the geologist's responsibility for the papers or documents."

SECTION 9.(i) G.S. 89E-14 reads as rewritten:

"**§ 89E-14. Records.**

(a) The Board shall keep a public record of its proceedings and a register of all applications for licensing.

(b) The register shall show:

…

(4) ~~His or her~~ The applicant's education and other qualifications;

…."

SECTION 9.(j) G.S. 89E-18 reads as rewritten:

"**§ 89E-18. Prohibitions; unlawful acts.**

~~After the effective date of this Chapter:~~All of the following are unlawful:

(1) ~~It shall be unlawful for any~~ For a person other than a licensed geologist or a subordinate ~~under his direction~~ to prepare any geologic plans, ~~reports~~ reports, or documents in which the performance is related to the public welfare or safeguarding of life, health, ~~property~~ property, or the environment.

(2) ~~It shall be unlawful for any~~ For a person to publicly practice, or offer to publicly practice, geology in this ~~State as defined in the provisions of this Chapter,~~ State, or to use in connection with ~~his or her~~ the person's name or otherwise ~~assume,~~ assume or advertise any title or description tending to convey the impression that ~~he or she~~ the person is a licensed geologist, unless ~~such~~ the person has been ~~duly~~ licensed or exempted under ~~the provisions of~~ this Chapter.

(3) ~~After one year following the effective date of this act, it shall be unlawful for~~ For anyone ~~other than a geologist licensed under this Chapter~~ to stamp or seal any plans, plats, ~~reports~~ reports, or other documents with the seal or stamp of a licensed geologist, or to use in any manner the title "Licensed Geologist" unless that person is licensed ~~hereunder.~~under this Chapter.

(4) ~~It shall be unlawful for any~~ For a person to affix ~~his or her signature to or to stamp~~ a licensed geologist's signature, stamp, or seal to any plans, plats, reports, or other documents ~~after the licensing of the person named thereon~~ if the geologist's license has expired or has been suspended or ~~revoked~~ revoked, unless the license has since been renewed or reissued."

SECTION 9.(k) G.S. 89E-19 reads as rewritten:

"**§ 89E-19. Disciplinary procedures.**

…

(b) If the Board finds that a licensee is professionally incompetent, the Board may require the licensee to take an oral or written examination or to meet other requirements to demonstrate the licensee's fitness to practice geology, and the Board may suspend the licensee's license until ~~he or she~~ the licensee establishes professional competence to the satisfaction of the Board.

…."

SECTION 9.(*l*) G.S. 89E-22 reads as rewritten:

"**§ 89E-22. Misdemeanor.**

Any person who shall willfully practice publicly, or offer to practice publicly, geology for other natural or corporate persons in this State without being licensed in accordance with the provisions of this Chapter, or any person presenting or attempting to use ~~as his own~~ the license

or the seal of ~~another,~~ another as the person's own, or any person who shall give any false or forged evidence of any kind in obtaining a license, or any person who shall falsely impersonate any other licensee of like or different name, or any person who shall attempt to use an expired or revoked license or practice at any time during a period the Board has suspended or revoked the license, or any person who shall violate the provisions of this Chapter shall be guilty of a Class 2 misdemeanor."

SECTION 9.(m) G.S. 89E-24 reads as rewritten:

"**§ 89E-24. Attorney General as legal advisor.**

The Attorney General or any assistant or associate in the Department of Justice selected by ~~him~~ the Attorney General shall act as legal advisor to the Board."

SECTION 10. G.S. 90A-53 reads as rewritten:

"**§ 90A-53. Qualifications and examination for registration as an environmental health specialist or environmental health specialist intern.**

(a) The Board shall issue a certificate to a qualified person as a registered environmental health specialist or a registered environmental health specialist intern. A certificate as a registered environmental health specialist or a registered environmental health specialist intern shall be issued to any person upon the Board's determination that the person meets ~~satisfies~~ all of the following criteria:

(1) Has made application to the Board on a form prescribed by the Board and paid a fee not to exceed one hundred dollars ~~($100.00);~~($100.00).

(2) Is of good moral and ethical character and has signed an agreement to adhere to the Code of Ethics adopted by the ~~Board;~~Board.

(3) Meets any of the following education and practice experience standards:

a. Graduated with a bachelor's ~~degree or a~~ or postgraduate degree from a program that is accredited by the National Environmental Health Science and Protection Accreditation Council (EHAC).

b. Graduated with a bachelor's ~~degree or a~~ or postgraduate degree ~~in public health~~ and earned a minimum of 30 semester hours or 45 quarter hours in the physical, biological, natural, life, or health sciences and has one or more years of experience in the field of environmental health practice.~~ degree, has earned 45 quarter hours physical, biological, natural, life, or health sciences and has one~~

c. Graduated with a bachelor's ~~degree or~~ or postgraduate degree in public health and has one or more years of experience in the field of environmental health practice.~~ degree, has earned or 45 quarter hours physical, biological, natural, life, or health sciences and has one~~

d. Has worked five or more continuous years as a registered environmental health associate.

(4) Has satisfactorily completed a course in specialized instruction and training approved by the Board in the practice of environmental health.

(5) Repealed by Session Laws 2009-443, s. 4, effective August 7, 2009.

(6) Has passed an examination administered by the Board designed to test for competence in the subject matters of environmental health sanitation. The examination shall be in a form prescribed by the Board and may be oral, written, or both. The examination for applicants shall be held annually or more frequently as the Board may by rule prescribe, at a time and place to be determined by the Board. A person shall not be registered if ~~such~~ the person fails to meet the minimum grade requirements for examination specified by the Board. Failure to pass an examination ~~shall~~ does not prohibit ~~such~~ the person from being examined at subsequent times and places as specified by the Board.

(7) Has paid a fee set by the Board not to exceed the cost of purchasing the examination and an administrative fee not to exceed one hundred fifty dollars ($150.00).

(b) The Board may issue a certificate to a person serving as a registered environmental health specialist intern without the person meeting the full requirements for experience of a registered environmental health specialist for a period not to exceed two years from the date of initial registration as a registered environmental health specialist ~~intern, provided,~~ intern so long as the person meets the educational requirements ~~in G.S. 90A-53~~ of this section and is in the field of environmental health practice."

SECTION 11. Article 3 of Chapter 110 of the General Statutes is repealed.

SECTION 12. G.S. 110-130 reads as rewritten:

"**§ 110-130. Action by the designated representatives of the county commissioners.**

(a) ~~Any~~ A county interested in the paternity ~~and/or~~ or support of a dependent child may ~~institute civil or criminal proceedings~~ commence a civil or criminal action against the responsible parent of the ~~child,~~ child or may ~~take up and pursue~~ intervene in any paternity ~~and/or~~ or support action ~~commenced by the mother, custodian or guardian of the child. Such action shall be undertaken by the~~ concerning the child. The designated representative of the county commissioners in the county where the mother ~~of the child~~ resides or is found, in the county where the father resides or is found, or in the county where the child resides or is ~~found. Any legal proceeding instituted under this section~~ found may commence or intervene in an action under this section. An action commenced under this section may be based upon information or belief.

(b) ~~The~~ A parent of the child may be subpoenaed for testimony at the trial of ~~the action to establish the paternity of and/or to obtain support for the child either instituted or taken up by the designated representative of the county commissioners.~~ an action commenced or intervened in by a county under this section. The husband-wife privilege ~~shall not be grounds~~ is not a ground for excusing the mother or father from testifying at the trial nor ~~shall said privilege be grounds~~ is the privilege a ground for the exclusion of confidential communications between husband and wife. If a parent called for examination declines to answer upon the ~~grounds that his~~ ground that his or her testimony may tend to incriminate ~~him,~~ him or her, the court may require ~~him to answer in which event he~~ the parent to answer. The parent shall not thereafter be prosecuted for any criminal act involved in the conception of the child whose paternity is in issue ~~and/or~~ or for whom support is sought, except for perjury committed in this testimony."

SECTION 13.(a) G.S. 115C-284 reads as rewritten:

"**§ 115C-284. Method of selection and requirements.**

(a) Principals and supervisors shall be elected by the local boards of education upon the recommendation of the ~~superintendent, in accordance with the provisions of G.S. 115C-276(j).~~superintendent.

~~(b) In the city administrative units, principals shall be elected by the board of education of such administrative unit upon the recommendation of the superintendent of city schools.~~

(b1) Repealed by Session Laws 2023-125, s. 1(d), effective September 28, 2023.

(c) Repealed by Session Laws 2023-125, s. 1(d), effective September 28, 2023.

(c1) Repealed by Session Laws 2023-125, s. 1(d), effective September 28, 2023.

(c2) Repealed by Session Laws 2023-125, s. 1(d), effective September 28, 2023.

(c3) Repealed by Session Laws 2023-125, s. 1(d), effective September 28, 2023.

(d) Repealed by Session Laws 1989, c. 385, s. 1.

(d1) Repealed by Session Laws 2023-125, s. 1(d), effective September 28, 2023.

(e) The State Board shall not issue provisional licenses for principals. ~~It shall be~~ All principals and supervisors employed in the public schools of the State or in schools receiving public funds are required either to hold or be qualified to hold a license issued by the State Board of Education. It is unlawful for ~~any~~ a local board of education to employ or keep in service ~~any~~

a principal or supervisor who neither holds nor is qualified to hold a ~~license in compliance with the provision of the law or in accordance with the regulations of the State Board of Education.~~ license. However, a local board of education may select a retired principal or retired assistant principal to serve as an interim principal for the remainder of any school year, regardless of licensure status.

(f) The allotment of classified principals ~~shall be~~ is one principal for each duly constituted school with seven or more state-allotted teachers.

(g) Local boards of education ~~shall~~ have authority to employ supervisors in addition to those that may be furnished by the State when, in the discretion of the board of education, the schools of the local school administrative unit can thereby be more efficiently and more economically operated and when funds for ~~the same~~ them are provided in the current expense fund budget. The duties of ~~such~~ these supervisors shall be assigned by the superintendent with the approval of the board of education.

~~(h) All principals and supervisors employed in the public schools of the State or in schools receiving public funds, shall be required either to hold or be qualified to hold a license in compliance with the provision of the law or in accordance with the regulations of the State Board of Education.~~"

SECTION 13.(b) G.S. 115C-299 reads as rewritten:

"**§ 115C-299. Hiring of teachers.**

(a) ~~In the city administrative units, teachers shall be elected by the board of education of such administrative unit upon the recommendation of the superintendent of city schools.~~

Teachers shall be elected by the ~~county and city~~ local boards of education upon the recommendation of the ~~superintendent, in accordance with the provisions of G.S. 115C-276(j).~~superintendent.

(b) No person otherwise qualified shall be denied the right to receive credentials from the State Board of Education, to receive training for the purpose of becoming a teacher, or to engage in practice teaching in any school on the grounds that ~~such~~ the person is totally or partially blind; nor shall any local board of education refuse to employ ~~such a~~ the person on ~~such~~ these grounds."

SECTION 13.(c) G.S. 115C-315(a) is repealed.

SECTION 13.(d) G.S. 115C-315(b) reads as rewritten:

"(b) Election by Local Boards. – School personnel shall be elected by the local board of education upon the recommendation of the ~~superintendent, in accordance with the provisions of G.S. 115C-276(j).~~superintendent.

~~It is the policy of the State of North Carolina to encourage and provide for the most efficient and cost-effective method of meeting the needs of local school administrative units for noncertified support personnel. To this end, the State Board of Education shall recommend to the General Assembly by November 1, 1984, a system using factors and formulas to determine the total number of noncertified support personnel allotted to local school administrative units. The recommended system for allotting noncertified support personnel shall include the proposed State's funding obligation for these positions and shall be developed in consultation with school-based support personnel or their representatives.~~"

SECTION 14.(a) G.S. 116-30.2 reads as rewritten:

"**§ 116-30.2. Appropriations to special responsibility constituent institutions.**

(a) All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143C-6-4 and ~~G.S. 120-76(8),~~ G.S. 120-76.1, each special responsibility constituent institution may expend monies from the overhead receipts special fund budget code and the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies

of the Board of Governors. Special responsibility constituent institutions may transfer appropriations between budget codes. These transfers ~~shall be~~ are considered certified even if as a result of agreements between special responsibility constituent institutions. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions. The quarterly allotment procedure established pursuant to G.S. 143C-6-3 ~~shall apply~~ applies to the General Fund appropriations made for the current operations of each special responsibility constituent institution. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.

(b) Repealed by Session Laws 2006-66, s. 9.11(f), effective July 1, 2007."

SECTION 14.(b) G.S. 126-85 reads as rewritten:

"**§ 126-85. Protection from retaliation.**

(a) No head of any State department, ~~agency~~ agency, or institution or other State employee exercising supervisory authority shall discharge, ~~threaten~~ threaten, or otherwise discriminate against a State employee regarding the State employee's compensation, terms, conditions, location, or privileges of employment because the State employee, or a person acting on behalf of the employee, reports or is about to report, verbally or in writing, any activity described in G.S. 126-84, unless the State employee knows or has reason to believe that the report is inaccurate.

(a1) No State employee shall retaliate against another State employee because the employee, or a person acting on behalf of the employee, reports or is about to report, verbally or in writing, any activity described in G.S. 126-84.

(b) No head of any State department, ~~agency~~ agency, or institution or other State employee exercising supervisory authority shall discharge, ~~threaten~~ threaten, or otherwise discriminate against a State employee regarding the employee's compensation, terms, conditions, ~~location~~ location, or privileges of employment because the State employee has refused to carry out a directive ~~which~~ that in fact constitutes a violation of State or federal law, ~~rule~~ rule, or regulation or poses a substantial and specific danger to the public health and safety.

(b1) No State employee shall retaliate against another State employee because the employee has refused to carry out a directive ~~which~~ that may constitute a violation of State or federal law, ~~rule or regulation,~~ rule, or regulation or poses a substantial and specific danger to the public health and safety.

(c) The protections of this Article ~~shall include~~ include State employees who report any activity described in G.S. 126-84 to the State Auditor as authorized by G.S. 147-64.6B, to the Joint Legislative Commission on Governmental Operations as authorized by ~~G.S. 120-76,~~ G.S. 120-75.1, or to a legislative committee as required by G.S. 120-19."

SECTION 15. G.S. 116-209.28 reads as rewritten:

"**§ 116-209.28. Administration of scholarships previously awarded by the Principal Fellows Program.**

(a) The Authority ~~shall, as of July 1, 2021,~~ shall administer all outstanding scholarship loans previously awarded by the former North Carolina Principal Fellows Commission and subject to repayment under the former Principal Fellows Program administered pursuant to Article 5C of this Chapter.

(b) All funds received by the Authority in association with its administration of the Principal Fellows Program, including all funds received as repayment of scholarship loans and all interest earned on these funds, shall be deposited into the North Carolina Principal Fellows ~~and TP3~~ Trust Fund established in G.S. 116-74.41B."

SECTION 16. G.S. 121-42 is repealed.

SECTION 17.(a) The Revisor of Statutes may recodify the definitions in G.S. 126-81 so that they appear in alphabetical order and shall make any necessary conforming changes.

SECTION 17.(b) Subdivision (2a) of G.S. 135-48.1 is recodified as subdivision (2c) of that section.

SECTION 18.(a) G.S. 128-28 reads as rewritten:

"**§ 128-28. Administration and responsibility for operation of System.**

(a) Vested in Board of Trustees. – The general administration and responsibility for the proper operation of the Retirement System and for making effective the provisions of this Article are ~~hereby~~ vested in the Board of ~~Trustees: Provided, that all~~ Trustees. All expenses in connection with the administration of the North Carolina Local Governmental Employees' Retirement System shall be charged against and paid from the expense fund as provided in subsection (f) of G.S. 128-30.

(b) Board of Trustees a Body Politic and Corporate; Powers and Authority; Exemption from Taxation. – The Board of Trustees ~~shall be~~ is a body politic and corporate under the name Board of Trustees of the North Carolina Local Governmental Employees' Retirement ~~System, and as~~ System. As a body politic and ~~corporate shall have~~ corporate, it has the right to sue and be sued, ~~shall have perpetual succession and~~ has perpetual succession, shall have a common seal, ~~and in said~~ in its corporate name ~~shall be able and capable in law to~~ may take, demand, ~~receive~~ receive, and possess all kinds of real and personal property necessary and proper for its corporate purposes, and ~~to~~ may bargain, sell, grant, ~~alien,~~ transfer, or dispose of all ~~such~~ real and personal property ~~as it may lawfully acquire.~~ lawfully acquired by it. All ~~such~~ property owned or acquired by ~~said body politic and corporate shall be~~ it is exempt from all taxes imposed by the State or any political subdivision ~~thereof, and shall not be~~ thereof and is not subject to income taxes.

(c) Members of Board. – The Board shall consist of (i) five members of the Board of Trustees of the Teachers' and State Employees' Retirement System appointed under G.S. 135-6(b): the State Treasurer; the Superintendent of Public Instruction; the two members appointed by the General Assembly; and one of the two members appointed by the Governor who are not members of the teaching profession or State employees; and (ii) eight members designated by the Governor:

(1) One member shall be a mayor or a member of the governing body of a city or town participating in the Retirement ~~System;~~System.

(2) One member shall be a county commissioner of a county participating in the Retirement ~~System;~~System.

(3) One member shall be a law-enforcement officer employed by an employer participating in the Retirement ~~System;~~System.

(4) One member shall be a county manager of a county participating in the Retirement ~~System;~~System.

(5) One member shall be a city or town manager of a city or town participating in the Retirement ~~System;~~System.

(6) One member shall be an active, Fair Labor Standards Act nonexempt, local governmental employee of an ~~employer;~~employer.

(7) One member shall be a retired, Fair Labor Standards Act nonexempt, local governmental employee of an ~~employer; and~~employer.

(8) One member shall be an active or retired member of the ~~Firemen's and Rescue Squad Workers' Pension Fund.~~North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.

The Governor shall designate eight members on April 1 of years in which an election is held for the office of Governor, or as soon thereafter as possible, and each of the eight members designated by the Governor shall serve on the Board in addition to the regular duties of ~~their~~ the member's city, town, or county ~~office: Provided, that if~~ office. If for any reason any member

appointed pursuant to subdivisions (1) through (6) of this subsection vacates the city, town, or county office or employment ~~which~~ that the member held at the time of this designation, the Governor shall designate another member to serve until the next regular date for the designation of members to serve on the Board.

(d) Compensation of Trustees. – The trustees shall be paid during sessions of the Board at the prevailing rate established for members of State boards and commissions, and they shall be reimbursed for all necessary expenses that they incur through service on the Board.

(e) Oath. – Each trustee other than the ex officio members shall, within 10 days after ~~his~~ appointment, take an oath of office, ~~that,~~ to, so far as it devolves upon ~~him, he will~~ the trustee, diligently and honestly administer the affairs of the ~~said Board, and that he will~~ Board and to not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Retirement System. ~~Such~~ The oath shall be subscribed to by the ~~member~~ trustee making it, ~~and~~ certified by the officer before whom it is taken, and immediately filed in the office of the Secretary of ~~State: Provided, that where~~ State. However, if a local governmental official designated by the Governor has taken an oath of office in connection with the local governmental office ~~that he~~ the official holds, the oath for ~~his~~ local governmental office ~~shall be~~ is deemed to be sufficient, and ~~he shall not be~~ the official is not required to take the oath ~~hereinabove provided.~~provided in this subsection.

(f) Voting Rights. – Each trustee ~~shall be~~ is entitled to one vote in the Board. A majority of affirmative votes in attendance ~~shall be~~ is necessary for a decision by the trustees at any meeting of ~~said~~ the Board. A vote may only be taken if at least seven members of the Board are in attendance, in person or by telephone, for the meeting at which a vote on a decision is taken.

(f1) Effect of Vote Related to Contributory Death Benefit. – No decision of the Board related to the Contributory Death Benefit provided for under this Article ~~shall take~~ takes effect unless and until this same decision has been made and voted on by the Board of Trustees of the Teachers' and State Employees' Retirement System.

(g) ~~Rules and Regulations.~~ Rules. – Subject to the limitations of this Article, the Board of Trustees ~~shall, from time to time, establish rules and regulations~~ shall adopt rules for the administration of the funds created by this Article and for the transaction of its business. The Board ~~of Trustees shall also, from time to time,~~ shall, in its discretion, adopt rules ~~and regulations~~ to prevent injustices and inequalities ~~which~~ that might otherwise arise in the administration of this Article.

(h) Officers and Other Employees, ~~Salaries~~ Salaries, and Expenses. – The State Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director. The Board ~~of Trustees~~ shall engage ~~such actuarial and other service as shall be~~ actuarial and other services required to transact the business of the Retirement System. The compensation of all persons engaged by the ~~Board of Trustees,~~ Board, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at ~~such rates and in such amounts as the Board of Trustees shall approve.~~rates and in amounts approved by the Board.

(i) Actuarial Data. – The Board of Trustees shall keep in convenient form ~~such~~ data ~~as shall be~~ necessary for actuarial valuation of the various funds of the Retirement ~~System,~~ System and for checking the experience of the System.

(j) Record of Proceedings; Annual Report. – The Board of Trustees shall keep a record of all of its proceedings ~~which~~ that shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the Retirement System for the preceding year, the amount of the accumulated cash and securities of the System, and the last balance sheet showing the financial condition of the System by means of an actuarial valuation of the assets and liabilities of the Retirement System. It shall also publish annually a report on supplemental insurance offerings that are made available to retirees and the extent to which retirees participate in those offerings.

(k) Legal Adviser. – The Attorney General ~~shall be~~ is the legal adviser of the Board of Trustees.

(*l*) Medical Board. – The Board of Trustees shall designate a Medical Board to be composed of not less than three nor more than five physicians not eligible to participate in the Retirement System. The Board of Trustees may structure appointment requirements and term durations for those ~~medical board~~ Medical Board members. If required, other physicians may be employed to report on special cases. The Medical Board shall arrange for and pass upon all medical examinations required under ~~the provisions of~~ this Chapter, ~~and~~ shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement, and shall report in writing to the Board of Trustees its conclusion and recommendations upon all the matters referred to it. A person serving on the ~~medical board shall be~~ Medical Board is immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, ~~except where~~ unless any of the following ~~apply:~~applies:

(1) The person was not acting within the scope of that person's official duties.

(2) The person was not acting in good faith.

(3) The person committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.

(4) The person derived an improper financial benefit, either directly or indirectly, from the transaction.

(5) The person incurred the liability from the operation of a motor vehicle.

(m) Duties of Actuary. – The Board of Trustees shall designate an actuary ~~who shall~~ to be the technical adviser of the Board ~~of Trustees~~ on matters regarding the operation of the funds created by ~~the provisions of this Chapter and shall perform such other duties as are required in connection therewith.~~ this Chapter. The experience studies and all other actuarial calculations required by this Chapter, and all the assumptions used by the System's actuary, including mortality tables, interest rates, annuity factors, the contribution-based benefit cap factor, and employer contribution rates, shall be set out in the actuary's periodic reports, annual valuations of System assets, or other materials provided to the ~~Board of Trustees.~~ Board. Notwithstanding Article 2A of Chapter 150B of the General Statutes, these materials, once accepted by the Board, ~~shall be~~ are considered part of the Plan documentation governing ~~this~~ the Retirement System and ~~shall be~~ are effective the first day of the month following adoption unless a different date is specified in the adopting resolution. The effective date ~~shall~~ does not retroactively affect a contribution rate. The Board's minutes relative to all actuarial assumptions used by the System ~~shall also be~~ are also considered part of the Plan documentation governing ~~this~~ the Retirement System, with the result of precluding any employer discretion in the determination of benefits payable ~~hereunder,~~ under this section, consistent with Section 401(a)(25) of the Internal Revenue Code.

~~(n) Immediately after the establishment of the Retirement System the actuary shall make such investigation of the mortality, service and compensation experience of the members of the System as he shall recommend and the Board of Trustees shall authorize, and on the basis of such investigation he shall recommend for adoption by the Board of Trustees such tables and such rates as are required in subsection (o), paragraphs (1) and (2), of this section. The Board of Trustees shall adopt tables and certify rates, and as soon as practicable thereafter the actuary shall make a valuation based on such tables and rates of the assets and liabilities of the funds created by this Chapter.~~

(o) ~~In the year 1945, and at least once in each five year period thereafter,~~ At least once every five years, the actuary shall make an actuarial investigation into the mortality, ~~service~~ service, and compensation experience of the members and beneficiaries of the Retirement System and shall make a valuation of the assets and liabilities of the funds of the System. Taking into

account the result of ~~such~~ the investigation and valuation, the Board of Trustees shall do ~~all~~ both of the following:

(1) Adopt any necessary mortality, service, or other tables and any necessary contribution-based benefit cap factors for the Retirement System.

(2) Certify the rates of contributions payable by the participating units on account of new entrants at various ages.

In order to pay for the administration of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the Retirement System or may pay the costs directly from the retirement assets.

(p) On the basis of the tables and interest assumption rate ~~as~~ adopted by the Board of Trustees, the actuary shall make an annual valuation of the assets and liabilities of the funds of the System created by this Chapter. The annual valuation shall include a supplementary section that provides an analysis of assets on a market basis using the 30-year treasury rate as of December 31 of the year of the valuation as the discount rate. In order to pay for the administration of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the Retirement System or may pay the costs directly from the retirement assets.

(q) Notwithstanding any ~~law, rule, regulation or policy~~ law to the contrary, any board, agency, department, ~~institution~~ institution, or subdivision of the State maintaining lists of names and addresses in the administration of ~~their~~ its programs may upon request provide to the Retirement System information limited to social security numbers, current name and addresses of persons identified by the System as members, beneficiaries, and beneficiaries of members of the System. The System shall use ~~such~~ this information for the sole purpose of notifying members, beneficiaries, and beneficiaries of members of ~~their~~ the person's rights to and accruals of benefits in the Retirement System. Any social security number, current ~~name~~ name, and address ~~so obtained and~~ obtained, any other information concluded ~~therefrom and the source thereof shall be treated as~~ from this information, and the source of this information are confidential and shall not be divulged by any employee of the Retirement System or of the Department of State Treasurer except as ~~may be~~ necessary to notify the member, beneficiary, or beneficiary of the member of ~~their~~ the person's rights to and accruals of benefits in the Retirement System. Any person, officer, ~~employee~~ employee, or former employee violating this provision ~~shall be~~ is guilty of a Class 1 misdemeanor; and if ~~such~~ the offending person ~~be~~ is a public official or employee, ~~he~~ the person shall be dismissed from office or employment and shall not hold any public office or employment in this State for a period of five years thereafter.

(r) Fraud Investigations and Compliance Investigations. – Access to Persons and Records. – In the course of conducting a fraud investigation or compliance investigation, the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, ~~shall:~~has all of the following powers:

(1) ~~Have ready~~ To have access to persons and ~~may~~ to examine and copy all books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of any employer. The review of State tax returns shall be limited to matters of official business, and the Division's report shall not violate the confidentiality provisions of tax laws.

(2) ~~Have such access~~ To have access to persons, records, papers, reports, vouchers, correspondence, books, and any other documentation that is in the possession of any individual, private corporation, institution, association, board, or other organization ~~which pertain~~ pertaining to the following:

a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.

b. Amounts received, disbursed, or otherwise handled on behalf of the federal government or the State.

(3) ~~Have the authority, and shall be provided with ready access, to examine~~ To access, examine, and inspect all property, equipment, and facilities in the possession of any employer agency or any individual, private corporation, institution, association, board, or other organization that were furnished or otherwise provided through grant, contract, or any other type of funding by the employer agency.

With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social and medical services to a beneficiary shall make copies of records they maintain for services provided to a beneficiary available to the Retirement Systems Division, or to the authorized representatives who are assisting the Retirement Systems Division staff. Copies of the records of social and medical services provided to a beneficiary ~~will~~ permit verification of the health or other status of a beneficiary as required for the payment of benefits under Article 3 of this Chapter. The Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall request records in writing by providing the name of each beneficiary for whom records are sought, the purpose of the request, the statutory authority for the request, and a reasonable period of time for the production of record copies by the provider. A provider may charge, and the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee to the provider for copies of the records provided in accordance with this subsection.

(s) Fraud Investigative Reports and Work Papers or Compliance Investigative Reports and Work Papers. – The Executive Director of the Retirement Systems Division shall maintain for 10 years a complete file of all fraud investigative reports, compliance investigative reports, and reports of other examinations, investigations, surveys, and reviews issued under the Executive Director's authority. Fraud investigation work papers, compliance investigation work papers, and other evidence or related supportive material directly pertaining to the work of the Retirement Systems Division of the Department of State Treasurer shall be retained according to an agreement between the Executive Director of the Retirement Systems Division and State Archives. To promote intergovernmental cooperation and avoid unnecessary duplication of fraud or compliance investigative effort, and notwithstanding local unit personnel policies to the contrary, pertinent work papers and other supportive material relating to issued fraud investigation reports or compliance investigative reports may be, at the discretion of the Executive Director of the Retirement Systems Division ~~and,~~ and unless otherwise prohibited by law, made available for inspection by ~~duly~~ authorized representatives of the State and federal government who desire access to and inspection of ~~such~~ the records in connection with some matter officially before them, including criminal investigations. Except as provided in this section, or upon an order issued in Wake County Superior Court upon 10 days' notice and hearing finding that access is necessary to a proper administration of justice, fraud or compliance investigation work papers and related supportive material shall be kept confidential, including any information developed as a part of the investigation.

(t) Fraud Reports May Be Anonymous. – The identity of any person reporting fraud, waste, and abuse to the Retirement Systems Division shall be kept confidential and shall not be maintained as a public record within the meaning of G.S. 132-1.

(u) Immunity. – A person serving on the Local Governmental Employees' Retirement System Board of Trustees ~~shall be~~ is immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, ~~except where~~ unless any of the following ~~apply:~~applies:

(1) The person was not acting within the scope of that person's official duties.
(2) The person was not acting in good faith.
(3) The person committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.

(4) The person derived an improper personal financial benefit, either directly or indirectly, from the transaction.

(5) The person incurred the liability from the operation of a motor vehicle."

SECTION 18.(b) G.S. 135-6, as amended by Section 3D.1(*l*) of S.L. 2024-57, reads as rewritten:

"**§ 135-6. Administration.**

(a) Administration by Board of Trustees; Corporate Name; Rights and Powers; Tax Exemption. – The general administration and responsibility for the proper operation of the Retirement System and for making effective the provisions of the Chapter are ~~hereby~~ vested in a Board of ~~Trustees which shall be organized immediately after a majority of the trustees provided for in this section shall have qualified and taken the oath of office.~~Trustees.

The Board of Trustees ~~shall be~~ is a body politic and corporate under the name ~~"Board~~ Board of Trustees Teachers' and State Employees' Retirement ~~System"; and as~~ System. As a body politic and ~~corporate shall have~~ corporate, it has the right to sue and be sued, ~~shall have perpetual succession and~~ has perpetual succession, shall have a common seal, ~~and in said~~ in its corporate name ~~shall be able and capable in law to~~ may take, demand, ~~receive~~ receive, and possess all kinds of real and personal property necessary and proper for its corporate purposes, and ~~to~~ may bargain, sell, grant, ~~alien,~~ transfer, or dispose of all ~~such~~ real and personal property ~~as it may lawfully acquire.~~ lawfully acquired by it. All ~~such~~ property owned or acquired by ~~said body politic and corporate shall be~~ it is exempt from all taxes imposed by the State or any political subdivision ~~thereof, and shall not be~~ thereof and is not subject to income taxes.

(b) Membership of Board; Terms. – The Board shall consist of the following 13 members:

…

(4) Two members appointed by the General Assembly, one appointed upon the recommendation of the Speaker of the House of Representatives, and one appointed upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. Neither of these members ~~may~~ shall be an active or retired teacher or State employee or an employee of a unit of local government. The initial members appointed by the General Assembly shall serve for terms expiring June 30, 1983. Thereafter, their successors shall serve for two-year terms beginning July 1 of odd-numbered years. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122.

(c) Compensation of Trustees. – The trustees shall be paid during sessions of the Board at the prevailing rate established for members of State boards and commissions, and they shall be reimbursed for all necessary expenses that they incur through service on the Board.

(d) Oath. – Each trustee other than the ex officio members shall, within 10 days after ~~his~~ appointment, take an oath of office, ~~that,~~ to, so far as it devolves upon ~~him, he will~~ the trustee, diligently and honestly administer the affairs of the ~~said Board, and that he will~~ Board and to not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Retirement System. ~~Such~~ The oath shall be subscribed to by the ~~member~~ trustee making it, ~~and~~ certified by the officer before whom it is taken, and immediately filed in the office of the Secretary of State.

(e) Voting Rights. – Each trustee ~~shall be~~ is entitled to one vote in the Board. A majority of affirmative votes by trustees in attendance ~~shall be~~ is necessary for a decision by the trustees at any meeting of the Board. A vote may only be taken if at least seven members of the Board are in attendance, in person or by telephone, for the meeting at which a vote on a decision is taken.

(e1) Effect of Vote Related to Contributory Death Benefit. – No decision of the Board related to the Contributory Death Benefit provided for under this Chapter, Chapter 120, or

Chapter 127A of the General Statutes, ~~shall take~~ takes effect unless and until this same decision has been made and voted on by the Board of Trustees of the Local Governmental Employees Retirement System.

(f) ~~Rules and Regulations.~~ Rules. – Subject to the limitations of this Chapter, the Board of Trustees ~~shall, from time to time, establish rules and regulations~~ shall adopt rules for the administration of the funds created by this Chapter and for the transaction of its business. The Board ~~of Trustees shall also, from time to time,~~ shall, in its discretion, adopt rules ~~and regulations~~ to prevent injustices and inequalities ~~which~~ that might otherwise arise in the administration of this Chapter.

(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director. The Board ~~of Trustees~~ shall engage ~~such actuarial and other service as shall be~~ actuarial and other services required to transact the business of the Retirement System. The compensation of all persons, other than the director, engaged by the ~~Board of Trustees,~~ Board, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at ~~such rates and in such amounts as the Board of Trustees shall approve,~~ rates and in amounts approved by the Board, subject to the approval of the Director of the Budget.

(h) Actuarial Data. – The Board of Trustees shall keep in convenient form ~~such~~ data ~~as shall be~~ necessary for actuarial valuation of the various funds of the Retirement ~~System,~~ System and for checking the experience of the System.

(i) Record of Proceedings; Annual Report. – The Board of Trustees shall keep a record of all of its proceedings ~~which~~ that shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the Retirement System for the preceding year, the amount of the accumulated cash and securities of the System, and the last balance sheet showing the financial condition of the System by means of an actuarial valuation of the assets and liabilities of the Retirement System. It shall also publish annually a report on supplemental insurance offerings that are made available to retirees and the extent to which retirees participate in those offerings.

(j) Legal Adviser. – The Attorney General ~~shall be~~ is the legal adviser of the Board of Trustees.

(k) Medical Board. – The Board of Trustees shall designate a ~~medical board~~ Medical Board to be composed of not less than three nor more than five physicians not eligible to participate in the Retirement System. The Board of Trustees may structure appointment requirements and term durations for those ~~medical board~~ Medical Board members. If required, other physicians may be employed to report on special cases. The ~~medical board~~ Medical Board shall arrange for and pass upon all medical examinations required under ~~the provisions of~~ this Chapter, ~~and~~ shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement, and shall report in writing to the Board of Trustees its conclusion and recommendations upon all the matters referred to it, except as otherwise provided in this Chapter. A person serving on the ~~medical board shall be~~ Medical Board is immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, ~~except where~~ unless any of the following ~~apply:~~applies:

(1) The person was not acting within the scope of that person's official duties.
(2) The person was not acting in good faith.
(3) The person committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.
(4) The person derived an improper financial benefit, either directly or indirectly, from the transaction.
(5) The person incurred the liability from the operation of a motor vehicle.

(*l*) Duties of Actuary. – The Board of Trustees shall designate an actuary ~~who shall~~ to be the technical adviser of the Board ~~of Trustees~~ on matters regarding the operation of the funds created by ~~the provisions of this Chapter and shall perform such other duties as are required in connection therewith.~~ this Chapter. The experience studies and all other actuarial calculations required by this Chapter, and all the assumptions used by the System's actuary, including mortality tables, interest rates, annuity factors, the contribution-based benefit cap factor, and employer contribution rates, shall be set out in the actuary's periodic reports, annual valuations of System assets, or other materials provided to the ~~Board of Trustees.~~ Board. Notwithstanding Article 2A of Chapter 150B of the General Statutes, these materials, once accepted by the Board, ~~shall be~~ are considered part of the Plan documentation governing ~~this~~ the Retirement System and ~~shall be~~ are effective the first day of the month following adoption unless a different date is specified in the adopting resolution. The effective date ~~shall~~ does not retroactively affect a contribution rate. The Board's minutes relative to all actuarial assumptions used by the System ~~shall also be~~ are also considered part of the Plan documentation governing ~~this~~ the Retirement System, with the result of precluding any employer discretion in the determination of benefits payable ~~hereunder,~~ under this section, consistent with Section 401(a)(25) of the Internal Revenue Code.

~~(m) Immediately after the establishment of the Retirement System the actuary shall make such investigation of the mortality, service and compensation experience of the members of the System as he shall recommend and the Board of Trustees shall authorize, and on the basis of such investigation he shall recommend for adoption by the Board of Trustees such tables and such rates as are required in subsection (n), subdivisions (1) and (2), of this section. The Board of Trustees shall adopt tables and certify rates, and as soon as practicable thereafter the actuary shall make a valuation based on such tables and rates of the assets and liabilities of the funds created by this Chapter.~~

(n) ~~In 1943, and at least once in each five-year period thereafter,~~ At least once every five years, the actuary shall complete an actuarial experience review of the mortality, ~~service~~ service, and compensation experience of the members and beneficiaries of the Retirement System and shall make a valuation of the assets and liabilities of the funds of the System. Taking into account the result of the actuarial investigation and valuation, the Board of Trustees shall do ~~all~~ both of the following:

(1) Adopt any necessary mortality, service, or other tables and any necessary contribution-based benefit cap factors for the Retirement System.

(2) Certify the rates of contributions payable by the State of North Carolina on account of new entrants at various ages.

In order to pay for the administration of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the Retirement System or may pay the costs directly from the retirement assets.

…

(o) On the basis of the tables and interest assumption rate ~~as~~ adopted by the Board of Trustees, the actuary shall make an annual valuation of the assets and liabilities of the funds of the System created by this Chapter. The annual valuation shall include a supplementary section that provides an analysis of assets on a market basis using the 30-year treasury rate as of December 31 of the year of the valuation as the discount rate. In order to pay for the administration of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the Retirement System or may pay the costs directly from the retirement assets.

(p) Notwithstanding any ~~law, rule, regulation or policy~~ law to the contrary, any board, agency, department, ~~institution~~ institution, or subdivision of the State maintaining lists of names and addresses in the administration of ~~their~~ its programs may upon request provide to the Retirement System information limited to social security numbers, current name and addresses

of persons identified by the System as members, beneficiaries, and beneficiaries of members of the System. The System shall use ~~such~~ this information for the sole purpose of notifying members, beneficiaries, and beneficiaries of members of ~~their~~ the person's rights to and accruals of benefits in the Retirement System. Any social security number, current ~~name~~ name, and address ~~so obtained and~~ obtained, any other information concluded ~~therefrom and the source thereof shall be treated as~~ from this information, and the source of this information are confidential and shall not be divulged by any employee of the Retirement System or of the Department of State Treasurer except as ~~may be~~ necessary to notify the member, beneficiary, or beneficiary of the member of ~~their~~ the person's rights to and accruals of benefits in the Retirement System. Any person, officer, ~~employee~~ employee, or former employee violating this provision ~~shall be~~ is guilty of a Class 1 misdemeanor; and if ~~such~~ the offending person ~~be~~ is a public official or employee, ~~he~~ the person shall be dismissed from office or employment and shall not hold any public office or employment in this State for a period of five years thereafter.

(q) Compliance Investigations and Fraud Investigations – Access to Persons and Records. – In the course of conducting a compliance investigation or a fraud investigation, the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, ~~shall:~~has all of the following powers:

(1) ~~Have ready~~ To have access to persons and ~~may~~ to examine and copy all books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of any employer. The review of State tax returns shall be limited to matters of official business, and the Division's report shall not violate the confidentiality provisions of tax laws.

(2) ~~Have such~~ To have access to persons, records, papers, reports, vouchers, correspondence, books, and any other documentation that is in the possession of any individual, private corporation, institution, association, board, or other organization ~~that pertain~~ pertaining to the following:

a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.

b. Amounts received, disbursed, or otherwise handled on behalf of the federal government or the State.

(3) ~~Have the authority, and shall be provided with ready access, to examine~~ To access, examine, and inspect all property, equipment, and facilities in the possession of any employer agency or any individual, private corporation, institution, association, board, or other organization that were furnished or otherwise provided through grant, contract, or any other type of funding by the employer agency.

With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social and medical services to a beneficiary shall make copies of records they maintain for services provided to a beneficiary available to the Retirement Systems Division, or to the authorized representatives who are assisting the Retirement Systems Division staff. Copies of the records of social and medical services provided to a beneficiary ~~will~~ permit verification of the health or other status of a beneficiary as required for the payment of benefits under Article 1, Article 4, or Article 6 of this Chapter. The Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall request records in writing by providing the name of each beneficiary for whom records are sought, the purpose of the request, the statutory authority for the request, and a reasonable period of time for the production of record copies by the provider. A provider may charge, and the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee to the provider for copies of the records provided in accordance with this subsection.

(r) Compliance or Fraud Investigative Reports and Work Papers. – The Executive Director of the Retirement Systems Division shall maintain for 10 years a complete file of all compliance investigative reports, fraud investigative reports and reports of other examinations, investigations, surveys, and reviews issued under the Executive Director's authority. Fraud or compliance investigation work papers and other evidence or related supportive material directly pertaining to the work of the Retirement Systems Division of the Department of State Treasurer shall be retained according to an agreement between the Executive Director of the Retirement Systems Division and State Archives. To promote intergovernmental cooperation and avoid unnecessary duplication of fraud and compliance investigative efforts, and notwithstanding local unit personnel policies to the contrary, pertinent work papers and other supportive material relating to issued fraud or compliance investigation reports may be, at the discretion of the Executive Director of the Retirement Systems Division ~~and,~~ and unless otherwise prohibited by law, made available for inspection by ~~duly~~ authorized representatives of the State and federal government who desire access to and inspection of ~~such~~ the records in connection with some matter officially before them, including criminal investigations. Except as provided in this section, or upon an order issued in Wake County Superior Court upon 10 days' notice and hearing finding that access is necessary to a proper administration of justice, fraud and compliance investigation work papers and related supportive material shall be kept confidential, including any information developed as a part of the investigation.

(s) Fraud Reports May Be Anonymous. – The identity of any person reporting fraud, waste, and abuse to the Retirement Systems Division shall be kept confidential and shall not be maintained as a public record within the meaning of G.S. 132-1.

(t) Immunity. – A person serving on the Teachers' and State Employees' Retirement System Board of Trustees ~~shall be~~ is immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, ~~except where~~ unless any of the following ~~apply:~~applies:

(1) The person was not acting within the scope of that person's official duties.

(2) The person was not acting in good faith.

(3) The person committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.

(4) The person derived an improper personal financial benefit, either directly or indirectly, from the transaction.

(5) The person incurred the liability from the operation of a motor vehicle.

(u) The Treasurer may designate legal counsel, including private counsel, to represent the interests of the administration of benefit programs under this Chapter."

SECTION 18.(c) G.S. 153A-93 reads as rewritten:

"**§ 153A-93. Retirement benefits.**

(a) The board of commissioners may provide for enrolling county officers and employees in the Local Governmental Employees' Retirement System, the Law-Enforcement Officers' Benefit and Relief Fund, the ~~Firemen's Pension Fund,~~ North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, or a retirement plan certified to be actuarially sound by a qualified actuary as defined in subsection (c) of this section and may make payments into ~~such a~~ the retirement system or plan on behalf of its employees.

(b) No county ~~may~~ shall make payments into a retirement system or plan established or authorized by a local act unless the system or plan is certified to be actuarially sound by a qualified actuary as defined in subsection (c) of this section.

(c) A qualified actuary means a member of the American Academy of Actuaries or an individual certified as qualified by the Commissioner of Insurance.

(d) A county ~~which~~ that is providing health insurance under G.S. 153A-92(d) may provide health insurance for all or any class of former officers and employees of the county. ~~Such~~

The health insurance may be paid entirely by the county, partly by the county and former officer or employee, or entirely by the former officer or employee, at the option of the county.

(d1) ~~On and after October 1, 2009, a~~ A county ~~which~~ that is providing health insurance under G.S. 153A-92(d) may provide health insurance for all or any class of former officers and employees of the county who have obtained at least 10 years of service with the county prior to separation from the county and who are not receiving benefits under subsection (a) of this section. ~~Such~~ The health insurance may be paid entirely by the county, partly by the county and former officer or employee, or entirely by the former officer or employee, at the option of the county.

(d2) Notwithstanding subsection (d) of this section, any county that has elected to and is covering its active employees only, or its active and retired employees, under the State Health Plan, or elects ~~such~~ coverage under the Plan, ~~may~~ shall not provide health insurance through the State Health Plan to all or any class of former officers and employees who are not receiving benefits under subsection (a) of this section. The county may, however, provide health insurance to ~~such~~ the former officers and employees by any other means authorized by G.S. 153A-92(d). The health insurance premium may be paid entirely by the county, partly by the county and former officer or employee, or entirely by the former officer or employee, at the option of the county.

(e) The board of commissioners may provide a deferred compensation plan. ~~Where~~ If the board of commissioners provides a deferred compensation plan, the investment of funds for the plan ~~shall be~~ is exempt from ~~the provisions of~~ G.S. 159-30 and G.S. 159-31. Counties may invest deferred compensation plan funds in life insurance, fixed or variable annuities and retirement income contracts, regulated investment trusts, or other forms of investments approved by the Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan."

SECTION 18.(d) G.S. 160A-163 reads as rewritten:

"**§ 160A-163. Retirement benefits.**

(a) The council may provide for enrolling city employees in the Local Governmental Employees' Retirement System, the Law-Enforcement Officers' Benefit and Relief Fund, the ~~Firemen's Pension Fund,~~ North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, or a retirement plan certified to be actuarially sound by a qualified actuary as defined in subsection (d) of this ~~section,~~ section and may make payments into ~~any such~~ the retirement system or plan on behalf of its employees. The city may also supplement from local funds benefits provided by the Local Governmental Employees' Retirement System, the Law-Enforcement Officers' Benefit and Relief Fund, or the ~~Firemen's Pension Fund.~~North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.

(b) The council may create and administer a special fund for the relief of members of the police and fire departments who have been retired for age, or for disability or injury incurred in the line of duty, but any ~~such~~ of these funds established on or after January 1, 1972, ~~shall be~~ are subject to ~~the provisions of~~ subsection (c) of this section. The council may receive donations and devises in aid of ~~any such~~ the fund, shall provide for its permanence and increase, and shall prescribe and regulate the conditions under which benefits may be paid.

(c) No city shall make payments into any retirement system or plan established or authorized by local act of the General Assembly unless the plan is certified to be actuarially sound by a qualified actuary as defined in subsection (d) of this section.

(d) A qualified actuary means an individual certified as qualified by the Commissioner of Insurance, or any member of the American Academy of Actuaries.

(e) A city ~~which~~ that is providing health insurance under G.S. 160A-162(b) may provide health insurance for all or any class of former employees of the city who are receiving benefits under subsection (a) of this section or who are 65 years of age or older. ~~Such~~ The health insurance may be paid entirely by the city, partly by the city and former employee, or entirely by the former employee, at the option of the city.

(f) The council may provide a deferred compensation plan. ~~Where~~ If the council provides a deferred compensation plan, the investment of funds for the plan ~~shall be~~ is exempt from ~~the provisions of~~ G.S. 159-30 and G.S. 159-31. Cities may invest deferred compensation plan funds in life insurance, fixed or variable annuities and retirement income contracts, regulated investment trusts, or other forms of investments approved by the Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan.

(g) ~~Should~~ If the council ~~provide~~ provides for a retirement plan, a plan ~~which~~ that supplements a State-administered plan, or a special fund, any benefits payable from ~~such~~ the plan or fund on account of the disability of city employees may be restricted with regard to the amount ~~which~~ that may be earned by the disabled former employee in any other employment, but only to the extent that the earnings of disability beneficiaries in the Local Governmental Employees' Retirement System are restricted in accordance with G.S. 128-27(e)(1)."

SECTION 19.(a) The title of Chapter 140A of the General Statutes reads as rewritten:

"**State ~~Awards System.~~Awards.**"

SECTION 19.(b) Chapter 140A of the General Statutes is amended by designating G.S. 140A-1 through G.S. 140A-6 as Article 1 with the heading "North Carolina Awards."

SECTION 19.(c) G.S. 140A-2 reads as rewritten:

"**§ 140A-2. Fields of recognition; periods covered.**

These recognitions shall be known as the North Carolina Awards for Literature, Science, the Fine ~~Arts~~ Arts, and Public Service, and shall be conferred upon citizens of North Carolina for the most notable attainments in these respective fields during the current ~~year, terminating four months before the date of award, though such distinctions can be exceptionally conferred, with the approval of the Governor and the Council of State,~~ year or for eminence achieved during years prior to the award."

SECTION 19.(d) G.S. 140A-5 reads as rewritten:

"**§ 140A-5. Selection of recipients for awards.**

The recipients of the awards shall be chosen by ~~a committee named by~~ the North Carolina Awards Committee, for each category of achievement, but no award shall be made in any field unless the ~~committee of awards~~ Committee deems the recognized accomplishment to be outstanding in merit, value, and distinction."

SECTION 19.(e) G.S. 140A-6 reads as rewritten:

"**§ 140A-6. Administration expense.**

The expense of administering this ~~Chapter shall~~ Article may be paid out of the Contingency and Emergency Fund subject to the approval of the Governor and Council of State."

SECTION 19.(f) Chapter 140A of the General Statutes is amended by adding a new Article to read:

"Article 2.

"Medal of Valor Award."

SECTION 19.(g) G.S. 147-12(a)(15) is recodified as G.S. 140A-15 in Article 2 of Chapter 140A of the General Statutes, as enacted by subsection (f) of this section, and reads as rewritten:

"**§ 140A-15. Medal of Valor Award.**

~~To~~ The Governor and Lieutenant Governor may each award the "Medal of Valor Award" to a first responder upon recommendation from the highest-ranking official or member of a first responder unit. The Governor and Lieutenant Governor may each award no more than two Medal of Valor Awards to first responders each calendar year, except ~~that a third may be awarded under special circumstances as determined by the Governor.~~ that, if the Governor or Lieutenant Governor finds there are special circumstances, each may award a third. The Governor and Lieutenant Governor may also annually each award one Medal of Valor Award to one first responder ~~unit, once each calendar year.~~ unit. A Medal of Valor Award shall be for a first

responder or first responder unit that has performed great acts of heroism while under threat of personal risk to safety, beyond the call of duty in the field. For the purposes of this ~~subdivision,~~ section, a "first responder" includes any firefighter, paramedic, law enforcement officer, emergency medical services personnel, or rescue squad member. ~~The Governor and Lieutenant Governor shall each maintain an internet accessible link and application form on a State website where nominations can be put forward, and each shall contain information on the Medal of Valor Award.~~The websites for the offices of Governor and Lieutenant Governor shall include information about the Medal of Valor Award and a form for submitting a nomination for the award."

SECTION 19.(h) G.S. 143A-13 reads as rewritten:

"**§ 143A-13. Office of the Lieutenant ~~Governor; creation; awards.~~Governor created.**

(a) ~~Creation.~~ There is hereby created an office of the Lieutenant Governor.

~~(b) Medal of Valor Award. The Lieutenant Governor may award the "Medal of Valor Award" to a first responder upon recommendation from the highest-ranking official or member of a first responder unit. The Lieutenant Governor may award no more than two Medal of Valor Awards to first responders each calendar year, except that a third may be awarded under special circumstances as determined by the Lieutenant Governor. The Lieutenant Governor may also award one Medal of Valor Award to one first responder unit, once each calendar year. A Medal of Valor Award shall be for a first responder or first responder unit that has performed great acts of heroism while under threat of personal risk to safety, beyond the call of duty in the field. For the purposes of this subsection, a "first responder" includes any firefighter, paramedic, law enforcement officer, emergency medical services personnel, or rescue squad member.~~"

SECTION 19.(i) G.S. 143B-84 reads as rewritten:

"**§ 143B-84. North Carolina Awards Committee – members; selection; quorum; compensation.**

The North Carolina Awards Committee shall consist of five members appointed by the Governor to serve at the Governor's pleasure.

The Governor shall designate a member of the Committee as ~~chairman~~ chair to serve ~~in such capacity~~ at the pleasure of the Governor.

Members of the Committee shall serve without compensation or travel or per diem.

A majority of the Committee ~~shall constitute~~ constitutes a quorum for the transaction of business.

~~The Secretary of Natural and Cultural Resources is hereby authorized to request contingency and emergency funds for the administration of the North Carolina Awards Committee, for the period between July 1, 1973, and ratification of the next general appropriations bill for the Department.~~

All clerical and other services required by the Committee shall be supplied by the Secretary of Natural and Cultural Resources."

SECTION 20. G.S. 143-63.1 reads as rewritten:

"**§ 143-63.1. Sale, ~~disposal~~ disposal, and destruction of firearms.**

(a) Except as ~~hereinafter provided, it shall be~~ provided in this section, it is unlawful for any employee, ~~officer~~ officer, or official of the State in the exercise of his or her official duty to sell or otherwise dispose of any pistol, revolver, ~~shotgun~~ shotgun, or rifle to any person, firm, corporation, county or local governmental unit, ~~law-enforcement~~ law enforcement agency, or other legal entity.

(b) It ~~shall be~~ is lawful for the Department of Administration, in the exercise of its official duty, to sell any weapon described in subsection (a) ~~hereof, to any~~ of this section to a law enforcement agency of a county or local governmental ~~unit, law-enforcement agency in the State; provided, however, that such law-enforcement~~ unit in the State, so long as the agency files a written statement, duly notarized, with the seller of ~~said weapon~~ the weapon, certifying that ~~such~~ the weapon is needed in law enforcement by ~~such law-enforcement~~ the agency.

(c) All weapons described in subsection (a) ~~hereof which~~ of this section that are not sold as ~~herein~~ provided by this section within one year of being declared surplus property shall be destroyed by the Department of Administration.

(d) Notwithstanding the provisions of this section, but subject to ~~the provisions of G.S. 20-187.2,~~ G.S. 17F-20, (i) each department, agency, institution, commission, and bureau of the Executive, Judicial, or Legislative branch of North Carolina and (ii) campus law enforcement agencies and campus police agencies of the constituent institutions of The University of North Carolina may sell, trade, or otherwise dispose of any or all surplus weapons they possess to any federally licensed firearm dealers. The sale, trade, or disposal of these weapons shall be in a manner prescribed by the Department of Administration. Surplus weapons shall be offered for public sale to federally licensed firearm dealers. Public sale is through sealed competitive bids, electronic bids, negative bids, auction, and retail sales. Any ~~moneys or property~~ money obtained from the sale or disposal shall ~~go~~ be credited to the ~~general fund.~~General Fund."

SECTION 21.(a) All of the following provisions are repealed:

(1) Subdivision (5) of G.S. 143-215.94A.

(2) Subdivisions (b)(6) and (b)(12) of G.S. 143-215.94B.

(3) G.S. 143-215.94F.

(4) G.S. 143-215.94P.

SECTION 21.(b) G.S. 143-215.94A(2), (2a), and (7) read as rewritten:

"(2) "Commercial underground storage tank" means any one or combination of tanks (including underground pipes connected thereto) used to contain an accumulation of petroleum products, the volume of which (including the volume of the underground pipes connected thereto) is ten percent (10%) or more beneath the surface of the ground. The term ~~"commercial underground storage tank"~~ does not include ~~any:~~any of the following:

~~a. Farm or residential underground storage tank of 1,100 gallons or less capacity used for storing motor fuel for noncommercial purposes;~~

~~b. Underground storage tank of 1,100 gallons or less capacity used for storing heating oil for consumptive use on the premises where stored;~~

~~c. Underground storage tank of more than 1,100 gallon capacity used for storing heating oil for consumptive use on the premises where stored by four or fewer households;~~

c1. Noncommercial underground storage tank.

d. Septic ~~tank;~~tank.

e. Pipeline facility (including gathering lines) regulated ~~under:~~under any of the following:

1. The Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. § 1671 et ~~seq.);~~seq.).

2. The Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. § 2001 et ~~seq.); or~~seq.).

3. ~~Any intrastate pipeline facility regulated under~~ State laws comparable to the provisions of the Natural Gas Pipeline Safety Act of 1968 or the Hazardous Liquid Pipeline Safety Act of ~~1979;~~1979.

f. Surface impoundment, pit, pond, or ~~lagoon;~~lagoon.

g. Storm water or waste water collection ~~system;~~system.

h. Flow-through process ~~tank;~~tank.

i. Liquid trap or associated gathering lines directly related to oil or gas production and gathering ~~operations; or~~operations.

j. Storage tank situated in an underground area (such as a basement, cellar, mineworking, drift, shaft, or tunnel) if the storage tank is situated upon or above the surface of the floor.

(2a) "Cost-effective cleanup" means the cleanup method that meets all of the following criteria:

a. Addresses imminent threats to human health or the environment.

b. Provides for the cleanup or removal of all contaminated soil except in circumstances where it is impractical to remove contaminated soil.

c. Is approved by the Commission for remediation of the site.

d. Is the least expensive cleanup based on total cost, including costs not eligible for reimbursement from the Commercial ~~Fund or the Noncommercial~~ Fund.

…

(7) "Noncommercial underground storage tank" means any one or combination of the following tanks (including underground pipes connected thereto) used to contain an accumulation of petroleum products, the volume of which (including the volume of the underground pipes connected thereto) is ten percent (10%) or more beneath the surface of the ~~ground. The term "noncommercial storage tank" does not include any:~~ground:

~~a. Commercial underground storage tanks;~~

~~b. Septic tank;~~

~~c. Pipeline facility (including gathering lines) regulated under:~~

~~1. The Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. § 1671 et seq.);~~

~~2. The Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. § 2001 et seq.); or~~

~~3. Any intrastate pipeline facility regulated under State laws comparable to the provisions of the Natural Gas Pipeline Safety Act of 1968 or the Hazardous Liquid Pipeline Safety Act of 1979;~~

~~d. Surface impoundment, pit, pond, or lagoon;~~

~~e. Storm water or waste water collection system;~~

~~f. Flow-through process tank;~~

~~g. Liquid trap or associated gathering lines directly related to oil or gas production and gathering operations; or~~

~~h. Storage tank situated in an underground area (such as a basement, cellar, mineworking, drift, shaft, or tunnel) if the storage tank is situated upon or above the surface of the floor.~~

a. Farm or residential underground storage tank of 1,100 gallons or less capacity used for storing motor fuel for noncommercial purposes.

b. Underground storage tank of 1,100 gallons or less capacity used for storing heating oil for consumptive use on the premises where stored.

c. Underground storage tank of more than 1,100 gallon capacity used for storing heating oil for consumptive use on the premises where stored by four or fewer households."

SECTION 21.(c) G.S. 143-215.94E reads as rewritten:

"**§ 143-215.94E. Rights and obligations of the owner or operator.**

…

(b1) In the case of a discharge or release from a commercial underground storage tank where the owner and operator cannot be identified or located, or where the owner and operator fail to proceed as required by subsection (a) of this section, the following requirements apply:

(1) If the current landowner of the land in which the commercial underground storage tank is located notifies the Department in accordance with G.S. 143-215.85 and undertakes to collect and remove the discharge or release and to restore the area affected in accordance with the requirements of this Article and applicable federal and State laws, regulations, and rules, the current landowner may elect to have the Commercial Fund pay or reimburse the current landowner for any costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) that exceed the amounts for which the owner or operator is responsible under that subsection. ~~[The following also apply:]~~The following provisions also apply:

a. The current landowner is not eligible for payment or reimbursement until the current landowner has paid the costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) for which the owner or operator is responsible.

b. Eligibility for reimbursement under this subsection may be transferred from a current landowner who has paid the costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) to a subsequent landowner.

The current landowner shall submit documentation of all expenditures as required by G.S. 143-215.94G(b).

…

(e) ~~When an~~ An owner, operator, or landowner that pays the costs described in ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1)~~ subsection (b) or (b1) of G.S. 143-215.94B resulting from a discharge or release of petroleum from ~~an~~ a commercial underground storage ~~tank, the owner, operator, or landowner~~ tank may seek reimbursement from ~~the appropriate fund for any costs that the owner, operator, or landowner may elect to have either~~ the Commercial Fund ~~or the Noncommercial Fund pay~~ in accordance with ~~the applicable subsections of~~ this section.

(e1) The Department may contract for any services necessary to evaluate any claim for reimbursement or compensation from the Commercial ~~Fund,~~ Fund and may contract for any expert witness or consultant services necessary to defend any decision to pay or deny any claim for ~~reimbursement, and~~ reimbursement. The Department may pay the cost of these services from the ~~fund against which the claim is made; provided that in~~ fund. In any fiscal ~~year~~ year, however, the Department shall not expend ~~from either fund~~ more than one percent (1%) of the unobligated balance of the fund on 30 June of the previous fiscal year. The cost of contractual services ~~to evaluate a claim or for expert witness or consultant services to defend a decision with respect to a claim shall be included as costs under G.S. 143-215.94B(b) and 143-215.94B(b1).~~authorized by this subsection are considered costs under subsections (b) and (b1) of G.S. 143-215.94B.

…

(e5) (1) As used in this subsection:

…

b. "Preapproval" means a determination by the Department that:

1. The nature and scope of a task is reasonable and necessary to be performed under ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1)~~ subsection (b) or (b1) of G.S. 143-215.94B in order to achieve the purposes of this Part.

2. The amount estimated for the cost of a task does not exceed the amount or rate that is reasonable for that task.

(2) The Department may require an owner, operator, or landowner to obtain preapproval before proceeding with any task. The Department shall specify those tasks for which preapproval is required. The Department shall deny any

request for payment or reimbursement of the cost of any task for which preapproval is required if the owner, operator, or landowner failed to obtain preapproval of the task. Preapproval of a task by the Department does not guarantee payment or reimbursement in the amount estimated for the cost of the task at the time preapproval is requested. The Department shall pay or reimburse the cost of a task only if all of the following apply:

a. The cost is eligible to be paid under ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1).~~subsection (b) or (b1) of G.S. 143-215.94B.

b. Payment is in accordance with ~~G.S. 143-215.94B(d) or G.S. 143-215.94D(d).~~G.S. 143-215.94B(d).

c. The Department determines that the cost is reasonable and necessary.

(3) The Commission may adopt rules governing payment or reimbursement of reasonable and necessary costs and, consistent with any rules adopted by the Commission, the Department shall develop, implement, and periodically revise a schedule of costs that the Department determines to be reasonable and necessary costs for specific tasks. Statements that specify tasks for which preapproval is required and schedules of reasonable and necessary costs for specific tasks are statements within the meaning of G.S. 150B-2(8a)g. This subsection ~~shall not be construed to~~ does not invalidate any rule of the Commission related to preapproval of tasks that will result in a cost that is eligible to be paid or reimbursed under ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1), provided, however, that the~~ subsection (b) or (b1) of G.S. 143-215.94B. The Department may specify ~~additional~~ tasks for which preapproval is ~~required.~~required in addition to any specified by the Commission.

(4) In all cases, the Department shall require an owner, operator, or landowner to submit documentation sufficient to establish that a claim is eligible to be paid or reimbursed under this Part before the Department pays or reimburses the claim.

(5) The Department shall authorize a task the cost of which is to be paid or reimbursed from the Commercial Fund ~~or the Noncommercial Fund~~ only when the task is scheduled to be performed on the basis of a priority determination pursuant to subsection (e4) of this section. The Department shall not pay or reimburse the cost of any task for which authorization is required under this subsection until the Department has preapproved and authorized the task.

(6) Except as provided in subdivisions (8) and (9) of this subsection, the Department shall not authorize any task the cost of which is to be paid or reimbursed from the Commercial Fund ~~or the Noncommercial Fund~~ unless the Department determines, based on the scope of the work to be performed and the schedule of reasonable and necessary costs, that sufficient funds will be available in the Commercial Fund ~~or the Noncommercial Fund, whichever applies,~~ to pay or reimburse the cost of that task within 90 days after the Department determines that the owner, operator, or landowner has submitted a claim with documentation sufficient to establish that the claim is eligible to be paid under this Part.

…

(8) The Department may preapprove and authorize ~~a task the cost of which is to be paid or reimbursed~~ for payment or reimbursement from the Commercial Fund ~~or the Noncommercial Fund~~ a task that has not been authorized pursuant

to subdivisions (5) and (6) of this subsection if the owner, operator, or landowner specifically requests that the task be authorized and agrees that the claim for payment or reimbursement of the task's cost will not be paid until after the Department has paid all claims for payment or reimbursement of costs for tasks ~~that~~ the Department has authorized pursuant to subdivisions (5) and (6) of this subsection.

(9) The Department may preapprove and authorize ~~a task the cost of which is to be paid or reimbursed~~ for payment or reimbursement from the Commercial Fund ~~or the Noncommercial Fund~~ a task that has not been authorized pursuant to subdivisions (5) and (6) of this subsection if the discharge or release creates an emergency situation. An emergency situation exists when a discharge or release of petroleum results in an imminent threat to human health or the environment. A claim for payment or reimbursement of costs for tasks ~~that are~~ authorized under this subdivision shall be paid or reimbursed on the same basis as tasks ~~that are~~ authorized under subdivisions (5) and (6) of this subsection.

…

(g) No owner or operator shall be reimbursed pursuant to this section, and the Department shall seek reimbursement of the ~~appropriate fund~~ Commercial Fund or of the Department for any monies disbursed from the ~~appropriate fund~~ Commercial Fund or expended by the Department if any of the following apply:

(1) The owner or operator has willfully violated any substantive law, rule, or regulation applicable to underground storage tanks and intended to prevent or mitigate discharges or releases or to facilitate the early detection of discharges or releases.

(2) The discharge or release is the result of the owner's or operator's willful or wanton misconduct.

(3) The owner or operator has failed to pay any annual tank operating fee due pursuant to G.S. 143-215.94C.

…

(j) An owner, operator, or landowner shall request that the Department determine whether any of the costs of assessment and cleanup of a discharge or release from a petroleum underground storage tank are eligible to be paid or reimbursed from ~~either~~ the Commercial Fund within one year after completion of any task that is eligible to be paid or reimbursed under G.S. 143-215.94B(b) or 143-215.94B(b1).

…."

SECTION 21.(d) G.S. 143-215.94G, as amended by Section 24(*l*) of this act, reads as rewritten:

"**§ 143-215.94G. Authority of the Department to engage in cleanups; actions for fund reimbursement.**

(a) If there is a discharge or release of petroleum from any of the following, the Department may use staff, equipment, or materials under its control or provided by other cooperating federal, State, or local agencies and may contract with any agent or contractor it deems appropriate to investigate a release, to develop and implement a cleanup plan, to provide interim alternative sources of drinking water to third parties, and to pay the initial costs for providing permanent alternative sources of drinking water to third parties:

~~(1) A noncommercial underground storage tank.~~

(2) An underground storage tank whose owner or operator cannot be identified or located.

(3) An underground storage tank whose owner or operator fails to proceed as required by G.S. 143-215.94E(a).

(4) A commercial underground storage tank taken out of operation prior to 1 January 1974 if, when the discharge or release is discovered, neither the owner nor operator owns or leases the land on which the underground storage tank is located.

…

(d) The Secretary shall seek reimbursement through any legal means available for the following:

…

(6) The amounts provided for in ~~G.S. 143-215.94B(b5) and G.S. 143-215.94D(b2).~~G.S. 143-215.94B(b5).

(e) In the event that a civil action is commenced to secure reimbursement pursuant to subdivisions (1) through (4) of subsection (d) of this section, the Secretary may recover, in addition to any amount due, the costs of the action, including but not limited to reasonable attorneys' fees and investigation expenses. Any monies received or recovered as reimbursement shall be paid into the ~~appropriate fund~~ Commercial Fund or other source from which the expenditures were made.

(f) Repealed by Session Laws 2015-241, s. 14.16A(f), effective December 31, 2016.

(g) If the Department paid or reimbursed costs that are not authorized to be paid or reimbursed under G.S. 143-215.94B ~~or G.S. 143-215.94D~~ as a result of a misrepresentation by an agent that acted on behalf of an owner, operator, or landowner, the Department shall first seek reimbursement, pursuant to subdivision (1) of subsection (d) of this section, from the agent of monies paid to or retained by the agent.

…."

SECTION 21.(e) G.S. 143-215.94V reads as rewritten:

"**§ 143-215.94V. Standards for petroleum underground storage tank cleanup.**

(a) Legislative findings and intent.

(1) The General Assembly finds that:

a. The goals of the underground storage tank program are to protect human health and the environment. Maintaining the solvency of the Commercial Fund ~~and the Noncommercial Fund~~ is essential to these goals.

…

(2) The General Assembly intends:

…

e. That ~~neither~~ the Commercial Fund ~~nor the Noncommercial Fund~~ not be used to clean up sites where the Commission has determined that a discharge or release poses a degree of risk to human health or the environment that is no greater than the acceptable level of risk established by the Commission.

f. Repealed by Session Laws 1998-161, s. 11(c), effective retroactively to January 1, 1998.

g. That the Commercial Fund ~~and the Noncommercial Fund~~ be used to perform the most cost-effective cleanup that addresses imminent threats to human health and the environment.

…

(c) The Commission may require an owner or operator or a landowner eligible for payment or reimbursement under ~~subsections (b), (b1), (c), and (c1)~~ subsections (b) and (b1) of G.S. 143-215.94E to provide information necessary to determine the degree of risk to human health and the environment that is posed by a discharge or release from a petroleum underground storage and to identify the most cost-effective cleanup that addresses imminent threats to human health and the environment.

…

(e) If the Commission concludes under subsection (d) of this section that no cleanup, no further cleanup, or no further action will be required, the Department shall not pay or reimburse any costs otherwise payable or reimbursable under this Article from ~~either~~ the Commercial ~~or Noncommercial~~ Fund, other than reasonable and necessary to conduct the risk assessment required by this section, unless:

(1) Cleanup is ordered or damages are awarded in a finally adjudicated judgment in an action against the owner or landowner. To be eligible for reimbursement of damages arising from a third-party claim for bodily injury or property damage awarded in a finally adjudicated judgment, however, an owner or operator shall (i) notify the Department of any such claim; (ii) provide the Department with all pleadings and other related documents if a lawsuit has been filed; and (iii) provide the Department copies of any medical reports, statements, investigative reports, or certifications from licensed professionals necessary to determine that a claim for bodily injury or property damage is reasonable and necessary. Reimbursement of claims for damages arising from a third-party claim for bodily injury or property damage awarded in a finally adjudicated judgment shall be subject to the limitations set forth in ~~G.S. 143-215.94B(b)(5) and G.S. 143-215.94D(b1)(2), as applicable,~~ G.S. 143-215.94B(b)(5) and any other provision governing third-party claims set forth in this Article.

…

(e1) If the Commission concludes under subsection (d) of this section that further cleanup is required and notifies the owner, operator, or landowner of the cleanup method approved by the Commission as the most cost-effective cleanup method for the site, the Department shall not pay or reimburse any costs otherwise payable or reimbursable under this Article from ~~either~~ the Commercial ~~Fund or Noncommercial~~ Fund, other than those costs that are reasonable and necessary to conduct the risk assessment and to implement the cost-effective cleanup method approved by the Commission. If the owner, operator, or landowner selects a cleanup method other than the one identified by the Commission as the most cost-effective cleanup, the Department shall not pay or reimburse for costs in excess of the cost of implementing the approved cost-effective cleanup.

…

(h) If a discharge or release of petroleum from an underground storage tank results in contamination in soil or groundwater that becomes commingled with contamination that is the result of a discharge or release of petroleum from a source of contamination other than an underground storage tank, the cleanup of petroleum may proceed under rules adopted pursuant to this section. The Department shall not pay or reimburse from the Commercial Fund any costs associated with the assessment or remediation of that portion of contamination that results from a release or discharge of petroleum from a source other than an underground storage ~~tank from either the Commercial Fund or the Noncommercial Fund.~~tank."

SECTION 21.(f) G.S. 143B-426.40A(*l*) reads as rewritten:

"(*l*) ~~Assignment of Payments From the Underground Storage Tank Cleanup Funds. –~~ Payments from Commercial Fund. – This section does not apply to an assignment of any claim for payment or reimbursement from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund established by ~~G.S. 143-215.94B or the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund established by G.S. 143-215.94D.~~G.S. 143-215.94B."

SECTION 22. Article 29A of Chapter 143 of the General Statutes is repealed.

SECTION 23. G.S. 144-9(b) reads as rewritten:

"(b) The Department of Military and Veterans Affairs shall accept, at no charge, a worn, tattered, or otherwise damaged flag of the United States of America or the State of North Carolina

from a citizen of the State and shall make arrangements for its respectful disposal. The Department shall establish a flag retirement program to encourage citizens to send in or drop off worn, tattered, or otherwise damaged flags at the Department's office in Raleigh and at any Veterans Home or Veterans Cemetery in the State and may establish other locations for flag drop-off as it deems appropriate. The Department shall advertise the flag retirement program on its website and by printed posters placed at all flag drop-off locations.

~~Department~~"

SECTION 24.(a) G.S. 150B-37(c) is recodified as the last sentence of G.S. 150B-34(a).

SECTION 24.(b) G.S. 150B-34, as amended by subsection (a) of this section, reads as rewritten:

"**§ 150B-34. Final decision or order.**

(a) In each contested case the administrative law judge shall make a final decision or order that contains findings of fact and conclusions of law. The administrative law judge shall decide the case based upon the preponderance of the evidence, giving due regard to the demonstrated knowledge and expertise of the agency with respect to facts and inferences within the specialized knowledge of the agency. The Office of Administrative Hearings shall forward a copy of the administrative law judge's final decision or order to each party.

(b) Repealed by Session Laws 1991, c. 35, s. 6.

(c) Repealed by Session Laws 2011-398, s. 18. For effective date and applicability, see editor's note.

(d) Except for the exemptions contained in G.S. 150B-1, the provisions of this section regarding the decision of the administrative law judge ~~shall~~ apply only to agencies subject to Article 3 of this Chapter, notwithstanding any other provisions to the contrary relating to recommended decisions by administrative law judges.

…."

SECTION 24.(c) G.S. 90A-30 reads as rewritten:

"**§ 90A-30. Penalties; remedies; contested cases.**

(a) Upon the recommendation of the Board of Certification, the Secretary of Environmental Quality or a delegated representative may impose an administrative, civil penalty on any person, corporation, company, association, partnership, unit of local government, State agency, federal agency, or other legal entity ~~who~~ that violates G.S. 90A-29(a). Each day of a continued violation ~~shall constitute~~ constitutes a separate violation. The penalty shall not exceed one hundred dollars ($100.00) for each day ~~such~~ the violation continues. No penalty shall be assessed until the person alleged to be in violation has been notified of the violation.

The clear proceeds of penalties imposed pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(b) Any person wishing to contest a penalty issued under this section ~~shall be~~ is entitled to an administrative hearing and judicial review conducted according to the procedures outlined in Articles 3 and 4 of Chapter 150B of the General Statutes.

(c) The Secretary may bring a civil action in the superior court of the county in which the violation is alleged to have occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to an owner or person in control of a water treatment ~~facility~~facility:

(1) ~~Who~~ The owner or person has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of ~~such penalty, or~~the penalty.

(2) ~~Who~~ The owner or person has requested an administrative hearing and fails to pay the penalty within 60 days after ~~service of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34.

(d) Notwithstanding any other provision of law, this section imposes the only penalty or sanction, civil or criminal, for violations of G.S. 90A-29(a) or for the failure to meet any other legal requirement for a water system to have a certified operator in responsible charge."

SECTION 24.(d) G.S. 104E-24 reads as rewritten:

"**§ 104E-24. Administrative penalties.**

(a) The Department may impose an administrative penalty on ~~any person:~~a person that does either of the following:

(1) ~~Who fails~~ Fails to comply with this Chapter, any order issued ~~hereunder,~~ under it, or any rules adopted pursuant to ~~this Chapter;~~it.

(2) ~~Who refuses~~ Refuses to allow an authorized representative of the Radiation Protection Commission or the Department of Health and Human Services a right of entry as provided for in G.S. 104E-11 or impounding materials as provided for in G.S. 104E-14.

(b) Each day of a continuing violation ~~shall constitute~~ constitutes a separate violation. ~~Such~~ The penalty shall not exceed ten thousand dollars ($10,000) per day. In determining the amount of the penalty, the Department shall consider the degree and extent of the harm caused by the violation. Any person assessed a penalty shall be notified of the assessment by registered or certified mail, and the notice shall specify the reasons for the assessment.

(c) Any person wishing to contest a penalty or order issued under this section ~~shall be~~ is entitled to an administrative hearing and judicial review in accordance with the procedures outlined in Articles ~~3, 3A,~~ 3 and 4 of Chapter 150B of the General Statutes.

(d) The Secretary may bring a civil action in the superior court of the county in which ~~such~~ the violation is alleged to have occurred to recover the amount of the administrative penalty ~~whenever a person:~~if either of the following applies:

(1) ~~Who~~ The person has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of ~~such penalty, or~~the penalty.

(2) ~~Who~~ The person has requested an administrative hearing and fails to pay the penalty within 60 days after ~~service of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34.

(e) The clear proceeds of penalties imposed pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

SECTION 24.(e) G.S. 108A-70.9A(f) reads as rewritten:

"(f) Final Decision. – After a hearing before an administrative law judge, ~~the judge~~ OAH shall ~~return~~ forward a written copy of the administrative law judge's decision to the Department and the recipient in accordance with ~~G.S. 150B-37.~~ G.S. 150B-34. The ~~Department~~ decision shall notify the Department and the recipient ~~of the final decision and~~ of the right to judicial review of the decision pursuant to Article 4 of Chapter 150B of the General Statutes."

SECTION 24.(f) G.S. 108A-70.9B(g) reads as rewritten:

"(g) Decision. – The administrative law judge assigned to a contested Medicaid case shall hear and decide the case without unnecessary delay. The judge shall prepare a written decision and ~~send~~ shall forward a copy of it to the parties in accordance with ~~G.S. 150B-37.~~G.S. 150B-34."

SECTION 24.(g) G.S. 108D-16 reads as rewritten:

"**§ 108D-16. Notice of final decision and right to seek judicial review.**

The administrative law judge assigned to conduct a contested case hearing under G.S. 108D-15 shall hear and decide the case without unnecessary delay. The judge shall prepare a written decision that includes findings of fact and conclusions of law and ~~send~~ shall forward a copy of it to the parties in accordance with ~~G.S. 150B-37.~~ G.S. 150B-34. The written decision shall notify the parties ~~of the final decision and~~ of the right of the enrollee and the managed care

entity to seek judicial review of the decision under Article 4 of Chapter 150B of the General Statutes."

SECTION 24.(h) G.S. 122C-24 reads as rewritten:

"**§ 122C-24. Adverse action on a license.**

(a) The Secretary may deny, suspend, amend, or revoke a license in any case in which the Secretary finds that there has been a substantial failure to comply with any provision of this Article or other applicable statutes or any applicable rule adopted pursuant to these statutes. ~~Action[s]~~ Actions under this section and appeals of those actions shall be in accordance with rules of the Commission and Chapter 150B of the General Statutes.

~~(b) When an appeal is filed concerning the denial, suspension, amendment, or revocation of a license, a copy of the proposal for decision shall be sent to the Chairman of the Commission in addition to the parties specified in G.S. 150B-34. The Chairman or members of the Commission designated by the Chairman may submit for the Secretary's consideration written or oral comments concerning the proposal prior to the issuance of a final agency decision in accordance with G.S. 150B-36.~~"

SECTION 24.(i) G.S. 122C-24.1 reads as rewritten:

"**§ 122C-24.1. Penalties; remedies.**

…

(h) The Secretary may bring a civil action in the superior court of the county ~~wherein~~ where the violation occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to a facility:

(1) ~~Which~~ The facility has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of the ~~penalty, or~~penalty.

(2) ~~Which~~ The facility has requested an administrative hearing and fails to pay the penalty within 60 days after ~~receipt of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-37.~~G.S. 150B-34.

…

(j) The clear proceeds of civil penalties provided for in this section shall be remitted to the ~~State Treasurer for deposit~~ Civil Penalty and Forfeiture Fund in accordance with ~~State law.~~G.S. 115C-457.2.

…."

SECTION 24.(j) G.S. 131D-34 reads as rewritten:

"**§ 131D-34. Penalties; remedies.**

…

(g) The Secretary may bring a civil action in the superior court of the county ~~wherein~~ where the violation occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to a facility:

(1) ~~Which~~ The facility has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of the ~~penalty, or~~penalty.

(2) ~~Which~~ The facility has requested an administrative hearing and fails to pay the penalty within 60 days after ~~receipt of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34.

…

(i) The clear proceeds of civil penalties provided for in this section shall be remitted to the ~~State Treasurer for deposit~~ Civil Penalty and Forfeiture Fund in accordance with ~~State law.~~G.S. 115C-457.2."

SECTION 24.(k) G.S. 131E-129(f) reads as rewritten:

"(f) The Secretary may bring a civil action in the superior court of the county ~~wherein~~ where the violation occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to a facility:

(1) ~~Which~~ The facility has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of the ~~penalty; or~~penalty.

(2) ~~Which~~ The facility has requested an administrative hearing and fails to pay the penalty within 60 days after ~~receipt of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34."

SECTION 24.(*l*) G.S. 143-215.94G reads as rewritten:

"**§ 143-215.94G. Authority of the Department to engage in cleanups; actions for fund reimbursement.**

(a) ~~The~~ If there is a discharge or release of petroleum from any of the following, the Department may use staff, equipment, or materials under its control or provided by other cooperating federal, State, or local agencies and may contract with any agent or contractor it deems appropriate to investigate a release, to develop and implement a cleanup plan, to provide interim alternative sources of drinking water to third parties, and to pay the initial costs for providing permanent alternative sources of drinking water to third ~~parties, and shall pay the costs resulting from the Commercial Fund whenever there is a discharge or release of petroleum from any of the following:~~parties:

(1) A noncommercial underground storage tank.

(2) An underground storage tank whose owner or operator cannot be identified or located.

(3) An underground storage tank whose owner or operator fails to proceed as required by G.S. 143-215.94E(a).

(4) A commercial underground storage tank taken out of operation prior to 1 January 1974 if, when the discharge or release is discovered, neither the owner nor operator owns or leases the land on which the underground storage tank is located.

(a1) Every State agency shall provide to the Department to the maximum extent feasible ~~such~~ any staff, equipment, and materials ~~as may be~~ that are available and useful to the development and implementation of a cleanup program.

(a2) The cost of any action authorized under subsection (a) of this section shall be paid, to the extent funds are available, from the following sources in the order listed:

(1) Any funds to which the State is entitled under any federal program providing for the cleanup of petroleum discharges or releases from underground storage tanks, including, but not limited to, the Leaking Underground Storage Tank Trust Fund established pursuant to 26 U.S.C. § 4081 and 42 U.S.C. § 6991b(h).

(2) The Commercial Fund.

(a3) Expired October 1, 2011, pursuant to Session Laws 2001-442, s. 8, as amended by Session Laws 2008-195, s. 11.

(b) Whenever the discharge or release of a petroleum product is from a commercial underground storage tank, the Department may supervise the cleanup of environmental damage required by G.S. 143-215.94E(a). If the owner or operator elects to have the Commercial Fund reimburse or pay for any costs allowed under subsection (b) or (b1) of G.S. 143-215.94B, the Department shall require the owner or operator to submit documentation of all expenditures claimed for the purposes of establishing that the owner or operator has spent the amounts required to be paid by the owner or operator pursuant to and in accordance with G.S. 143-215.94E(b). The Department shall allow credit for all expenditures that the Department determines to be reasonable and necessary. The Department ~~may~~ shall not pay for any costs for which the

Commercial Fund was established until the owner or operator has paid the amounts specified in G.S. 143-215.94E(b).

(c) The Secretary shall keep a record of all expenses incurred for the services of State personnel and for the use of the State's equipment and material.

(d) The Secretary shall seek reimbursement through any legal means ~~available, for:~~available for the following:

(1) Any costs not authorized to be paid from the Commercial ~~Fund;~~Fund.

(2) The amounts provided for in G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) required to be paid for by the owner or operator pursuant to G.S. 143-215.94E(b) ~~where~~ if the owner or operator of a commercial underground storage tank is later identified or ~~located;~~located.

(3) The amounts provided for in G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) required to be paid for by the owner or operator pursuant to G.S. 143-215.94E(b) ~~where~~ if the owner or operator of a commercial underground storage tank failed to proceed as required by ~~G.S. 143-215.94E(a);~~G.S. 143-215.94E(a).

(3a) The amounts provided for by G.S. 143-215.94B(b)(5) required to be paid by the owner or operator to third parties for the cost of providing interim alternative sources of drinking water to third parties and the initial cost of providing permanent alternative sources of drinking water to third ~~parties;~~parties.

(4) Any funds due under ~~G.S. 143-215.94E(g); and~~G.S. 143-215.94E(g).

(5) Any funds to which the State is entitled under any federal program providing for the cleanup of petroleum discharges or releases from underground storage ~~tanks; [and]~~tanks.

(6) The amounts provided for in G.S. 143-215.94B(b5) and G.S. 143-215.94D(b2).

(e) In the event that a civil action is commenced to secure reimbursement pursuant to subdivisions (1) through (4) of subsection (d) of this section, the Secretary may recover, in addition to any amount due, the costs of the action, including but not limited to reasonable ~~attorney's~~ attorneys' fees and investigation expenses. Any monies received or recovered as reimbursement shall be paid into the appropriate fund or other source from which the expenditures were made.

(f) Repealed by Session Laws 2015-241, s. 14.16A(f), effective December 31, 2016.

(g) If the Department paid or reimbursed costs that are not authorized to be paid or reimbursed under G.S. 143-215.94B or G.S. 143-215.94D as a result of a misrepresentation by an agent ~~who~~ that acted on behalf of an owner, operator, or landowner, the Department shall first seek reimbursement, pursuant to subdivision (1) of subsection (d) of this section, from the agent of monies paid to or retained by the agent.

(h) The Department shall take administrative action to recover costs or bring a civil action pursuant to subdivision (1) of subsection (d) of this section to seek reimbursement of costs in accordance with the ~~time limits set out in this subsection.~~following time limits:

(1) The Department shall take administrative action to recover costs or bring a civil action to seek reimbursement of costs that are not authorized to be paid from the Commercial Fund under subdivision (1), (2), or (3) of G.S. 143-215.94B(d) within five years after payment.

(2) The Department shall take administrative action to recover costs or bring a civil action to seek reimbursement of costs other than those described in subdivision (1) of this subsection within three years after payment.

(3) Notwithstanding the time limits set out in subdivisions (1) and (2) of this subsection, the Department may take administrative action to recover costs or

bring a civil action to seek reimbursement of costs paid as a result of fraud or misrepresentation at any time.

(i) An administrative action or civil action that is not commenced within the time allowed by subsection (h) of this section is barred.

(j) Except with the consent of the claimant, the Department ~~may~~ shall not withhold payment or reimbursement of costs that are authorized to be paid from the Commercial Fund in order to recover any other costs that are in dispute unless the Department is authorized to withhold payment by a final decision ~~of the Commission pursuant to G.S. 150B-36~~ in a contested case under Article 3 of Chapter 150B of the General Statutes or by an order or final decision of a court."

SECTION 25. G.S. 160D-1311 reads as rewritten:

"**§ 160D-1311. Community development programs and activities.**

(a) A local government ~~is authorized to~~ may engage in, ~~to~~ accept federal and State grants and loans for, and ~~to~~ appropriate and expend funds for community development programs and activities. In undertaking community development programs and activities, in addition to other authority granted by law, a local government may engage in the following activities:

(1) Programs of assistance and financing of rehabilitation of private buildings principally for the benefit of low- and moderate-income persons, or for the restoration or preservation of older neighborhoods or properties, including direct repair, the making of grants or loans, the subsidization of interest payments on loans, and the guaranty of loans.

(2) Programs concerned with employment, economic development, crime prevention, child care, health, drug abuse, education, and welfare needs of persons of low and moderate income.

(b) A governing board may exercise directly those powers granted by law to local government redevelopment commissions and those powers granted by law to local government housing authorities and may do so whether or not a redevelopment commission or housing authority is in existence in ~~such~~ the local government. Any governing board desiring to do so may delegate to any redevelopment commission, created under Article 22 of Chapter 160A of the General Statutes, or to any housing authority, created under Article 1 of Chapter 157 of the General Statutes, the responsibility of undertaking or carrying out any specified community development activities. Any governing board may by agreement undertake or carry out for another any specified community development activities. Any governing board may contract with any person, association, or corporation in undertaking any specified community development activities. Any county or city board of health, county board of social services, or county or city board of education may by agreement undertake or carry out for any other governing board any specified community development activities.

(c) A local government undertaking community development programs or activities may create one or more advisory committees to advise it and to make recommendations concerning ~~such~~ the programs or activities.

(d) A governing board proposing to undertake any loan guaranty or similar program for rehabilitation of private buildings ~~is authorized to~~ may submit to its voters the question whether ~~such~~ the program shall be ~~undertaken, such~~ undertaken. The referendum ~~to~~ shall be conducted pursuant to the general and local laws applicable to special elections in ~~such~~ the local government. ~~No State or local taxes shall be appropriated or expended by a county pursuant to this section for any purpose not expressly authorized by G.S. 153A-149, unless the same is first submitted to a vote of the people as therein provided.~~

(e) A government may receive and dispense funds from the Community Development Block Grant (CDBG) Section 108 Loan Guarantee program, Subpart M, 24 C.F.R. § 570.700, et seq., either through application to the North Carolina Department of Commerce or directly from the federal government, in accordance with State and federal laws governing these funds. Any

local government that receives these funds directly from the federal government may pledge current and future CDBG funds for use as loan guarantees in accordance with State and federal laws governing these funds. A local government may implement the receipt, dispensing, and pledging of CDBG funds under this subsection by borrowing CDBG funds and lending all or a portion of those funds to a third party in accordance with applicable laws governing the CDBG program.

A government that has pledged current or future CDBG funds for use as loan guarantees prior to the enactment of this subsection is authorized to have taken ~~such~~ the action. A pledge of future CDBG funds under this subsection is not a debt or liability of the State or any political subdivision of the State or a pledge of the faith and credit of the State or any political subdivision of the State. The pledging of future CDBG funds under this subsection does not directly, indirectly, or contingently obligate the State or any political subdivision of the State to levy or to pledge any taxes.

(f) All program income from Economic Development Grants from the Small Cities Community Development Block Grant Program may be retained by recipient cities and counties in "economically distressed counties," as defined in G.S. 143B-437.01, for the purposes of creating local economic development revolving loan funds. ~~Such~~ The program income derived through the use by cities of Small Cities Community Development Block Grant money includes, but is not limited to, (i) payment of principal and interest on loans made by the county using CDBG funds, (ii) proceeds from the lease or disposition of real property acquired with CDBG funds, and (iii) any late fees associated with loan or lease payments in (i) and (ii) above. The local economic development revolving loan fund set up by the city shall fund only those activities eligible under Title I of the federal Housing and Community Development Act of 1974, as amended (P.L. 93-383), and shall meet at least one of the three national objectives of the Housing and Community Development Act. Any expiration of G.S. 143B-437.01 or G.S. 105-129.3 ~~shall~~ does not affect this subsection as to designations of economically distressed counties made prior to its expiration.

(g) No State or local taxes shall be appropriated or expended by a county pursuant to this section for any purpose not expressly authorized by G.S. 153A-149, unless the purpose is first submitted to a vote of the people as provided by that section."

SECTION 26. G.S. 168-11 reads as rewritten:

"**§ 168-11. Reporting by Protection and Advocacy Agency for persons with disabilities.**

The designated Protection and Advocacy Agency (Agency) for this State shall report to the General Assembly ~~as provided in this section.~~ twice per year on actions the Agency has taken in its efforts to advocate for persons with disabilities. The Agency shall submit its reports to the chairs of the House and Senate Appropriations Committees on Health and Human Services during session and to the Joint Legislative Oversight Committee on Medicaid and the Joint Legislative Oversight Committee on Health and Human Services during the interim.

Upon review, the General Assembly is encouraged to examine the activities of the Agency to determine the impact on current and future State budgets. The Agency is encouraged to annually hold six meetings with the public throughout the State to share the Agency's findings in the reports required by this section. Nothing in this section ~~shall be construed as impacting~~ impacts the Agency's ability to perform work within its governing laws. ~~The reports shall be submitted as follows:~~

~~A report submitted twice a year of actions the Agency has taken in its efforts to advocate for persons with disabilities. The Agency shall submit its reports to the chairs of the House and Senate Appropriations Committees on Health and Human Services during session and to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Joint Legislative Oversight Committee on Health and Human Services during the interim.~~"

SECTION 27.(a) Subsection (a) of Section 9A.1 of S.L. 2022-74 is repealed.

SECTION 27.(b) G.S. 108A-42.1, as amended by subsection (a) of this section, reads as rewritten:

"**§ 108A-42.1. State-County Special Assistance Program payment rates.**

(a) Basic Rate. – The maximum monthly rate for State-County Special Assistance recipients residing in adult care homes or in-home living arrangements without a diagnosis of Alzheimer's disease or dementia ~~shall be one thousand one hundred eighty-two dollars ($1,182)~~ is one thousand two hundred eighty-five dollars ($1,285) per month per resident. This rate shall be adjusted on January 1, 2024, and each January 1 thereafter, using the federally approved Social Security cost-of-living adjustment effective for the applicable year.

(b) Enhanced Rate. – The maximum monthly rate for State-County Special Assistance recipients residing in special care units or in-home living arrangements with a diagnosis of Alzheimer's disease or dementia ~~shall be one thousand five hundred fifteen dollars ($1,515)~~ is one thousand six hundred forty-seven dollars ($1,647) per month per resident. This rate shall be adjusted on January 1, 2024, and each January 1 thereafter, using the federally approved Social Security cost-of-living adjustment effective for the applicable year."

SECTION 27.(c) This section is retroactively effective January 1, 2023.

SECTION 28.(a) Section 9A.3A(a) of S.L. 2021-180 reads as rewritten:

"**SECTION 9A.3A.(a)** It is the intent of the General Assembly to provide greater parity among individuals receiving benefits under the State-County Special Assistance Program authorized under G.S. 108A-40 regardless if they elect to reside in an adult care home, a special care unit, or an in-home living arrangement. To that end, ~~no later than 30 days after the effective date of this subsection, the Department of Health and Human Services, Division of Aging and Adult Services, shall apply to the federal Social Security Administration (SSA) for approval to allow eligible individuals residing in in-home living arrangements to qualify for State-County Special Assistance under the Social Security Optional State Supplement Program in the same manner as individuals residing in adult care homes or special care units. Additionally,~~ no later than 30 days after the effective date of this subsection, the Department of Health and Human Services, Division of Health Benefits, shall submit a State Plan amendment to the Centers for Medicare and Medicaid Services (CMS) for approval to add Medicaid coverage for individuals residing in in-home living arrangements who qualify for State-County Special Assistance under the Social Security Optional State Supplement Program. It is the further intent of the General Assembly to appropriate sufficient funds in future fiscal years to support annual adjustment of the State-County Special Assistance Program payment rates using the federally approved Social Security cost-of-living adjustment. This subsection is effective when it becomes law."

SECTION 28.(b) Section 9A.3A(d) of S.L. 2021-180, as amended by Section 9A.1(b) of S.L. 2022-74, reads as rewritten:

"**SECTION 9A.3A.(d)** Subsections (b), (c), and (e) of this section become effective on ~~the date the Current Operations Appropriations Act of 2022 becomes law, or 30 days after the date that both the SSA and CMS have approved the applications~~ the date the CMS approves the application submitted by the Department of Health and Human Services pursuant to subsection (a) of this ~~section, whichever is later.~~section. The Secretary of Health and Human Services reported to the Revisor of Statutes that the CMS approved the application effective January 1, 2023.

~~The Secretary of the Department of Health and Human Services shall report to the Revisor of Statutes when both the SSA and CMS approvals are obtained and the date of the approval. Subsections (b), (c), and (e) of this section shall not become effective if either the SSA or CMS disapproves the applications submitted by the Department of Health and Human Services pursuant to subsection (a) of this section. If, by June 30, 2023, the Department of Health and Human Services has not received notification of application approval from both the SSA and CMS pursuant to subsection (a) of this section, then subsections (b), (c), and (e) of this section shall expire. This subsection is effective when it becomes law.~~"

SECTION 28.(c) Section 9A.1(d) of S.L. 2022-74 reads as rewritten:

"**SECTION 9A.1.(d)** ~~Subsections (a) and (c) of this section become~~ Subsection (c) of this section becomes effective on the date ~~the Current Operations Appropriations Act of 2022 becomes law, or 30 days after the date that both the SSA and CMS have approved the applications submitted by the Department of Health and Human Services pursuant to subsection (a) of Section 9A.3A of S.L. 2021-180, whichever is later.~~ that subsection (e) of Section 9A.3A of S.L. 2021-180 becomes effective. The remainder of this section is effective when it becomes law."

SECTION 28.(d) This section is retroactively effective January 1, 2023.

PART II. ADDITIONAL TECHNICAL CORRECTIONS

SECTION 29. Subject to the grammatical rules and general drafting conventions of capitalization, the Revisor of Statutes shall make the following changes:

(1) Subject to subdivision (2) of this section, replace "e-mail", "electronic mail", or "electronic mailing" with "email" in G.S. 1-75.4, 1-507.34, 1-539.2A, 1A-1, Rule 4, 1A-1, Rule 5, and any other statutes in which any of these terms appear. The Revisor of Statutes shall make a similar change when any of these terms is plural.

(2) Replace "registered, certified, or electronic mail" with "registered mail, certified mail, or email" in G.S. 143-293.

(3) Subject to subdivisions (4) and (5) of this section, make "Internet" lowercase in G.S. 14-113.20, 14-113.30, 14-113.31, 14-118.7, 14-196.3, and any other statutes in which the term appears.

(4) Replace "Internet protocol" with "Internet Protocol" in G.S. 105-164.3, 130A-480, and 143B-1400.

(5) Replace "internet web site", "internet website", "internet site", or "web site", including any variation in capitalization of any of these terms, with "website" in G.S. 7A-38.2, 7A-38.3F, 10B-36, 14-44.1, 14-202.5, and any other statutes in which any of these terms appear. The Revisor of Statutes shall make a similar change when any of these terms is plural.

(6) Replace "rule making" or "rule-making" with "rulemaking" in G.S. 7B-4001, 10B-126, 15C-12, 18B-105, 20-37.22, and any other statutes in which either of these terms appear.

The Revisor of Statutes may delete duplicative language resulting from these changes and may replace "an" with "a" to conform with these changes.

SECTION 30. G.S. 14-288.9 reads as rewritten:

"**§ 14-288.9. Assault ~~on~~ upon emergency personnel; punishments.**

(a) An assault upon emergency personnel is an assault upon any person ~~coming~~ included within the definition of "emergency personnel" ~~which~~ in subsection (b) of this section that is committed in an ~~area:~~area in which either of the following applies:

(1) ~~In which a~~ A declared state of emergency ~~exists; or~~exists.

(2) Within the immediate ~~vicinity of which~~ vicinity, a riot is occurring or is imminent.

(b) ~~The~~ In this section, the term "emergency personnel" includes law-enforcement officers, ~~firemen,~~ firefighters, ambulance attendants, utility workers, doctors, nurses, members of the North Carolina National Guard, and other persons lawfully engaged in providing essential services or otherwise discharging or attempting to discharge ~~his or her~~ their official duties during ~~the~~ an emergency.

(c) ~~Any~~ A person who commits an assault upon emergency personnel is guilty of a Class H felony.

(d) ~~Any~~ A person who commits an assault upon emergency personnel with or through the use of ~~any~~ a dangerous weapon or substance ~~shall be punished as a Class F felon.~~is guilty of a Class F felony.

(e) ~~Any~~ A person who commits an assault upon emergency personnel causing serious bodily injury to the emergency personnel is guilty of a Class E felony.

(f) ~~Any~~ A person who commits an assault upon emergency personnel causing death to the emergency personnel is guilty of a Class D felony."

SECTION 31.(a) G.S. 15A-145.5 reads as rewritten:

"**§ 15A-145.5. Expunction of certain misdemeanors and felonies; no age limitation.**

(a) For purposes of this section, the term "nonviolent misdemeanor" or "nonviolent felony" means any misdemeanor or felony except the following:

…

(4) Any of the following sex-related or stalking offenses: G.S. 14-27.25(b), 14-27.30(b), 14-190.7, 14-190.8, 14-190.9, 14-202, 14-208.11A, 14-208.18, former 14-277.3, 14-277.3A, and 14-321.1.

(5) Any felony offense in Chapter 90 of the General Statutes ~~where the offense involves~~ that involves methamphetamines, heroin, or possession with intent to sell or deliver or sell and deliver cocaine.

(6) An offense under G.S. 14-12.12(b), 14-12.13, or 14-12.14, or any offense for which ~~punishment was determined pursuant to G.S. 14-3(c).~~G.S. 14-3(c) was applied.

…

(c) A person may file a ~~petition,~~ petition in the court of the county where the person was convicted. ~~[The following applies:]~~The following provisions apply:

(1) For expunction of one or more nonviolent misdemeanor convictions, the petition shall not be filed earlier than ~~one of the following:~~the following, as applicable:

…

(2) For expunction of up to three nonviolent felony convictions, the petition shall not be filed earlier than ~~one of the following:~~the following, as applicable:

a. For expunction of one nonviolent felony not subject to ~~the waiting period set forth in~~ sub-subdivision a1. of this subdivision, 10 years after the date of the conviction or 10 years after any active sentence, period of probation, or post-release ~~supervision,~~ supervision related to the conviction ~~listed in the petition,~~ has been served, whichever occurs later.

a1. For expunction of one nonviolent felony under G.S. 14-54(a), 15 years after the date of the conviction or 15 years after any active sentence, period of probation, or post-release ~~supervision,~~ supervision related to the conviction ~~listed in the petition,~~ has been served, whichever occurs later.

b. For expunction of two or three nonviolent felonies, 20 years after the date of the most recent conviction listed in the petition, or 20 years after any active sentence, period of probation, or post-release ~~supervision,~~ supervision related to a conviction listed in the ~~petition,~~ petition has been served, whichever occurs later.

A person previously granted an expunction under this section is not eligible for relief under this section for any offense committed after the date of the previous order for expunction. Except as provided in subsections (c4) and (c5) of this section, a person previously granted an expunction under this section for one or more misdemeanors is not eligible for expunction of additional misdemeanors under this ~~section~~ section, and a person previously granted an expunction under

this section for one or more felonies is not eligible for expunction of additional felonies under this section.

(c1) A petition filed pursuant to this section shall contain, but not be limited to, the following:

(1) An affidavit by the petitioner that the petitioner is of good moral character and one of the following ~~statements:~~statements, as applicable:

…

(2) ~~Verified affidavits~~ Affidavits of two persons who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which the petitioner lives and that the petitioner's character and reputation are good.

(3) A statement that the petition is a motion in the cause in the case ~~wherein~~ in which the petitioner was convicted.

(4) An application on a form approved by the Administrative Office of the Courts requesting and authorizing ~~a~~ all of the following:

a. A name-based State and national criminal history record check by the State Bureau of Investigation using any information required by the Administrative Office of the Courts to identify the ~~individual, a~~ individual.

b. A search by the State Bureau of Investigation for any outstanding warrants ~~on~~ or pending criminal ~~cases, and a~~ cases.

c. A search of the confidential record of expunctions maintained by the Administrative Office of the Courts.

The application shall be filed with the clerk of superior ~~court. The clerk of superior court~~ court, who shall forward ~~the application~~ it to the State Bureau of Investigation and to the Administrative Office of the ~~Courts, which shall~~ Courts to conduct the searches and report their findings to the court.

…

Upon filing of the petition, the petition shall be served upon the district attorney of the court ~~wherein~~ in which the case was tried resulting in conviction. The district attorney shall then have 30 days ~~thereafter in which~~ to file ~~any~~ an objection ~~thereto~~ and shall be ~~duly~~ notified as to the date of the hearing of the petition. Upon good cause shown, the court may grant the district attorney an additional 30 days to file an objection to the petition. The district attorney shall make his or her best efforts to contact the victim, if any, to notify the victim of the request for expunction prior to the date of the hearing. Upon request by the victim, the victim has a right to be present at any hearing on the petition for ~~expunction~~ expunction, and the victim's views and concerns shall be considered by the court at ~~such~~ the hearing.

The presiding judge ~~is authorized to~~ may call upon a probation officer for any additional investigation or verification of the petitioner's conduct since the conviction. The court shall review any other information the court deems relevant, including, but not limited to, affidavits or other testimony provided by law enforcement officers, district attorneys, and victims of crimes committed by the petitioner.

(c2) The court, after hearing a petition for expunction of one or more nonviolent misdemeanors, shall order that the petitioner be restored, in the contemplation of the law, to the status the petitioner occupied before the ~~arrest or indictment~~ arrest, indictment, or information, except as provided in G.S. 15A-151.5, if the court finds all of the following:

…

(3) The petitioner has no outstanding warrants or pending criminal cases, is not under indictment, and no finding of probable cause exists against the ~~defendant~~ petitioner for a ~~felony,~~ felony in any federal court or state court in the United States.

(3a) The petitioner is not free on bond or personal recognizance pending trial, appeal, or sentencing in any federal court or state court in the United States for a crime ~~which~~ that would prohibit the person from having ~~his or her~~ the petition for expunction under this section granted.

…

(6) The petitioner has no ~~convictions for a~~ misdemeanor or felony conviction that is listed as an exception to the terms "nonviolent misdemeanor" or "nonviolent felony" ~~as provided~~ in subsection (a) of this section.

…

(c3) The court, after hearing a petition for expunction of one or up to three nonviolent felonies, may order that the petitioner be restored, in the contemplation of the law, to the status the petitioner occupied before the ~~arrest or indictment~~ arrest, indictment, or information, except as provided in G.S. 15A-151.5, if the court finds all of the following:

…

(3) The petitioner has no outstanding warrants or pending criminal cases, is not under indictment, and no finding of probable cause exists against the ~~defendant~~ petitioner for a ~~felony,~~ felony in any federal court or state court in the United States.

(3a) The petitioner is not free on bond or personal recognizance pending trial, appeal, or sentencing in any federal court or state court in the United States for a crime ~~which~~ that would prohibit the person from having his or her petition for expunction under this section granted.

…

(5) The petitioner has no outstanding restitution orders or civil judgments representing amounts ordered for restitution entered against the petitioner.

(6) The petitioner has no ~~convictions for a~~ misdemeanor conviction that is listed as an exception to the term "nonviolent misdemeanor" ~~as provided~~ in subsection (a) of this section or any other felony ~~offense.~~conviction.

…

(c4) A person ~~petitioning~~ who petitions for expunction of multiple convictions pursuant to sub-subdivision b. of subdivision (1) of subsection (c) of this section or sub-subdivision b. of subdivision (2) of subsection (c) of this ~~section, where the~~ section and whose convictions were obtained in more than one ~~county,~~ county shall file a petition in each county of conviction. All petitions shall be filed within a 120-day ~~period.~~ period, except that the court may grant a petition for expunction filed outside this period if good cause is shown for the failure to file the petition within this period. The granting of one petition shall not preclude the granting of any other petition filed within the same 120-day period. ~~Notwithstanding the provisions of this subsection, upon good cause shown for the failure to file a petition within the 120-day period, the court may grant a petition for expunction filed outside the 120-day period.~~

…

(d) ~~No person as to whom an order has been entered pursuant to subsection (c) of this section shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of that person's failure to recite or acknowledge the arrest, indictment, information, trial, or conviction. This subsection shall~~ The effect of an expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

(d1) Persons pursuing certification under ~~the provisions of~~ Article 1 of Chapter 17C or Article 2 of Chapter 17E of the General Statutes, however, shall disclose any and all convictions to the certifying Commission, regardless of whether ~~or not~~ the convictions were expunged pursuant to ~~the provisions of~~ this section.

(d2) Persons requesting that a disclosure statement be prepared by the North Carolina Sheriffs' Education and Training Standards Commission pursuant to Article 3 of Chapter 17E of the General Statutes, however, shall disclose any and all felony convictions to the North Carolina Sheriffs' Education and Training Standards Commission regardless of whether ~~or not~~ the felony convictions were expunged pursuant to ~~the provisions of~~ this section.

(d3) Persons required by State law to obtain a criminal history record check on a prospective employee ~~shall~~ are not ~~be~~ deemed to have knowledge of any convictions expunged under this section.

(e) ~~The~~ If the petition is granted, the court shall ~~also~~ order that the conviction ~~or convictions~~ be expunged from the records of the court and direct all law enforcement agencies bearing record of the ~~same~~ conviction to expunge their records of the conviction. The clerk shall notify State and local agencies of the court's order, as provided in G.S. 15A-150.

(f) Any other applicable State or local government agency shall expunge from its records entries made as a result of the conviction ~~or convictions~~ ordered expunged under this section upon receipt from the petitioner of an order entered pursuant to this section. ~~The~~ An agency shall also vacate any administrative actions taken against a person whose record is expunged under this section as a result of the charges or convictions expunged. A person whose administrative action has been vacated by an occupational licensing board pursuant to an expunction under this section may ~~then~~ reapply for licensure and ~~must~~ shall satisfy the board's ~~then current~~ education and preliminary licensing requirements at the time of reapplication in order to obtain licensure. This subsection ~~shall~~ does not apply to the Department of Justice for DNA records and samples stored in the State DNA Database and the State DNA Databank.

(g) A person who files a petition for expunction of a criminal record under this section ~~must~~ shall pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection shall be deposited in the General Fund. This subsection does not apply to petitions filed by an ~~indigent.~~indigent person."

SECTION 31.(b) G.S. 15A-145 reads as rewritten:

"**§ 15A-145. Expunction of ~~records for~~ misdemeanors of first offenders under the age of 18 ~~at the time of conviction of misdemeanor; expunction of certain other misdemeanors.~~and of underage persons possessing alcohol.**

(a) Whenever any person who has not previously been convicted of any felony, or misdemeanor other than a traffic violation, under the laws of the United States, the laws of this State or any other state, (i) pleads guilty to or is guilty of a misdemeanor other than a traffic violation, and the offense was committed before the person attained the age of 18 years, or (ii) pleads guilty to or is guilty of a misdemeanor possession of alcohol pursuant to G.S. 18B-302(b)(1), and the offense was committed before the person attained the age of 21 years, he may file a petition in the court of the county where he was convicted for expunction of the misdemeanor from his criminal record. The petition cannot be filed earlier than: (i) two years after the date of the conviction, or (ii) the completion of any period of probation, whichever occurs later, and the petition shall contain, but not be limited to, the following:

…

(2) ~~Verified affidavits~~ Affidavits of two persons who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which ~~he~~ the petitioner lives and that ~~his~~ the petitioner's character and reputation are good.

…

(b1) ~~No person as to whom such order has been entered shall be held thereafter under any provision of any laws to be guilty of perjury or otherwise giving a false statement by reason of his failure to recite or acknowledge such arrest, or indictment, information, or trial, or response to any inquiry made of him for any purpose. This subsection shall~~ The effect of an expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under

G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

…."

SECTION 31.(c) G.S. 15A-145.1 reads as rewritten:

"**§ 15A-145.1. Expunction of records for first offenders under the age of 18 at the time of ~~conviction~~ commission of certain gang offenses.**

(a) Whenever any person who has not previously been convicted of any felony or misdemeanor other than a traffic violation under the laws of the United States or the laws of this State or any other state pleads guilty to or is guilty of (i) a Class H felony under Article 13A of Chapter 14 of the General Statutes or (ii) an enhanced offense under G.S. 14-50.22, or has been discharged and had the proceedings against the person dismissed pursuant to G.S. 14-50.29, and the offense was committed before the person attained the age of 18 years, the person may file a petition in the court of the county where the person was convicted for expunction of the offense from the person's criminal record. Except as provided in G.S. 14-50.29 upon discharge and dismissal, the petition cannot be filed earlier than (i) two years after the date of the conviction or (ii) the completion of any period of probation, whichever occurs later. The petition shall contain, but not be limited to, the following:

…

(2) ~~Verified affidavits~~ Affidavits of two persons who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which the petitioner lives, and that the petitioner's character and reputation are good.

…

(b1) ~~No person as to whom such order has been entered shall be held thereafter under any provision of any laws to be guilty of perjury or otherwise giving a false statement by reason of the person's failure to recite or acknowledge such arrest, or indictment or information, or trial, or response to any inquiry made of the person for any purpose. This subsection shall~~ The effect of an expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

…."

SECTION 31.(d) G.S. 15A-145.2 reads as rewritten:

"**§ 15A-145.2. Expunction of records for first offenders not over 21 years of age at the time of the offense of certain drug offenses.**

(a) Whenever a person is discharged, and the proceedings against the person dismissed, pursuant to G.S. 90-96(a) or (a1), and the person was not over 21 years of age at the time of the offense, the person may apply to the court of the county where charged for an order to expunge from all official records, other than the confidential files retained under G.S. 15A-151, all recordation relating to the person's arrest, indictment or information, trial, finding of guilty, and dismissal and discharge pursuant to this section. The applicant shall attach to the petition the following:

…

(2) ~~Verified affidavits~~ Affidavits by two persons who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which he or she lives, and that the petitioner's character and reputation are good;

…

(a1) ~~No person as to whom such order was entered shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of the person's failures to recite or acknowledge such arrest, or indictment or information, or trial in response to any inquiry made of him or her for any purpose. This subsection shall~~ The effect of

an expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

…."

SECTION 31.(e) G.S. 15A-145.3 reads as rewritten:

"**§ 15A-145.3. Expunction of records for first offenders not over 21 years of age at the time of the offense of certain toxic vapors offenses.**

(a) Whenever a person is discharged and the proceedings against the person dismissed under G.S. 90-113.14(a) or (a1), such person, if he or she was not over 21 years of age at the time of the offense, may apply to the court of the county where charged for an order to expunge from all official records, other than the confidential files retained under G.S. 15A-151, all recordation relating to the person's arrest, indictment or information, trial, finding of guilty, and dismissal and discharge pursuant to this section. The applicant shall attach to the petition the following:

…

(2) ~~Verified affidavits~~ Affidavits by two persons who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which the petitioner lives, and that his or her character and reputation are good;

…

(b1) ~~No person as to whom such order has been entered shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of the person's failures to recite or acknowledge such arrest, or indictment or information, or trial in response to any inquiry made of him or her for any purpose. This subsection shall~~ The effect of an expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

…."

SECTION 31.(f) G.S. 15A-145.4 reads as rewritten:

"**§ 15A-145.4. Expunction of records for first offenders who are under 18 years of age at the time of the commission of a nonviolent felony.**

…

(c) Whenever any person who had not yet attained the age of 18 years at the time of the commission of the offense and has not previously been convicted of any felony or misdemeanor other than a traffic violation under the laws of the United States or the laws of this State or any other state pleads guilty to or is guilty of a nonviolent felony, the person may file a petition in the court of the county where the person was convicted for expunction of the nonviolent felony from the person's criminal record. The petition shall not be filed earlier than four years after the date of the conviction or when any active sentence, period of probation, and post-release supervision has been served, whichever occurs later. The person shall also perform at least 100 hours of community service, preferably related to the conviction, before filing a petition for expunction under this section. The petition shall contain the following:

…

(2) ~~Verified affidavits~~ Affidavits of two persons who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which the petitioner lives and that the petitioner's character and reputation are good.

…

(f) ~~No person as to whom an order has been entered pursuant to subsection (e) of this section shall be held thereafter under any provision of any laws to be guilty of perjury or otherwise giving a false statement by reason of that person's failure to recite or acknowledge the arrest, indictment, information, trial, or conviction. This subsection shall~~ The effect of an

expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

…."

SECTION 31.(g) G.S. 15A-145.6 reads as rewritten:

"**§ 15A-145.6. Expunctions for certain defendants convicted of prostitution.**

…

(c) The petition shall contain all of the following:

…

(2) ~~Verified affidavits~~ Affidavits of two persons, who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which the petitioner lives and that the petitioner's character and reputation are good.

…

(g) ~~No person as to whom an order has been entered pursuant to subsection (f) of this section shall be held thereafter under any provision of any laws to be guilty of perjury or otherwise giving a false statement by reason of that person's failure to recite or acknowledge the arrest, indictment, information, trial, or conviction. This subsection shall~~ The effect of an expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

…."

SECTION 31.(h) G.S. 15A-145.7 reads as rewritten:

"**§ 15A-145.7. Expunction of records for first offenders under 20 years of age at the time of the offense of certain offenses.**

(a) Whenever a person is discharged, and the proceedings against the person dismissed, pursuant to G.S. 14-277.8, and the person was under 20 years of age at the time of the offense, the person may apply to the court of the county where charged for an order to expunge from all official records, other than the confidential files retained under G.S. 15A-151, all recordation relating to the person's arrest, indictment or information, trial, finding of guilty, and dismissal and discharge pursuant to this section. The applicant shall attach to the petition the following:

…

(2) ~~Verified affidavits~~ Affidavits by two persons who are not related to the petitioner or to each other by blood or marriage, that they know the character and reputation of the petitioner in the community in which he or she lives, and that the petitioner's character and reputation are ~~good;~~good.

…

(b) ~~No person as to whom such order was entered shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of the person's failures to recite or acknowledge such arrest, or indictment or information, or trial in response to any inquiry made of him or her for any purpose. This subsection shall~~ The effect of an expunction under this section is governed by G.S. 15A-153, except that the protected nondisclosure under G.S. 15A-153(b) does not apply to a sentencing hearing when the person has been convicted of a subsequent criminal offense.

…."

SECTION 31.(i) G.S. 15A-145.8 reads as rewritten:

"**§ 15A-145.8. Expunction of records when charges are remanded to district court for juvenile adjudication.**

(a) Upon remand pursuant to G.S. 7B-2200(c) or G.S. 7B-2200.5(d) or removal pursuant to G.S. 15A-960, the court shall order expunction of all remanded or removed charges. ~~No person as to whom such an order has been entered shall be held thereafter under any provision of any~~

~~law to be guilty of perjury, or to be guilty of otherwise giving a false statement or response to any inquiry made for any purpose, by reason of his or her failure to recite or acknowledge any expunged entries concerning apprehension or trial.~~The effect of an expunction under this section is governed by G.S. 15A-153.

…."

SECTION 31.(j) G.S. 15A-145.8A reads as rewritten:

"**§ 15A-145.8A. Expunction of records for offenders under the age of 18 at the time of commission of certain misdemeanors and felonies upon completion of the sentence.**

…

(f) ~~No person as to whom such order has been entered shall be held thereafter under any provision of any laws to be guilty of perjury or otherwise giving a false statement by reason of that person's failure to recite or acknowledge such arrest, or indictment, information, or trial, or response to any inquiry made of the person for any purpose.~~The effect of an expunction under this section is governed by G.S. 15A-153.

…."

SECTION 31.(k) G.S. 15A-145.9 reads as rewritten:

"**§ 15A-145.9. Expunctions of certain offenses committed by human trafficking victims.**

…

(g) Effect. – ~~No person as to whom an order has been entered pursuant to subsection (f) of this section shall be held thereafter under any provision of any laws to be guilty of perjury or otherwise giving false statement by reason of that person's failure to recite or acknowledge the arrest, indictment, information, trial, or conviction.~~The effect of an expunction under this section is governed by G.S. 15A-153.

Persons required by State law to obtain a criminal history record check on a prospective employee shall not be deemed to have knowledge of any convictions expunged under this section.

…."

SECTION 31.(*l*) G.S. 15A-146 reads as rewritten:

"**§ 15A-146. Expunction of records when charges are dismissed or there are findings of not guilty.**

…

(a3) Effect of Expunction. – ~~Except as provided in G.S. 15A-151.5(b)(5), no person as to whom an order has been entered by a court or by operation of law under this section shall be held thereafter under any provision of any law to be guilty of perjury, or to be guilty of otherwise giving a false statement or response to any inquiry made for any purpose, by reason of the person's failure to recite or acknowledge any expunged entries concerning apprehension or trial.~~The effect of an expunction under this section is governed by G.S. 15A-153.

…."

SECTION 31.(m) G.S. 15A-147 reads as rewritten:

"**§ 15A-147. Expunction of records when charges are dismissed or there are findings of not guilty as a result of identity theft or mistaken identity.**

…

(b) ~~No person as to whom such an order has been entered under this section shall be held thereafter under any provision of any law to be guilty of perjury, or to be guilty of otherwise giving a false statement or response to any inquiry made for any purpose, by reason of the person's failure to recite or acknowledge any expunged entries concerning apprehension, charge, or trial.~~The effect of an expunction under this section is governed by G.S. 15A-153.

…."

SECTION 31.(n) G.S. 15A-149 reads as rewritten:

"**§ 15A-149. Expunction of records when pardon of innocence is granted.**

…

(c) ~~No person as to whom such an order has been entered under this section shall be held thereafter under any provision of any law to be guilty of perjury, or to be guilty of otherwise giving a false statement or response to any inquiry made for any purpose, by reason of the person's failure to recite or acknowledge any expunged entries concerning apprehension, charge, or trial.~~The effect of an expunction under this section is governed by G.S. 15A-153."

SECTION 31.(o) G.S. 15A-153 reads as rewritten:

"**§ 15A-153. Effect of expunction; prohibited practices by employers, educational institutions, agencies of State and local governments.**

(a) Purpose. – The purpose of this section is to clear the public record of any entry of any arrest, criminal charge, or criminal conviction that has been expunged so that (i) the person who is entitled to and ~~obtains~~ receives the expunction may omit reference to the charges or convictions to potential employers and others and (ii) a records check for prior arrests and convictions will not disclose the expunged entries. Nothing in this section shall be construed to prohibit an employer from asking a job applicant about criminal charges or convictions that have not been expunged and are part of the public record.

(b) Nondisclosure Protected. – No person ~~as to whom an order of expunction has been entered~~ who receives an expunction pursuant to this Article ~~shall be held thereafter under any provision of any laws to be~~ is guilty of perjury or otherwise giving a false statement by reason of that person's failure following expunction to recite or acknowledge ~~any~~ the expunged arrest, apprehension, charge, indictment, information, trial, or conviction in response to any inquiry made of ~~him or her~~ the person for any purpose other than as provided in subsection (e) of this section.

…."

SECTION 31.1.(a) G.S. 41-71 reads as rewritten:

"**§ 41-71. Creation of a joint tenancy with right of survivorship.**

(a) A conveyance ~~to~~ resulting in two or more persons owning property creates a tenancy in common unless a joint tenancy with right of survivorship is created as provided in subsection (b) of this section or a tenancy by the entirety is created as provided by the law governing tenancy by the entireties.

(b) A conveyance ~~to~~ resulting in two or more persons owning property creates a joint tenancy with right of survivorship between or among the parties to the instrument if the instrument expresses an intent to create a joint tenancy with right of survivorship. The following words in the instrument ~~shall be~~ are deemed to express an intent to create a joint tenancy with right of survivorship unless the instrument otherwise provides: "joint tenants with right of survivorship," "joint tenants," "joint tenancy," "tenants in common with right of survivorship," "joint with right of survivorship," "with right of survivorship."

(c) Nothing in this Article prohibits joint tenants from entering into any agreement with regard to the property held in joint tenancy, including, without limitation, an agreement that notice must be given to other joint tenants before any joint tenant terminates the joint tenancy as provided in G.S. 41-73(b)."

SECTION 31.1.(b) This section is retroactively effective June 30, 2020.

SECTION 32. G.S. 48-3-309 reads as rewritten:

"**§ 48-3-309. Mandatory preplacement criminal ~~checks of prospective adoptive parents seeking to adopt a minor who is in the custody or placement responsibility of a county department of social services and mandatory preplacement criminal checks of all individuals 18 years of age or older who reside in the prospective adoptive home.~~history checks.**

(a) The Department shall ensure that the criminal histories of all prospective adoptive parents seeking to adopt a minor who is in the custody or placement responsibility of a county department of social services and the criminal histories of all individuals 18 years of age or older who reside in the prospective adoptive home are checked prior to placement and, based on the

criminal history, a determination is made as to the prospective adoptive parent's fitness to have responsibility for the safety and well-being of children and whether other individuals required to be checked are fit for an adoptive child to reside with them in the home. The Department shall ensure that all individuals required to be checked are checked prior to placement for county, state, and federal criminal histories.

(b) A county department of social services shall issue an unfavorable preplacement assessment to a prospective adoptive parent if an individual required to submit to a criminal history check pursuant to subsection (a) of this section has a criminal history. A county department of social services shall issue an unfavorable preplacement assessment to a prospective adoptive parent if the county department of social services determines, pursuant to G.S. 48-3-303(e), that, based on other criminal convictions, whether felony or misdemeanor, the prospective adoptive parent is unfit to have responsibility for the safety and well-being of children or other individuals required to be checked are unfit for an adoptive child to reside with them in the home.

~~histories~~

(c) The State Bureau of Investigation shall provide to the Department of Health and Human Services the criminal history of any individual required to be checked under subsection (a) of this section as requested by the Department and obtained from the State and National Repositories of Criminal Histories. The Department shall provide to the State Bureau of Investigation, along with the request, the fingerprints of any individual to be checked, any additional information required by the State Bureau of Investigation, and a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the State or National Repositories signed by the individual to be checked. The fingerprints of any individual to be checked shall be used by the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check.

(d) At the time of the request for a preplacement assessment or at a subsequent time prior to placement, any individual whose criminal history is to be checked shall be furnished with a statement substantially similar to the following:

"NOTICE

MANDATORY CRIMINAL HISTORY CHECK: NORTH CAROLINA LAW REQUIRES THAT A CRIMINAL HISTORY CHECK BE CONDUCTED PRIOR TO PLACEMENT ON PROSPECTIVE ADOPTIVE PARENTS SEEKING TO ADOPT A MINOR WHO IS IN THE CUSTODY OR PLACEMENT RESPONSIBILITY OF A COUNTY DEPARTMENT OF SOCIAL SERVICES AND ON ALL PERSONS 18 YEARS OF AGE OR OLDER WHO RESIDE IN THE PROSPECTIVE ADOPTIVE HOME.

"Criminal history" means a county, State, or federal conviction of a felony by a court of competent jurisdiction or a pending felony indictment of a crime for child abuse or neglect, spousal abuse, a crime against a child, including child pornography, or for a crime involving violence, including rape, sexual assault, or homicide, other than physical assault or battery; a county, State, or federal conviction of a felony by a court of competent jurisdiction or a pending felony indictment for physical assault, battery, or a drug-related offense, if the offense was committed within the past five years; or similar crimes under federal law or under the laws of other states. Your fingerprints will be used to check the criminal history records of the State Bureau of Investigation (SBI) and the Federal Bureau of Investigation (FBI).

If it is determined, based on your criminal history, that you are unfit to have responsibility for the safety and well-being of children or have an adoptive child reside with you, you shall have the opportunity to complete, or challenge the accuracy of, the information contained in the SBI or FBI identification records.

If the prospective adoptive parent is denied a favorable preplacement assessment by a county department of social services as a result of a criminal history check as required under G.S. 48-3-309(a), the prospective adoptive parent may request a review of the assessment pursuant to G.S. 48-3-308(a).

Any person who intentionally falsifies any information required to be furnished to conduct the criminal history is guilty of a Class 2 misdemeanor."

Refusal to consent to a criminal history check by any individual required to be checked under ~~G.S. 48-3-309(a)~~ subsection (a) of this section is grounds for the issuance by a county department of social services of an unfavorable preplacement assessment. Any person who intentionally falsifies any information required to be furnished to conduct the criminal history is guilty of a Class 2 misdemeanor.

…

(g) There is no liability for negligence on the part of a State or local agency, or the employees of a State or local agency, arising from any action taken or omission by any of them in carrying out the provisions of this section. The immunity established by this subsection ~~shall~~ does not extend to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be actionable. The immunity established by this subsection ~~shall be~~ is deemed to have been waived to the extent of indemnification by insurance, indemnification under Article 31A of Chapter 143 of the General Statutes, and to the extent sovereign immunity is waived under the Tort Claims Act, as set forth in Article 31 of Chapter 143 of the General Statutes.

(h) The State Bureau of Investigation ~~shall perform the State and national criminal history checks on prospective adoptive parents seeking to adopt a minor in the custody or placement responsibility of a county department of social services and all individuals 18 years of age or older who reside in the prospective adoptive home and~~ shall charge the Department of Health and Human Services a ~~reasonable~~ fee only for conducting the checks of the national criminal history records ~~authorized~~ required by this section. The Division of Social ~~Services,~~ Services of the Department of Health and Human ~~Services,~~ Services shall bear the costs of implementing this section."

SECTION 33.(a) G.S. 58-36-43 reads as rewritten:

"**§ 58-36-43. Optional approved program enhancements ~~authorized not altering coverage under~~ not within Rate Bureau jurisdiction.**

(a) Member companies writing private passenger automobile, homeowners', dwelling, or residential private flood insurance under this Article may incorporate optional enhancements to ~~their automobile, homeowners', dwelling, and residential private flood~~ these programs as an endorsement to ~~an automobile, homeowners', dwelling, or residential private flood policy issued under this Article~~ a policy if the insurer has filed the proposed ~~enhancement~~ enhancements with the Commissioner and ~~if the proposed enhancement is approved by the Commissioner.~~ the Commissioner has approved them. Any approved optional enhancements ~~shall be considered~~ are outside the authority of the Rate Bureau. If ~~the~~ a proposed enhancement will include an additional premium charge, the proposed premium charge shall be included with the proposed program enhancements filed with the Commissioner. The Commissioner shall review the proposed premium charges and approve them if the Commissioner finds that they are based on sound actuarial principles. Amendments to ~~private passenger automobile, homeowners', dwelling, or residential private flood~~ program enhancements are subject to the same requirements as initial filings. ~~dwelling, residential private flood~~

A company shall not condition (i) the acceptance or renewal of a policy, (ii) any underwriting criteria, or (iii) any rating criteria upon the acceptance by the policyholder of any optional ~~automobile or homeowners'~~ enhancements authorized by this section. A rate amendment authorized by this section is not a rate deviation and is not subject to the requirements for rate deviations set forth in G.S. 58-36-30(a).

(b) Repealed by S.L. 2023-133, s. 16(c), as amended by S.L. 2024-29, s. 9(b), effective July 1, 2025."

SECTION 33.(b) This section becomes effective July 1, 2025.

SECTION 34.(a) Part 1 of Article 45 of Chapter 66 of the General Statutes reads as rewritten:

"Part 1. Pawnbrokers and ~~Cash~~ Currency Converters.

"**§ 66-385. Short title.**

This Part shall be known and may be cited as the Pawnbrokers and ~~Cash~~ Currency Converters Modernization Act.

"**§ 66-386. Purpose.**

The making of pawn loans and the acquisition and disposition of tangible personal property by and through pawnshops and ~~cash~~ currency converters vitally affects the general economy of this State and the public interest and welfare of its citizens. In recognition of these facts, it is the policy of this State and the purpose of ~~the Pawnbrokers and Cash Converters Modernization Act~~ this Part to do all of the following:

(1) Ensure a sound system of making loans and acquiring and disposing of tangible personal property by and through ~~pawnshops,~~ pawnshops and ~~to~~ prevent unlawful property transactions, particularly in stolen property, through licensing and regulating pawnbrokers.

(2) Ensure a sound system of acquiring and disposing of tangible personal property by and through ~~cash~~ currency converters and ~~to~~ prevent unlawful property transactions, particularly in stolen property, by requiring record keeping by ~~cash~~ currency converters.

(3) Provide for pawnbroker licensing fees and investigation fees of licensees.

(4) Ensure financial responsibility to the State and the general public.

(5) Ensure compliance with federal and State laws.

(6) Assist local governments in the exercise of their police authority.

…."

SECTION 34.(b) G.S. 25-9-201 reads as rewritten:

"**§ 25-9-201. General effectiveness of security agreement.**

(a) General ~~effectiveness.~~ Effectiveness. – Except as otherwise provided in this Chapter, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.

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

(c) Other ~~applicable law controls.~~ Applicable Law Controls. – In case of conflict between this Article and a rule of ~~law, statute, or regulation~~ law described in subsection (b) of this section, the rule of ~~law, statute, or regulation~~ law controls. Failure to comply with a ~~statute~~

~~or regulation~~ law described in subsection (b) of this section has only the effect the ~~statute or regulation~~ law specifies.

(d) Further ~~deference to other applicable law.~~ Deference to Other Applicable Law. – This Article does ~~not:~~neither of the following:

(1) Validate any rate, charge, agreement, or practice that violates a rule of ~~law, statute, or regulation~~ law described in subsection (b) of this ~~section; or~~ section.

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

SECTION 35.(a) The subunits of G.S. 75D-3 are renumbered to conform to the General Statutes numbering system, and the definitions in G.S. 75D-3 are reordered so that they appear in alphabetical order.

SECTION 35.(b) G.S. 75D-3, as amended by subsection (a) of this section and Section 1(b) of S.L. 2024-22, reads as rewritten:

"**§ 75D-3. Definitions.**

~~As used in this Chapter, the term:~~The following definitions apply in this Chapter:

(1) ~~"Attorney General" means the~~ Attorney General. – The Attorney General of North Carolina or any employee of the Department of Justice designated by ~~him~~ the Attorney General in writing. Any district attorney of this State, with ~~his~~ the Attorney General's consent, may be designated in writing by the Attorney General to enforce the provisions of this Chapter.

(2) ~~a. "Beneficial interest" means either~~ Beneficial interest. – Either of the following:

~~1.~~a. The interest of a person as a beneficiary under ~~any other~~ a trust arrangement pursuant to which a trustee holds legal or record title to real property for the benefit of ~~such person; or~~the person.

~~2.~~b. The interest of a person under any other form of express fiduciary arrangement pursuant to which ~~any other~~ another person holds legal or record title to real property for the benefit of ~~such~~ the person.

~~b. "Beneficial interest"~~ The term does not include the interest of a stockholder in a corporation or the interest of a partner in either a general partnership or limited partnership. A beneficial interest ~~shall be~~ is deemed to be located where the real property owned by the trustee is located.

(3) ~~"Civil proceeding" means any~~ Civil proceeding. – A civil proceeding commenced by the Attorney General or an injured person under any provision of this Chapter.

(4) ~~"Criminal proceeding" means any~~ Criminal proceeding. – A criminal action commenced by the State for a violation of any provision of those criminal laws ~~referred to in G.S. 75D-3(c).~~set forth in subdivision (8) of this section.

(5) ~~"Documentary material" means any~~ Documentary material. – A book, paper, document, writing, drawing, graph, chart, photograph, phonocord, magnetic tape, computer printout, other data compilation from which information can be obtained or from which information can be translated into useable form, or other tangible item.

(6) ~~"Enterprise" means any~~ Enterprise. – A person, sole proprietorship, partnership, corporation, business trust, union chartered under the laws of this State, or other legal entity; or ~~any~~ an unchartered union, association, or group of individuals associated in fact although not a legal ~~entity; and it~~ entity. The term includes illicit as well as licit enterprises and governmental as well as other entities.

(7) ~~"Pattern of racketeering activity" means engaging~~ Pattern of racketeering activity. – Engaging in at least two incidents of racketeering activity that have

the same or similar purposes, results, accomplices, victims, or methods of commission or otherwise are interrelated by distinguishing characteristics and are not isolated and unrelated ~~incidents, provided~~ incidents so long as at least one of ~~such~~ these incidents occurred after October 1, 1986, and that at least one other of ~~such~~ these incidents occurred within a four-year period of time of the other, excluding any periods of imprisonment, after the commission of a prior incident of racketeering activity.

(8) ~~a. "Racketeering activity" means to~~ Racketeering activity. – To commit, to attempt to commit, or to solicit, coerce, or intimidate another person to commit an act ~~or acts which~~ that would be chargeable by indictment if ~~such~~ the act ~~or acts were~~ was accompanied by the necessary mens rea or criminal intent under the following laws of this State:

~~1.~~a. Article 5 of Chapter 90 of the General Statutes ~~of North Carolina~~ relating to controlled substances and counterfeit controlled ~~substances;~~substances.

~~2.~~b. Chapter 14 of the General Statutes ~~of North Carolina~~ except Articles 9, 22A, ~~38,~~ 40, ~~43,~~ 46, 47, ~~59 thereof; and further excepting G.S. Sections 14-78.1, 14-82, 14-86,~~ and 59 of that Chapter and G.S. 14-82, 14-145, 14-146, 14-147, 14-177, 14-178, ~~14-179,~~ 14-183, 14-184, 14-186, 14-190.9, ~~14-195, 14-197, 14-201,~~ 14-202, 14-247, 14-248, ~~14-313 thereof.~~and 14-313.

~~3. Any conduct involved in a "money laundering" activity, including activity covered by G.S. 14-118.8; and~~

~~b.~~ ~~"Racketeering activity"~~ The term also includes ~~the description in Title 18, United States Code, Section 1961(1).~~"racketeering activity," as defined in 18 U.S.C. § 1961(1), and any conduct involved in a money laundering activity, including activity covered by G.S. 14-118.8.

(9) ~~"Real property" means any~~ Real property. – Any real property situated in this State or ~~any~~ an interest in ~~such~~ the real property, including, but not limited to, ~~any~~ a lease of or mortgage upon ~~such~~ the real property.

(10) ~~"RICO lien notice" means the~~ RICO lien notice. – The notice described in G.S. 75D-13.

(11) ~~a. "Trustee" means either~~ Trustee. – Either of the following:

~~1.~~a. ~~Any~~ A person ~~who~~ that holds legal or record title to real property ~~for~~ in which ~~any other~~ another person has a beneficial ~~interest; or~~interest.

~~2.~~b. ~~Any~~ A successor trustee ~~or trustees to any of the foregoing persons.~~to a person described in sub-subdivision a. of this subdivision.

~~b.~~ ~~"Trustee"~~ The term does not include ~~the following:~~either

~~1.~~ ~~Any~~ (i) a person appointed or acting as a personal representative under Chapter 35A of the General Statutes relating to guardian and ward, or under Chapter 28A of the General Statutes relating to the administration of ~~estates; or~~ estates or

~~2.~~ ~~Any~~ (ii) a person appointed or acting as a trustee of ~~any~~ a testamentary trust or as trustee of ~~any~~ an indenture of trust under which any bonds are to be issued."

SECTION 35.(c) G.S. 75D-5 reads as rewritten:

"**§ 75D-5. RICO civil forfeiture proceedings.**

(a) All property of every kind used or intended for use in the course of, derived from, or realized through a racketeering activity or pattern of racketeering activity is subject to forfeiture to the State. Forfeiture shall be had by a civil procedure known as a RICO forfeiture proceeding.

(b) A RICO forfeiture proceeding ~~shall be~~ is governed by Chapter 1A of the General Statutes ~~of North Carolina~~ except to the extent that special rules of procedure are stated in this Chapter.

(c) A RICO forfeiture proceeding ~~shall be~~ is an in rem proceeding against the property.

(d) A RICO forfeiture proceeding shall be instituted by complaint and prosecuted only by the Attorney ~~General of North Carolina or his designated representative.~~ General. The proceeding may be commenced and a final judgment rendered ~~thereon~~ before or after seizure of the property and before or after ~~any~~ a criminal conviction ~~of any person~~ for violation of ~~those laws~~ any law set forth in ~~G.S. 75D-3(e).~~G.S. 75D-3(8).

(e) If the complaint is filed before seizure, it shall state what property is sought to be forfeited, that the property is within the jurisdiction of the court, the grounds for forfeiture, and the names of all persons known to have or claim an interest in the property. The court shall determine ex parte whether there is reasonable ground to believe that the property is subject to forfeiture and, if the State so alleges, whether notice to those persons having or claiming an interest in the property prior to seizure would cause the loss or destruction of the property. ~~If the court finds:~~The court shall take action as follows:

(1) ~~That~~ If the court finds that reasonable ground does not exist to believe that the property is subject to forfeiture, it shall dismiss the ~~complaint; or~~complaint.

(2) ~~That~~ If the court finds that reasonable ground does exist to believe the property is subject to forfeiture but there is not reasonable ground to believe that prior notice would result in loss or destruction, it shall order service on all persons known to have or claim an interest in the property prior to a further hearing on whether a writ of seizure should ~~issue; or~~issue.

(3) ~~That~~ If the court finds that there is reasonable ground to believe that the property is subject to forfeiture and ~~to believe~~ that prior notice would cause loss or destruction, it ~~shall~~ shall, without any further hearing or notice, issue a writ of seizure directing the sheriff of or any other law enforcement officer in the county where the property is found to seize it.

(f) Seizure may be effected by a law enforcement officer authorized to enforce the penal laws of this State prior to the filing of the complaint and without a writ of seizure if the seizure is incident to a lawful arrest, search, or inspection and the officer has probable cause to believe the property is subject to forfeiture and will be lost or destroyed if not seized. Within 24 hours of the time of seizure, the seizure shall be reported by the officer to the district attorney of the prosecutorial district as defined in G.S. 7A-60 in which the seizure is effected who shall immediately report ~~such~~ the seizure to the Attorney General. The Attorney General shall, within 30 days after receiving notice of seizure, examine the evidence surrounding ~~such~~ the seizure, and if ~~he~~ the Attorney General believes reasonable ground exists for forfeiture under this Chapter, the Attorney General shall file a complaint for forfeiture. The complaint shall state, in addition to the information required in subsection (e) of this section, the date and place of seizure.

(g) After the complaint is filed or the seizure effected, whichever is later, every person known to have or claim an interest in the property, or in the property or enterprise of which the subject property is a part or represents any interest, shall be served, if not previously served, with a copy of the complaint and a notice of seizure in the manner provided by Chapter 1A of the General ~~Statutes of North Carolina.~~ Statutes. Service by publication may be ordered upon any party whose whereabouts cannot be determined with reasonable diligence within 30 days of the filing of the complaint.

(h) (1) ~~Any~~ A person claiming an interest in the ~~property,~~ property may become a party to the action at any time prior to judgment whether named in the complaint or not. ~~Any~~ A party claiming a substantial interest in the property, upon ~~motion~~ motion, may be allowed by the court to take possession of the property upon posting bond with good and sufficient security in double the

amount of the property's value conditioned to pay the value of any interest in the property found to be subject to forfeiture or the value of any interest of another not subject to forfeiture.

(2) The court, upon ~~such~~ any terms and conditions ~~as it may prescribe,~~ that it prescribes, may order that the property be sold by an innocent party ~~who~~ that holds a lien on or security interest in the property at ~~anytime~~ any time during the proceedings. Any proceeds from ~~such~~ the sale over and above the amount necessary to satisfy the lien or security interest shall be paid into court pending final judgment in the forfeiture proceeding. No ~~such~~ sale shall be ordered, however, unless the obligation upon which the lien or security interest is based is in default.

(3) Pending final judgment in the forfeiture proceeding, the court may make any other disposition of the property necessary to protect it or in the interest of substantial ~~justice,~~ justice and ~~which~~ that adequately protects the interests of innocent parties.

(i) The interest of an innocent party in the property ~~shall not be~~ is not subject to forfeiture. An innocent party is one ~~who~~ that did not have actual or constructive knowledge that the property was subject to forfeiture. An attorney who is paid a fee for representing ~~any~~ a person subject to this ~~act, shall be~~ Chapter is rebuttably presumed to be an innocent party as to that fee transaction.

(j) Subject to the requirement of protecting the interest of all innocent parties, the court may, after judgment of forfeiture, make any of the following orders for disposition of the property:

(1) Destruction of the property or contraband, the possession of, or use of, which is ~~illegal;~~illegal.

(2) Retention for official use by a law enforcement agency, the ~~State~~ State, or any political subdivision thereof. When ~~such~~ the agency or political subdivision no longer has use for ~~such~~ the property, it shall be disposed of by judicial sale as provided in Article 29A of Chapter 1 of the General ~~Statutes of North Carolina,~~ Statutes, and the proceeds shall be paid to the State ~~Treasurer;~~Treasurer.

(3) Transfer to the Department of Natural and Cultural Resources of property useful for historical or instructional ~~purposes;~~purposes.

(4) Retention of the property by ~~any~~ an innocent party having an interest ~~therein,~~ in it, including the right to restrict sale of an interest to outsiders, such as a right of first refusal, upon payment or approval of a plan for payment into court of the value of any forfeited interest in the property. The plan may include, in the case of an innocent party ~~who~~ that holds an interest in the property through ~~an estate~~ a tenancy by the entirety, ~~or~~ an undivided ~~interest in the property,~~ interest, or a lien ~~on~~ or security ~~interest in the property,~~ interest, the sale of the property by the innocent party under ~~such~~ any terms and conditions ~~as may be~~ prescribed by the court and the payment into court of any proceeds from ~~such~~ the sale over and above the amount necessary to satisfy ~~the divided ownership value of~~ the innocent party's ~~interest or the lien or security interest.~~ interest. Proceeds paid into the court ~~must~~ shall then be paid to the State ~~Treasurer;~~Treasurer.

(5) Judicial sale of the property as provided in Article 29A of Chapter 1 of the General ~~Statutes of North Carolina,~~ Statutes, with the proceeds being paid to the State ~~Treasurer;~~Treasurer.

(6) Transfer of the property to ~~any~~ an innocent party having an interest ~~therein~~ in it equal to or greater than the value of the ~~property; or~~property.

(7) Any other disposition of the property ~~which~~ that is in the interest of substantial justice and adequately protects innocent parties, with any proceeds being paid to the State Treasurer.

(k) In addition to ~~the provisions of~~ an in rem action under subsections (c) through (g) ~~relating to in rem actions,~~ of this section, the State may bring an in personam action for the forfeiture of any property subject to forfeiture under subsection (a) of this section.

(*l*) Upon the entry of a final civil judgment of forfeiture in favor of the ~~State:~~State, the following provisions apply:

(1) The title of the State to the forfeited property ~~shall:~~relates back as follows:

a. In the case of real property or a beneficial interest, ~~relate~~ the title relates back to the date of the filing of the RICO lien notice in the official record of the county where the real property or beneficial interest is ~~located and, if~~ located. If no RICO lien notice is filed, ~~then~~ the title relates back to the date of the filing of any notice of lis pendens in the official records of the county where the real property or beneficial interest is ~~located and, if~~ located. If no RICO lien notice or notice of lis pendens is so filed, ~~then~~ the title relates back to the date of the recording of the final judgment of forfeiture in the official records of the county where the real property or beneficial interest is ~~located; and~~located.

b. In the case of personal property, ~~relate~~ the title relates back to the date the personal property was seized pursuant to ~~the provisions of~~ this Chapter.

(2) If property subject to forfeiture is conveyed, alienated, disposed of, or otherwise rendered unavailable for forfeiture after the filing of a RICO lien notice or after the filing of a RICO civil ~~proceeding~~ proceeding, whichever is earlier, the Attorney General may, on behalf of the State, institute an action in an appropriate court against the person named in the RICO lien notice or the defendant in the civil proceeding and the court shall enter final judgment against the person named in the RICO lien notice or the defendant in the civil proceeding in an amount equal to the fair market value of the property, together with investigative costs and ~~attorney's~~ attorneys' fees incurred by the Attorney General in the action."

SECTION 35.(d) G.S. 75D-8 reads as rewritten:

"**§ 75D-8. Available RICO civil remedies.**

(a) As part of a final judgment of forfeiture, any judge of the superior court may, after giving reasonable notice to potential innocent claimants, enjoin violations of G.S. 75D-4, by issuing ~~appropriate~~ one or more of the following orders and judgments:

(1) Ordering ~~any~~ a defendant to divest ~~himself~~ oneself of ~~any~~ an interest in any enterprise, real property, or personal property including property held by a tenancy by the entirety. ~~Where~~ If property is held by a tenancy by the entirety and one of the spouses is an innocent person as defined in G.S. 75D-5(i), upon entry of a final judgment of forfeiture of entirety property, the judgment ~~operates,~~ operates to convert the tenancy by the entirety to a tenancy in common, and only the one-half undivided interest of the offending spouse shall be forfeited according to ~~the provisions of this Chapter;~~this Chapter.

(2) Imposing reasonable restrictions upon the future activities or investments of ~~any~~ a defendant in the same or similar type of endeavor as the enterprise in which ~~he~~ the defendant was engaged in violation of ~~G.S. 75D-4;~~G.S. 75D-4.

(3) Ordering the dissolution or reorganization of ~~any enterprise;~~an enterprise.

(4) Ordering the suspension or revocation of ~~any~~ a license, permit, or prior approval granted to ~~any~~ an enterprise by ~~any agency of the State;~~a State agency.

(5) Ordering the forfeiture of the charter of a corporation organized under the laws of this State or the revocation of a certificate authorizing a foreign corporation to conduct business ~~within~~ in this State upon a finding that the board of directors or a managerial agent acting on behalf of the corporation, in conducting affairs of the corporation, has authorized or engaged in conduct in violation of ~~G.S. 75D-4,~~ G.S. 75D-4 and that, for the prevention of future unlawful activity, the public interest requires that the charter of the corporation be dissolved or the certificate be ~~revoked;~~revoked.

(6) Appointment of a receiver pursuant to ~~the provisions of~~ Article 38 of Chapter 1 of the General Statutes ~~of North Carolina,~~ to collect, ~~conserve~~ conserve, and dispose of all the proceeds, money, ~~profits~~ profits, and property, both real and personal, ~~subject to the provisions of this Chapter~~ in accordance with ~~the provisions hereof~~ this Chapter, as directed by the final judgment of the superior court having jurisdiction over the parties or subject matter of the ~~action; or~~action.

(7) Any other equitable remedy appropriate to effect complete forfeiture of property subject to forfeiture, or to prevent future violations of this Chapter.

(b) The State through the Attorney General may institute a proceeding under G.S. 75D-5. In ~~such~~ the proceeding, relief shall be granted in conformity with the principles that govern the granting of injunctive relief from threatened loss or damage in other civil ~~cases, provided that no showing of special or irreparable damage to the person shall have to be made and provided further that the State shall not be~~ cases. However, the State is not required to show special or irreparable damage, nor is the State required to execute any bond before or after obtaining temporary restraining orders or preliminary injunctions.

(c) ~~Any~~ An innocent person ~~who~~ that is injured or damaged in ~~his~~ business or property by reason of any violation of G.S. 75D-4 involving a pattern of racketeering activity ~~shall have~~ has a cause of action for three times the actual damages sustained and reasonable ~~attorneys~~ attorneys' fees. For purposes of this subsection, "pattern of racketeering activity" ~~shall require~~ requires that at least one act of racketeering activity be an act of racketeering activity other than (i) an act indictable under 18 U.S.C. § 1341 or ~~U.S.C. § 1343,~~ 18 U.S.C. § 1343 or (ii) an act ~~which~~ that is an offense involving fraud in the sale of securities. ~~Any~~ A person filing a private action under this subsection ~~must~~ shall concurrently notify the Attorney General in writing of the commencement of the action. Thereafter, the Attorney General may file a motion for a protective order in the court where the private action is pending and shall be granted a stay of the private action for a reasonable time if the court finds ~~either:~~either of the following:

(1) The bringing of a private action is likely to materially interfere with or impair a public forfeiture ~~action; or~~action.

(2) The public interest is so great as to require the Attorney General to investigate and bring a forfeiture action.

(d) ~~Any~~ An injured innocent person ~~shall have~~ has a right or claim to forfeited ~~property~~ property, or to the proceeds derived ~~therefrom~~ from it, that is superior to any right or claim the State has in the same property or proceeds. To enforce ~~such a claim~~ the claim, the injured innocent person ~~must~~ shall intervene in the forfeiture proceeding prior to its final disposition.

(e) A final conviction in ~~any~~ a criminal proceeding ~~for a violation of those laws set forth in G.S. 75D-3(c), shall estop~~ estops the defendant in any subsequent civil action or proceeding under this Chapter as to all matters proved in the criminal proceeding.

(f) A defendant in an action commenced by the State pursuant to this Chapter ~~whose convictions of two or more criminal offenses of those criminal statutes as set forth in G.S.~~

~~75D-3(c) have become final, which offenses have occurred within a four-year period of each other as set forth in G.S. 75D-3(b) shall be~~ who has two or more final convictions for violating any law set forth in G.S. 75D-3(8) and whose violations occurred within a four-year period as set forth in G.S. 75D-3(7) is deemed to ~~have,~~ have per se violated ~~the provisions of~~ G.S. 75D-4(a)(1) or (2) as of the date of the second conviction.

(g) Any party is entitled to a jury trial in any action brought under this Chapter."

SECTION 35.(e) This section is effective when it becomes law and applies to actions or proceedings commenced on or after that date.

SECTION 35.1. Article 5 of Chapter 77 of the General Statutes is repealed.

SECTION 36.(a) The definitions in G.S. 85B-1 are reordered so that they appear in alphabetical order.

SECTION 36.(b) G.S. 85B-1, as amended by subsection (a) of this section, reads as rewritten:

"**§ 85B-1. Definitions.**

For the purposes of this ~~Chapter~~ Chapter, the following definitions ~~shall~~ apply:

(1) ~~"Absolute Auction" means the~~ Absolute auction. – The sale of real or personal property at auction in which the item offered for auction is sold to the highest bidder without reserve, without the requirement of ~~any~~ a minimum bid, and without competing bids of any type by the owner, or agent of the owner, of the property.

(2) ~~"Auction" means the~~ Auction. – The sale of goods or real estate by means of exchanges between an auctioneer and members of an audience, the exchanges consisting of a series of invitations for offers made by the auctioneer, offers by members of the audience, and the acceptance by the auctioneer of the highest or most favorable offer.

(3) ~~"Auction Firm" means a~~ Auction firm. – A sole proprietorship of which the owner is not a licensed auctioneer, or ~~any~~ a partnership, association, or corporation, not otherwise exempt from this Chapter, that does any of the following:

a. ~~sells~~ Sells, either directly or through agents, real or personal property at ~~auction, or that~~ auction.

b. ~~arranges,~~ Arranges, sponsors, manages, ~~conducts~~ conducts, or advertises ~~auctions, or that~~ auctions.

c. ~~in~~ In the regular course of ~~business~~ business, uses or allows the use of its facilities for auctions.

~~This definition~~ This term applies whether or not an owner or officer of the business acts as an auctioneer.

(4) ~~"Auctioneer" means any~~ Auctioneer. – A person who conducts or offers to conduct ~~auctions and~~ auctions. This term includes apprentice auctioneers except ~~as~~ when stricter standards are specified by this Chapter for apprentice auctioneers.

(5) ~~"Auctioneering", "conduct of auction", or "conduct of business" means, in~~ Auctioneering, conduct of auction, or conduct of business. – In addition to the actual calling of bids, any of the following:

a. Contracting for auction.
b. Accepting consignments of items for sale at auction.
c. Advertising an auction.
d. Offering items for sale at auction.
e. Accepting payment or disbursing monies for items sold at auction.
f. Otherwise soliciting, arranging, sponsoring, or managing an auction or holding oneself out as an auctioneer or auction firm.

(6) ~~"Consignment" means, unless~~ Consignment. – Unless otherwise modified by written agreement, the act of delivering or transferring goods or real estate in fact or constructively to an auctioneer or the auctioneer's agent in trust for the purpose of resale at auction ~~whereby~~ by which title does not pass to the buyer until there is an action indicating a sale. ~~For purposes of this section, consignment may also mean~~ This term includes a bailment for sale.

(7) ~~"Designated person" means any~~ Designated person. – A person approved by the Board to have the authority to transact business for a licensed auction firm.

(8) ~~"Estate Sale" means the~~ Estate sale. – The liquidation by sale at auction of real or personal property of a specified person.

(9) ~~"Fund" means~~ Fund. – Auctioneer Recovery Fund.

(10) ~~"Owner" means the~~ Owner. – The bona fide owner of the property being offered for ~~sale;~~sale. The following provisions apply:

a. ~~in~~ In the case of partnerships, ~~"owner"~~ this term means a general partner in a partnership that owns the property being offered for ~~sale, provided that~~ sale so long as, in the case of a limited ~~partnership it~~ partnership, the partnership has filed a certificate of limited partnership as required by Chapter 59 of the General ~~Statutes;~~ Statutes.

b. ~~in~~ In the case of corporations, ~~"owner"~~ this term means an ~~officer or director or employee or someone acting on behalf of the employee of~~ officer, director, employee, or agent of a corporation that owns the property being offered for sale ~~provided that~~ so long as the corporation is registered to do business in ~~the~~ this State."

SECTION 36.1.(a) G.S. 115C-390.2 reads as rewritten:

"**§ 115C-390.2. Discipline policies.**

(a) Governing bodies of public school units, in consultation with teachers, school-based administrators, parents, and local law enforcement agencies, shall adopt policies to govern the conduct of students and establish procedures to be followed by school officials in disciplining students. These policies ~~must~~ shall be consistent with ~~the provisions of~~ this Article and the constitutions, statutes, ~~and regulations~~ regulations, and rules of the United States and the State of North Carolina. In adopting these policies, governing bodies of public school units shall consider any existing federal guidance for the discipline of students with disabilities as well as other guidance on school discipline practices issued by the United States Department of Education.

(b) Governing body policies shall include or provide for the development of a Code of Student Conduct that notifies students of the standards of behavior expected of them, conduct that may subject them to discipline, and the range of disciplinary measures that may be used by school officials.

(b1) No later than September 1 of each year, each governing body of a public school unit shall provide the Department of Public Instruction with a copy of its most up-to-date student discipline policies and Code of Student Conduct.

(c) Governing body policies may authorize suspension for conduct not occurring on educational property, but only if the student's conduct otherwise violates the Code of Student Conduct and the conduct has or is reasonably expected to have a direct and immediate impact on the orderly and efficient operation of the schools or the safety of individuals in the school environment.

(d) Governing body policies shall not allow students to be long-term suspended or expelled from school solely for truancy or tardiness offenses and shall not allow short-term suspension of more than two days for ~~such~~ these offenses.

(e) Governing body policies shall not impose mandatory long-term suspensions or expulsions for specific violations unless otherwise provided in State or federal law.

(f) Governing body policies shall minimize the use of long-term suspension and expulsion by restricting the availability of long-term suspension or expulsion to those violations deemed to be serious violations of the governing body's Code of Student Conduct that either threaten the safety of students, staff, or school visitors or threaten to substantially disrupt the educational environment. Examples of conduct that ~~would not be~~ are not deemed to be a serious violation include the use of inappropriate or disrespectful language, noncompliance with a staff directive, dress code violations, and minor physical altercations that do not involve weapons or injury. The principal may, however, in his or her discretion, determine that aggravating circumstances justify treating a minor violation as a serious violation.

(g) Governing body policies shall not prohibit the superintendent and principals from considering the student's intent, disciplinary and academic history, the potential benefits to the student of alternatives to suspension, and other mitigating or aggravating factors when deciding whether to recommend or impose long-term suspension.

(h) Governing body policies shall include the procedures to be followed by school officials in suspending, expelling, or administering corporal punishment to any ~~student, which~~ student. These procedures shall be consistent with this Article.

(i) Each governing body of a public school unit shall publish all policies, administrative procedures, or school rules mandated by this section and make them available to each student and his or her parent at the beginning of each school year and upon request. This information shall include the full range of responses to violations of disciplinary rules, including responses that do not remove a student from the classroom or school building. Governing bodies may require students and parents or guardians to sign an acknowledgement that they have received a copy of ~~such~~ these policies, procedures, or rules.

~~(j) Governing bodies of public school units are encouraged to include in their safe schools plans, adopted pursuant to G.S. 115C-105.47, research-based behavior management programs that take positive approaches to improving student behaviors.~~

(k) School officials are encouraged to use a full range of responses to violations of disciplinary rules, such as conferences, counseling, peer mediation, behavior contracts, instruction in conflict resolution and anger management, detention, academic interventions, community service, and other similar tools that do not remove a student from the classroom or school building.

(*l*) Governing body policies shall state that absences under G.S. 130A-440 ~~shall not be~~ are not suspensions. A student subject to an absence under G.S. 130A-440 shall be provided the following:

(1) The opportunity to take textbooks and school-furnished digital devices home for the duration of the absence.

(2) Upon request, the right to receive all missed assignments and, to the extent practicable, the materials distributed to students in connection with the assignment.

(3) The opportunity to take any quarterly, semester, or grading period examinations missed during the absence period.

(m) Nothing in this ~~section or any section of this~~ Chapter ~~shall be construed as regulating~~ regulates the discretion of a governing body of a public school unit to devise, impose, and enforce personal appearance codes."

SECTION 36.1.(b) G.S. 115C-390.5 reads as rewritten:

"**§ 115C-390.5. Short-term suspension.**

(a) The principal ~~shall have authority to~~ may impose short-term suspension on a student who willfully engages in conduct that violates ~~a provision of~~ the Code of Student Conduct authorizing short-term suspension.

~~(b) If a student's short-term suspensions accumulate to more than 10 days in a semester, to the extent the principal has not already done so, he or she shall invoke the mechanisms~~

~~provided for in the applicable safe schools plan adopted pursuant to G.S. 115C-105.47(b)(5) and (b)(6).~~

(c) A student subject to short-term suspension shall be provided the following:

(1) The opportunity to take textbooks home for the duration of the suspension.

(2) Upon request, the right to receive all missed assignments and, to the extent practicable, the materials distributed to students in connection with the assignment.

(3) The opportunity to take any quarterly, semester, or grading period examinations missed during the suspension period."

SECTION 37. G.S. 128-26A is redesignated as G.S. 128-26.1.

SECTION 38.(a) G.S. 131A-3 reads as rewritten:

"**§ 131A-3. Definitions.**

~~As used or referred to in this Article, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise:~~

~~(1) "Bonds" or "notes" means the revenue bonds or bond anticipation notes, respectively, authorized to be issued by the Commission under this Article;~~

~~(2) "Commission" means the North Carolina Medical Care Commission, created by Part 10 of Article 3 of Chapter 143B of the General Statutes, or, should said Commission be abolished or otherwise divested of its functions under this Article, the public body succeeding it in its principal functions, or upon which are conferred by law the rights, powers and duties given by this Article to the Commission;~~

~~(3) "Cost" as applied to any health care facilities means the cost of construction or acquisition; the cost of acquisition of property, including rights in land and other property, both real and personal and improved and unimproved; the cost of demolishing, removing or relocating any buildings or structures on land so acquired, including the cost of acquiring any land to which such buildings or structures may be moved or relocated; the cost of all machinery, fixed and movable equipment and furnishings; financing charges, interest prior to and during construction and, if deemed advisable by the Commission, for a period not exceeding two years after the estimated date of completion of construction, the cost of engineering and architectural surveys, plans and specifications; the cost of consulting and legal services and other expenses necessary or incident to determining the feasibility or practicability of constructing or acquiring such health care facilities; the cost of administrative and other expenses necessary or incident to the construction or acquisition of such health care facilities, and the financing of the construction or acquisition thereof, including reasonable provision for working capital and a reserve for debt service; the cost of reimbursing any public or nonprofit agency for any payments made for any cost described above or the refinancing of any cost described above, provided that no payment shall be reimbursed or any cost be refinanced if such payment was made or such cost was incurred earlier than two years prior to the effective date of this Article; provided further, that it is the intent that any costs described above shall be payable solely from the revenues of the health care facilities;~~

~~(4) "Health care facilities" means any one or more buildings, structures, additions, extensions, improvements or other facilities, whether or not located on the same site or sites, machinery, equipment, furnishings or other real or personal property suitable for health care or medical care; and includes, without limitation: general hospitals, chronic diseases, maternity, mental, tuberculosis and other specialized hospitals; facilities for intensive care and self-care;~~

~~nursing homes, including skilled nursing facilities and intermediate care facilities; facilities for continuing care of the elderly and infirm; clinics and outpatient facilities; clinical, pathological and other laboratories; health care research facilities; laundries; training facilities for nurses, interns, physicians and other staff members; food preparation and food service facilities; administration buildings, central service and other administrative facilities; communication, computer; and other electronic facilities, fire fighting facilities, pharmaceutical facilities and recreational facilities; storage space, X-ray, laser, radiotherapy and other apparatus and equipment; dispensaries; utilities; vehicular parking lots and garages; office facilities for health care facilities staff members and physicians; and such other health care facilities customarily under the jurisdiction of or provided by hospitals, or any combination of the foregoing, with all necessary, convenient or related interests in land, machinery, apparatus, appliances, equipment, furnishings, appurtenances, site preparation, landscaping and physical amenities;~~

~~(5) "Non profit agency" means any nonprofit corporation existing or hereafter created and empowered to acquire, by lease or otherwise, operate or maintain health care facilities;~~

~~(6) "Public agency" means any county, city, town, hospital district or other political subdivision of the State existing or hereafter created pursuant to the laws of the State authorized to acquire, by lease or otherwise, operate or maintain health care facilities;~~

~~(7) "State" means the State of North Carolina;~~

~~(8) "Federally guaranteed security" means any security, investment or evidence of indebtedness issued pursuant to any provision of federal law for the purpose of financing or refinancing the cost of any health care facilities which is insured or guaranteed, directly or indirectly, in whole or in part as to the repayment of principal or interest by the United States of America or any instrumentality thereof;~~

~~(9) "Federally insured mortgage note" means any loan secured by a mortgage or deed of trust on any health care facilities owned or leased by any public or nonprofit agency which is insured or guaranteed, directly or indirectly, in whole or in part as to the repayment of principal and interest by the United States of America or any instrumentality thereof, or any commitment by the United States of America or any instrumentality thereof to so insure or guarantee such a loan secured by a mortgage or a deed of trust.~~

~~(10) "Continuing care" means the furnishing, pursuant to a continuing care agreement, of shelter, food, and nursing care to an individual not related by consanguinity or affinity to the provider furnishing such care. Other personal services provided shall be designated in the continuing care agreement. Continuing care shall include only life care, care for life, or care for a term of years;~~

~~(11) "Life care" or "care for life" means a life lease, life membership, life estate, or similar agreement between an individual and a provider by which the individual pays a fee for the right to occupy a space in the continuing care facility and to receive continuing care for life; and~~

~~(12) "Care for a term of years" means an agreement between an individual and a provider whereby the individual pays a fee for the right to occupy space in a continuing care facility, and to receive continuing care, for at least one year, but for less than the life of the member.~~

The following definitions apply in this Article:

(1) Bonds or notes. – The revenue bonds or bond anticipation notes, respectively, authorized to be issued by the Commission under this Article.

(2) Care for a term of years. – An agreement between an individual and a provider by which the individual pays a fee for the right to occupy space in a continuing care facility and to receive continuing care for at least one year but for less than the life of the member.

(3) Commission. – The North Carolina Medical Care Commission, created by Part 10 of Article 3 of Chapter 143B of the General Statutes, or a successor body.

(4) Continuing care. – The furnishing, pursuant to a continuing care agreement, of shelter, food, and nursing care to an individual not related by consanguinity or affinity to the provider furnishing the care. Other personal services provided shall be designated in the continuing care agreement. This term includes only life care, care for life, or care for a term of years.

(5) Cost. – As applied to any health care facilities, any of the following:

a. The cost of construction or acquisition.

b. The cost of acquisition of property, including property rights, both real and personal and improved and unimproved.

c. The cost of demolishing, removing, or relocating any buildings or structures on land acquired, including the cost of acquiring any land to which the buildings or structures may be moved or relocated.

d. The cost of all machinery, fixed and movable equipment, and furnishings.

e. Financing charges, interest prior to and during construction, and, if deemed advisable by the Commission, for a period not exceeding two years after the estimated date of completion of construction, the cost of engineering and architectural surveys, plans, and specifications.

f. The cost of consulting and legal services and other expenses necessary or incident to determining the feasibility or practicability of constructing or acquiring the health care facilities.

g. The cost of administrative and other expenses necessary or incident to the construction or acquisition of the health care facilities and the financing of the construction or acquisition, including reasonable provision for working capital and a reserve for debt service.

h. The cost of reimbursing a public or nonprofit agency for any payments made for any cost described in this subdivision or the refinancing of any cost described in this subdivision. This term, however, does not include any reimbursement or refinancing costs that are not payable solely from the revenues of the health care facilities.

(6) Federally guaranteed security. – A security, investment, or evidence of indebtedness issued pursuant to federal law for the purpose of financing or refinancing the cost of a health care facility and that is insured or guaranteed, directly or indirectly, in whole or in part as to the repayment of principal or interest by the United States of America or any instrumentality thereof.

(7) Federally insured mortgage note. – A loan secured by a mortgage or deed of trust on a health care facility owned or leased by a public or nonprofit agency and that is insured or guaranteed, directly or indirectly, in whole or in part as to the repayment of principal and interest by the United States of America or any instrumentality thereof, or by a commitment of the United States of America or any instrumentality thereof.

(8) Health care facilities. – Any one or more buildings, structures, additions, extensions, improvements, or other facilities, whether or not located on the same site, machinery, equipment, furnishings, or other real or personal property suitable for health care or medical care. The term includes, without limitation, any of the following facilities related to health care:

a. General hospitals or specialized hospitals, such as hospitals for chronic diseases, maternity, or mental health.
b. Facilities for intensive care and self-care.
c. Nursing homes, including skilled nursing facilities and intermediate care facilities.
d. Facilities for the continuing care of the elderly and infirm.
e. Clinics and outpatient facilities.
f. Clinical, pathological, and other laboratories.
g. Health care research facilities.
h. Laundries.
i. Training facilities for nurses, interns, physicians, and other staff members.
j. Food preparation and food service facilities.
k. Administration buildings, central service facilities, and other administrative facilities.
l. Communication, computer, and other electronic facilities, firefighting facilities, pharmaceutical facilities, and recreational facilities.
m. Storage space.
n. X-ray, laser, radiotherapy, and other apparatus and equipment.
o. Dispensaries.
p. Utilities.
q. Vehicular parking lots and garages.
r. Office facilities for staff members and physicians of a health care facility.
s. Other facilities customarily under the jurisdiction of or provided by hospitals, or any combination of the facilities listed in this subdivision, with all related interests in land, machinery, apparatus, appliances, equipment, furnishings, appurtenances, site preparation, landscaping, and physical amenities.

(9) Life care or care for life. – A life lease, life membership, life estate, or similar agreement between an individual and a provider by which the individual pays a fee for the right to occupy a space in the continuing care facility and to receive continuing care for life.

(10) Nonprofit agency. – A nonprofit corporation authorized to acquire, by lease or otherwise, operate, or maintain health care facilities.

(11) Public agency. – A county, city, town, hospital district, or other political subdivision of the State authorized to acquire, by lease or otherwise, operate, or maintain health care facilities.

(12) State. – State of North Carolina."

SECTION 38.(b) G.S. 143B-181.16 reads as rewritten:

"**§ 143B-181.16. ~~Long-Term Care Ombudsman Program/Office; definition.~~Definitions.**

~~Unless the content clearly requires otherwise, as used in this Article:~~

~~(1) "Long-term care facility" means any skilled nursing facility and intermediate care facility as defined in G.S. 131A-3(4) or any adult care home as defined in G.S. 131D-20(2).~~

~~(1a) Reserved for future codification purposes.~~

~~(1b) "Programmatic supervision" means the monitoring of the performance of the duties of the Regional Ombudsman and ensuring that the Area Agency on Aging has personnel policies and procedures consistent with the laws and policies governing the Ombudsman Program as performed by the State Ombudsman.~~

~~(1c) "Regional Ombudsman" means a person employed by an Area Agency on Aging who is certified and designated by the State Ombudsman to carry out the functions of the Regional Ombudsman Office established by this Article, 42 U.S.C. § 3001, et seq. and regulations promulgated thereunder.~~

~~(2) "Resident" means any person who is receiving treatment or care in any long-term care facility.~~

~~(3) "State Ombudsman" means the State Ombudsman as defined by the Older Americans Act of 1965, as amended, 42 U.S.C. § 3001 et seq., and regulations promulgated thereunder, who carries out the duties and functions established by this Article and 42 U.S.C. § 3001, et seq. and regulations promulgated thereunder.~~

~~(4) "Willful interference" means actions or inactions taken by an individual in an attempt to intentionally prevent, interfere with, or attempt to impede the Ombudsman or a representative of the Office from performing any of the functions, responsibilities, or duties set forth in 42 U.S.C. § 3001 et seq., and regulations promulgated thereunder.~~

The following definitions apply in this Article:

(1) Long-term care facility. – A skilled nursing facility, intermediate care facility, or adult care home as defined in G.S. 131D-20.

(2) Programmatic supervision. – The monitoring of the performance of the duties of the Regional Ombudsman and ensuring that the Area Agency on Aging has personnel policies and procedures consistent with the laws and policies governing the Ombudsman Program as performed by the State Ombudsman.

(3) Regional Ombudsman. – A person employed by an Area Agency on Aging who is certified and designated by the State Ombudsman to carry out the functions of the Regional Ombudsman Office established by this Article, the Older Americans Act of 1965, 42 U.S.C. § 3001, et seq., and the regulations promulgated under that act.

(4) Resident. – A person who is receiving treatment or care in a long-term care facility.

(5) State Ombudsman. – The State Ombudsman, as defined by the Older Americans Act of 1965, 42 U.S.C. § 3001, et seq., and the regulations promulgated under it, who carries out the duties and functions established by those laws and this Article.

(6) Willful or unnecessary obstruction. – Actions or inactions taken by an individual in an attempt to intentionally prevent, interfere with, or attempt to impede the State Ombudsman or Regional Ombudsman from performing any of the functions, responsibilities, or duties set forth in the Older Americans Act of 1965, 42 U.S.C. § 3001, et seq., and the regulations promulgated under it."

SECTION 39.1.(a) G.S. 131E-176(5a) is recodified as G.S. 131E-176(5c).

SECTION 39.1.(b) G.S. 131E-176(10) is recodified as G.S. 131E-176(7e).

SECTION 39.1.(c) G.S. 131E-176(13) is recodified as G.S. 131E-176(13d). The Revisor of Statutes shall substitute "G.S. 131E-176" for "G.S. 131E-176(13)" wherever it appears in G.S. 90-414.4.

SECTION 39.2.(a) G.S. 131E-176, as amended by Section 39.1 of this act, reads as rewritten:

"**§ 131E-176. Definitions.**

The following definitions apply in this Article:

(1) Adult care home. – A facility with seven or more beds licensed under Part 1 of Article 1 of Chapter 131D of the General Statutes or under this Chapter that provides residential care for aged individuals or individuals with disabilities whose principal need is a home ~~which~~ that provides the supervision and personal care appropriate to their age and disability and for whom medical care is only occasional or incidental.

…

(1b) Ambulatory surgical facility. – A facility designed for the provision of a specialty ambulatory surgical program or a multispecialty ambulatory surgical program. An ambulatory surgical facility serves patients who require local, regional, or general anesthesia and a period of post-operative observation. An ambulatory surgical facility may only admit patients for a period of less than 24 hours and ~~must~~ shall provide at least one designated operating room or gastrointestinal endoscopy room and at least one designated recovery room, have available the necessary equipment and trained personnel to handle emergencies, provide adequate quality assurance and assessment by an evaluation and review committee, and maintain adequate medical records for each patient. An ambulatory surgical facility may be operated as a part of a ~~physician~~ physician's or dentist's ~~office, provided~~ office so long as the facility is licensed under Part 4 of Article 6 of this Chapter, but the performance of incidental, limited ambulatory surgical procedures ~~which~~ that do not constitute an ambulatory surgical program and ~~which~~ that are performed in a physician's or dentist's office does not make that office an ambulatory surgical facility.

(1c) Ambulatory surgical program. – A formal program for providing on a same-day basis those surgical procedures ~~which~~ that require local, regional, or general anesthesia and a period of post-operative observation to patients whose admission for more than 24 hours is determined, prior to surgery or gastrointestinal endoscopy, to be medically unnecessary.

(2) Bed capacity. – Space used exclusively for inpatient care, including space designed or remodeled for licensed inpatient beds even though temporarily not used for ~~such~~ these purposes. The number of beds to be counted in ~~any~~ a patient room shall be the maximum number for which adequate square footage is provided as established by rules of the Department except that single beds in single rooms are counted even if the room contains inadequate square footage. ~~The term "bed capacity"~~ This term also refers to the number of dialysis stations in kidney disease treatment centers, including freestanding dialysis units.

…

(2d) Capital expenditure. – An expenditure for a project, including but not limited ~~to~~ to, the cost of construction, engineering, and equipment ~~which~~ that, under generally accepted accounting ~~principles~~ principles, is not properly chargeable as an expense of operation and maintenance. Capital expenditure includes, in addition, the fair market value of an acquisition made by donation, lease, or comparable arrangement by which a person obtains equipment, the expenditure for which would have been considered a capital expenditure under this Article if the person had acquired it by purchase.

…

(3) Certificate of need. – A written order ~~which~~ that affords the person ~~so~~ designated as the legal proponent of the proposed project the opportunity to proceed with the development of the project.

…

(5) Change in bed capacity. – Any of the following:

a. ~~Any~~ A relocation of health service facility ~~beds,~~ beds or dialysis stations from one licensed facility or campus to another.

b. ~~Any~~ A redistribution of health service facility bed capacity among the categories of health service facility bed.

c. ~~Any~~ An increase in the number of health service facility ~~beds,~~ beds or dialysis stations in kidney disease treatment centers, including freestanding dialysis units.

…

(5c) Chemical dependency treatment facility. – A public or private facility, or unit in a facility, ~~which~~ that is engaged in providing ~~24-hour-a-day~~ 24-hour-a-day treatment for chemical dependency or a substance use disorder. This treatment may include detoxification, administration of a therapeutic regimen for the treatment of individuals with chemical dependence or substance use disorders, and related services. The facility or unit may be any of the following:

…

(7) Develop. – When used in connection with health services, means to undertake those activities ~~which~~ that will result in the offering of institutional health service or the incurring of a financial obligation in relation to the offering of ~~such a~~ the service.

(7a) **(Effective until November 21, 2026 – see note)** Diagnostic center. – A freestanding facility, program, or provider, including but not limited to, physicians' offices, clinical laboratories, radiology centers, and mobile diagnostic programs, in which the total cost of all the medical diagnostic equipment utilized by the facility ~~which cost~~ that costs ten thousand dollars ($10,000) or more exceeds three million dollars ($3,000,000). In determining whether the medical diagnostic equipment in a diagnostic center costs more than three million dollars ($3,000,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the equipment shall be included. The capital expenditure for the equipment ~~shall be~~ is deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. ~~Beginning September 30, 2022, and on~~ On September 30 of each ~~year thereafter,~~ year, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

…

(7c) Gamma knife. – Equipment ~~which~~ that emits photon beams from a stationary radioactive cobalt source to treat lesions deep within the brain and is one type of stereotactic radiosurgery.

…

(7e) Health maintenance organization (HMO). – A public or private organization ~~which~~ that has received its certificate of authority under Article 67 of Chapter 58 of the General Statutes and ~~which~~ that either is a qualified health

maintenance organization under ~~Section 1310(d) of the Public Health Service Act~~ 42 U.S.C. § 300e-9, or satisfies all of the following:

…

b. Is compensated, except for copayments, for the provision of the basic health care services listed in sub-subdivision a. of this subdivision to enrolled participants by a payment ~~which~~ that is paid on a periodic basis without regard to the date the health care services are provided and ~~which~~ that is fixed without regard to the frequency, extent, or kind of health service actually provided.

c. Provides physicians' services primarily (i) directly through physicians who are either employees or partners of ~~such organizations,~~ these organizations or (ii) through arrangements with individual physicians or one or more groups of physicians organized on a group practice or individual practice basis.

…

(9a) Health service. – An organized, interrelated activity that is medical, diagnostic, therapeutic, rehabilitative, or a combination ~~thereof~~ of those and that is integral to the prevention of disease or the clinical management of an individual who is sick or injured or who has a disability. ~~"Health service"~~ The term does not include administrative and other activities that are not integral to clinical management.

(9b) **(Effective until November 21, 2025 – see note)** Health service facility. – A hospital; long-term care hospital; rehabilitation facility; nursing home facility; adult care home; kidney disease treatment center, including freestanding hemodialysis units; intermediate care facility for individuals with intellectual disabilities; home health agency office; diagnostic center; hospice office, hospice inpatient facility, or hospice residential care facility; ~~and~~ or ambulatory surgical facility.

…

(9c) Health service facility bed. – A bed licensed for use in a health service facility in the categories of (i) acute care beds; ~~(iii)~~ (ii) rehabilitation beds; ~~(iv)~~ (iii) nursing home beds; ~~(v)~~ (iv) intermediate care beds for individuals with intellectual disabilities; ~~(vii)~~ (v) hospice inpatient facility beds; ~~(viii)~~ (vi) hospice residential care facility beds; ~~(ix)~~ (vii) adult care home beds; and ~~(x)~~ (viii) long-term care hospital beds.

…

(12) Home health agency. – A private organization or public agency, whether owned or operated by one or more persons or legal entities, ~~which~~ that furnishes or offers to furnish home health services.

(12a) Home health services. – Items and services furnished to an individual by a home health agency, or by others under arrangements ~~with such others~~ made by the agency, on a visiting basis, and except for sub-subdivision e. of this subdivision, in a place of temporary or permanent residence used as the individual's home as follows:

…

d. Medical supplies, other than drugs and ~~biologicals~~ biologicals, and the use of medical appliances.

e. Any of the items and services listed in this subdivision ~~which~~ that are provided on an outpatient basis under arrangements made by the home health agency at a ~~hospital or nursing home facility~~ hospital, nursing home facility, or rehabilitation ~~center~~ facility and the furnishing of

which involves the use of equipment ~~of~~ such ~~a nature~~ that the items and services cannot readily be made available to the individual at home, or ~~which~~ that are furnished at the facility while the individual is there to receive ~~any such~~ the item or service, but not including transportation of the individual in connection with ~~any such~~ the item or service.

…

(13a) Hospice. – Any coordinated program of home care with provision for inpatient care for terminally ill patients and their families. This care is provided by a medically directed interdisciplinary team, directly or through an agreement under the direction of an identifiable hospice administration. A hospice program of care provides palliative and supportive medical and other health services to meet the physical, psychological, social, spiritual, and special needs of patients and their ~~families, which~~ families that are experienced during the final stages of terminal illness and during dying and bereavement.

(13b) Hospice inpatient facility. – A freestanding licensed hospice facility or a designated inpatient unit in an existing health service facility ~~which~~ that provides palliative and supportive medical and other health services to meet the physical, psychological, social, spiritual, and special needs of terminally ill patients and their families in an inpatient setting. For purposes of this Article only, a hospital ~~which~~ that has a contractual agreement with a licensed hospice to provide inpatient services to a hospice patient as defined in ~~G.S. 131E-201(4)~~ G.S. 131E-201 and provides those services in a licensed acute care bed is not a hospice inpatient facility and ~~is not subject to the requirements in sub-subdivision (5)b. of this section for hospice inpatient beds.~~the services provided in this manner are not a redistribution of health service facility bed capacity among the categories of health service facility bed.

(13c) Hospice residential care facility. – A freestanding licensed hospice facility ~~which~~ that provides palliative and supportive medical and other health services to meet the physical, psychological, social, spiritual, and special needs of terminally ill patients and their families in a group residential setting.

(13d) Hospital. – A public or private institution ~~which~~ that is primarily engaged in providing to inpatients, by or under supervision of physicians, diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or rehabilitation services for the rehabilitation of injured, disabled, or sick persons. The term includes all facilities licensed pursuant to G.S. 131E-77, except long-term care hospitals.

…

(14a) Intermediate care facility for individuals with intellectual disabilities. – Facilities licensed pursuant to Article 2 of Chapter 122C of the General Statutes for the purpose of providing health and habilitative services based on the developmental model and principles of normalization for individuals with intellectual disabilities, autism, cerebral palsy, ~~epilepsy~~ epilepsy, or related conditions.

…

(14e) Kidney disease treatment center. – A facility that is certified as an end-stage renal disease facility by the Centers for Medicare and Medicaid ~~Services,~~ Services of the United States Department of Health and Human ~~Services,~~ Services pursuant to 42 C.F.R. § 405.

(14f) ~~"Legacy Medical Care Facility" means a~~ Legacy Medical Care Facility. – A facility that meets all of the following requirements:

a. Is not presently operating.

b. Has not continuously operated for at least the past six months.

c. Within the last 24 ~~months:~~months, both of the following:

1. Was operated by a person holding a license under ~~G.S. 131E-77; and~~G.S. 131E-77.

…

(14k) Long-term care hospital. – A hospital that has been classified and designated as a long-term care hospital by the Centers for Medicare and Medicaid ~~Services,~~ Services of the United States Department of Health and Human ~~Services,~~ Services pursuant to 42 C.F.R. § 412.

…

(14n) Main campus. – ~~All~~ Both of the following for the purposes of G.S. 131E-184(f) and (g) only:

…

(14o) **(Effective until November 21, 2026 – see note)** Major medical equipment. – A single unit or single system of components with related functions ~~which~~ that is used to provide medical and other health services and ~~which~~ that costs more than two million dollars ($2,000,000). In determining whether the major medical equipment costs more than two million dollars ($2,000,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the major medical equipment ~~shall be~~ is included. The capital expenditure for the equipment ~~shall be~~ is deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. ~~Major medical equipment~~ This term does not include replacement ~~equipment as defined in this section. Beginning September 30, 2022, and on~~ equipment. On September 30 of each ~~year thereafter,~~ year, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

…

(15b) Neonatal intensive care services. – Those services provided by a health service facility to high-risk newborn infants who require constant nursing care, including but not limited ~~to~~ to, continuous cardiopulmonary and other supportive care.

(16) New institutional health services. – Any of the following:

…

b. **(Effective until November 21, 2025 – see note)** Except as otherwise provided in G.S. 131E-184(e), the obligation by ~~any~~ a person of a capital expenditure exceeding four million dollars ($4,000,000) to develop or expand a health service or a health service facility, or ~~which~~ that relates to the provision of a health service. The cost of any studies, surveys, designs, plans, working drawings, specifications, and other activities, including ~~staff effort and consulting and~~ staff effort, consulting, and other services, essential to the acquisition, improvement, expansion, or replacement of ~~any~~ a plant or equipment with respect to which an expenditure is made ~~shall be~~ is included in determining if the expenditure exceeds four million dollars ($4,000,000). ~~Beginning September 30, 2022, and on~~ On September

30 of each ~~year thereafter,~~ year, the amount in this sub-subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

…

c. ~~Any~~ A change in bed capacity.

…

e. A change in a project that was subject to certificate of need review and for which a certificate of need was issued, if the change is proposed during the development of the project or within one year after the project was completed. For purposes of this subdivision, a change in a project is a change of more than fifteen percent (15%) of the approved capital expenditure amount or the addition of a health service that is to be located in the facility, or portion ~~thereof,~~ of the facility, that was constructed or developed in the project.

f. The development or offering of ~~a health service as listed in this subdivision~~ any of the following health services by or on behalf of ~~any~~ a person:

…

f1. The acquisition by purchase, donation, lease, transfer, or comparable arrangement of any of the following equipment by or on behalf of ~~any~~ a person:

…

l. The purchase, lease, or acquisition of ~~any~~ a health service facility, or portion ~~thereof,~~ of a health service facility, or a controlling interest in the health service facility or portion ~~thereof,~~ of the health service facility, if the health service facility was developed under a certificate of need issued pursuant to G.S. 131E-180.

m. ~~Any~~ A conversion of nonhealth service facility beds to health service facility beds.

n. The construction, ~~development~~ development, or other establishment of a hospice, hospice inpatient facility, or hospice residential care ~~facility;~~facility.

o. The opening of an additional office by an existing home health agency or hospice within its service area as defined by rules adopted by the Department; or the opening of ~~any~~ an office by an existing home health agency or hospice outside its service area as defined by rules adopted by the Department.

p. The acquisition by purchase, donation, lease, transfer, or comparable arrangement by ~~any~~ a person of major medical equipment.

…

s. The furnishing of mobile medical equipment to ~~any~~ a person to provide health services in North ~~Carolina, which~~ Carolina that was not in use in North Carolina prior to ~~the adoption of this provision,~~ March 18, 1993, if the equipment would otherwise be subject to review in accordance with sub-subdivision f1. of this subdivision or sub-subdivision p. of this subdivision if it had been acquired in North Carolina.

t. Repealed by Session Laws 2001-242, s. 4, effective June 23, 2001.

u. The construction, development, establishment, increase in ~~the~~ number, or relocation of an operating room or gastrointestinal endoscopy room

in a licensed health service facility, other than the relocation of an operating room or gastrointestinal endoscopy room within the same building or on the same grounds or to grounds not separated by more than a public right-of-way adjacent to the grounds where the operating room or gastrointestinal endoscopy room is currently located.

…

(17a) Nursing care. – Any of the following:

…

c. Health-related care and services provided on a regular basis to individuals ~~who~~ who, because of their mental or physical ~~condition~~ condition, require care and services above the level of room and ~~board, which~~ board that can be made available to them only through institutional facilities.

These are services ~~which~~ that are not primarily for the care and treatment of mental diseases.

…

(20) Project or capital expenditure project. – A proposal to undertake a capital expenditure that results in the offering of a new institutional health service. A project, or capital expenditure project, or proposed project may refer to the project from its earliest planning stages up through the point at which the specified new institutional health service may be offered. In the case of facility construction, the point at which the new institutional health service may be offered ~~must~~ shall take place after the facility is capable of being fully licensed and operated for its intended use, and at that time it shall be considered a health service facility.

(21) Psychiatric facility. – A public or private facility licensed pursuant to Article 2 of Chapter 122C of the General Statutes and ~~which~~ that is primarily engaged in providing to inpatients, by or under the supervision of a physician, psychiatric services for the diagnosis and treatment of individuals with mental illnesses.

…

(22) Rehabilitation facility. – A public or private inpatient facility ~~which~~ that is operated for the primary purpose of assisting in the rehabilitation of individuals with disabilities through an integrated program of medical and other services ~~which are~~ provided under competent, professional supervision.

(22a) Replacement equipment. – Equipment that costs less than three million dollars ($3,000,000) and is purchased for the sole purpose of replacing comparable medical equipment currently in use ~~which~~ that will be sold or otherwise disposed of when replaced. In determining whether the replacement equipment costs less than three million dollars ~~($3,000,000)~~ ($3,000,000), the costs of equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the replacement equipment ~~shall be~~ is included. The capital expenditure for the equipment ~~shall be~~ is deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. ~~Beginning September 30, 2023, and on~~ On September 30 of each ~~year thereafter,~~ year, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

…

(24a) Service area. – The area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, ~~which~~ that receives services from a health service facility.

…

(25) State Medical Facilities Plan. – The plan prepared in accordance with G.S. 131E-176.2 by the Department of Health and Human Services and the North Carolina State Health Coordinating ~~Council,~~ Council and approved by the Governor. ~~In preparing the Plan, the Department and the State Health Coordinating Council shall maintain a mailing list of persons who have requested notice of public hearings regarding the Plan. Not less than 15 days prior to a scheduled public hearing, the Department shall notify persons on its mailing list of the date, time, and location of the hearing. The Department shall hold at least one public hearing prior to the adoption of the proposed Plan and at least six public hearings after the adoption of the proposed Plan by the State Health Coordinating Council. The Council shall accept oral and written comments from the public concerning the Plan.~~

…."

SECTION 39.2.(b) Article 9 of Chapter 131E of the General Statutes is amended by adding a new section to read:

"**§ 131E-176.2. State Medical Facilities Plan.**

The Department of Health and Human Services and the North Carolina State Health Coordinating Council shall prepare and present to the Governor for approval the State Medical Facilities Plan. In preparing the Plan, the Department and the State Health Coordinating Council shall maintain a mailing list of persons that have requested notice of public hearings regarding the Plan. Not less than 15 days prior to a scheduled public hearing, the Department shall notify persons on its mailing list of the date, time, and location of the hearing. The Department shall hold at least one public hearing prior to the adoption of the proposed Plan and at least six public hearings after the adoption of the proposed Plan by the State Health Coordinating Council. The Council shall accept oral and written comments from the public concerning the Plan."

SECTION 39.2.(c) G.S. 131E-177 reads as rewritten:

"**§ 131E-177. Department of Health and Human Services is designated State Health Planning and Development Agency; powers and duties.**

The Department of Health and Human Services is designated as the State Health Planning and Development Agency for the State of North ~~Carolina,~~ Carolina and ~~is empowered to exercise~~ has all of the following powers and duties:

(1) ~~To establish~~ Establish standards and criteria or plans required to carry out the provisions and purposes of this Article and to adopt rules pursuant to Chapter 150B of the General ~~Statutes,~~ Statutes to carry out the purposes and provisions of this ~~Article;~~Article.

(2) Adopt, amend, and repeal ~~such rules and regulations, consistent with the laws of this State,~~ rules, as may be required by the federal government for grants-in-aid for health service facilities and health planning ~~which~~ that may be made available by the federal government. This section shall be liberally construed in order that the State and its citizens may benefit from ~~such grants-in-aid;~~these grants-in-aid.

(3) Define, by rule, procedures for submission of periodic reports by persons or health service facilities subject to agency review under this ~~Article;~~Article.

(4) Develop policy, criteria, and standards for health service facilities ~~planning; shall~~ planning. The Department shall conduct statewide registration and inventories of and make determinations of need for health service facilities, health services as specified in G.S. 131E-176(16)f., and equipment as

specified in G.S. 131E-176(16)f1., ~~which shall include~~ including consideration of adequate geographic location of equipment and services; and develop a State Medical Facilities ~~Plan;~~Plan.

(5) Implement, by rule, criteria for project ~~review;~~review.

(6) ~~Have the power to grant,~~ Grant, deny, or withdraw a certificate of need and ~~to~~ impose ~~such~~ sanctions ~~as are~~ provided for by this ~~Article;~~Article.

(7) Solicit, accept, ~~hold~~ hold, and administer on behalf of the State any grants or devises of money, ~~securities~~ securities, or property to the Department for use by the Department in the administration of this ~~Article; and~~Article.

(8) Repealed by Session Laws 1987, c. 511, s. 1.

(9) Collect fees for submitting applications for certificates of need.

(10) ~~The authority to review~~ Review all records in any recording medium of any person or health service facility subject to agency review under this Article ~~which~~ that pertain to construction and acquisition activities, ~~staffing~~ staffing, or costs and charges for patient care, including but not limited to, construction contracts, architectural contracts, consultant contracts, purchase orders, cancelled checks, accounting and financial records, debt instruments, loan and security agreements, staffing records, utilization ~~statistics~~ statistics, and any other records the Department deems ~~to be~~ reasonably necessary to determine compliance with this Article.

The Secretary of Health and Human Services ~~shall have~~ has final decision-making authority with regard to all functions described in this section."

SECTION 39.3.(a) G.S. 131E-176(7a), as amended by Section 39.2 of this act, reads as rewritten:

"(7a) **(Effective November 21, 2026 – see note)** Diagnostic center. – A freestanding facility, program, or provider, including but not limited to, physicians' offices, clinical laboratories, radiology centers, and mobile diagnostic programs, in which the total cost of all the medical diagnostic equipment utilized by the facility that costs ten thousand dollars ($10,000) or more exceeds three million dollars ($3,000,000). No facility, program, or provider, ~~including,~~ including but not limited to, physicians' offices, clinical laboratories, radiology centers, or mobile diagnostic programs, shall be deemed a diagnostic center solely by virtue of having a magnetic resonance imaging scanner in a county with a population of greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census. In determining whether the medical diagnostic equipment in a diagnostic center costs more than three million dollars ($3,000,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the equipment shall be included. The capital expenditure for the equipment is deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. On September 30 of each year, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12–month period preceding the previous September 1."

SECTION 39.3.(b) G.S. 131E-176(14o), as amended by Section 39.2 of this act, reads as rewritten:

"(14o) **(Effective November 21, 2026 – see note)** Major medical equipment. – A single unit or single system of components with related functions that is used to provide medical and other health services and that costs more than two

million dollars ($2,000,000). In determining whether the major medical equipment costs more than two million dollars ($2,000,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the major medical equipment is included. The capital expenditure for the equipment is deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. This term does not include replacement ~~equipment.~~ equipment or magnetic resonance imaging scanners in counties with a population greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census. On September 30 of each year, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1."

SECTION 39.3.(c) G.S. 131E-176(16)f1.7. reads as rewritten:

"7. **(Effective November 21, 2026 – see note)** Magnetic resonance imaging scanner. This sub-sub-subdivision applies only to counties with a population of 125,000 or ~~less~~ fewer according to the 2020 federal decennial census or any subsequent federal decennial census."

SECTION 39.3.(d) This section becomes effective November 21, 2026.

SECTION 39.4.(a) G.S. 131E-176(9b), as amended by Section 39.2 of this act, reads as rewritten:

"(9b) **(Effective November 21, 2025 – see note)** Health service facility. – A hospital; long-term care hospital; rehabilitation facility; nursing home facility; adult care home; kidney disease treatment center, including freestanding hemodialysis units; intermediate care facility for individuals with intellectual disabilities; home health agency office; diagnostic center; hospice office, hospice inpatient facility, or hospice residential care facility; or ambulatory surgical facility. ~~The term "health service facility"~~ This term does not include a qualified urban ambulatory surgical facility."

SECTION 39.4.(b) This section becomes effective November 21, 2025.

SECTION 39.5. G.S. 143B-1209.58 is recodified as G.S. 143B-1208.15.

SECTION 39.7. G.S. 143B-1320 reads as rewritten:

"**§ 143B-1320. Definitions; scope; exemptions.**

(a) Definitions. – The following definitions apply in this Article:

(1) CGIA. – Center for Geographic Information and Analysis.

(2) Repealed by Session Laws 2021-180, s. 19A.7A(d), effective January 1, 2022.

(3) Community of practice. – A collaboration of organizations with similar requirements, responsibilities, or interests.

(4) Cooperative purchasing agreement. – An agreement between a vendor and one or more states or state agencies providing that the parties may collaboratively or collectively purchase information technology goods and services in order to increase economies of scale and reduce costs.

(4a) Cybersecurity incident. – An occurrence ~~that:~~that does either of the following:

a. Actually or imminently jeopardizes, without lawful authority, the integrity, confidentiality, or availability of information or an information ~~system; or~~system.

b. Constitutes a violation or imminent threat of violation of law, security policies, privacy policies, security procedures, or acceptable use policies.

(5) Department. – The Department of Information Technology.

(6) Distributed information technology assets. – Hardware, software, and communications equipment not classified as traditional mainframe-based items, including personal computers, local area networks, servers, mobile computers, peripheral equipment, and other related hardware and software items.

(7) Enterprise solution. – An information technology solution that can be used by multiple agencies.

(8) Exempt agencies. – An entity designated as exempt in subsection (b) of this section.

(9) GDAC. – Government Data Analytics Center.

(10) GICC. – North Carolina Geographic Information Coordinating Council.

(11) Information technology or IT. – Set of tools, processes, and methodologies, including, but not limited to, coding and programming; data communications, data conversion, and data analysis; architecture; planning; storage and retrieval; systems analysis and design; systems control; mobile applications; and equipment and services employed to collect, process, and present information to support the operation of an organization. The term also includes office automation, multimedia, telecommunications, and any personnel and support personnel required for planning and operations.

(12) Recodified as subdivision (a)(4a) at the direction of the Revisor of Statutes.

(13) Local government entity. – A local political subdivision of the State, including a city, a county, a local school administrative unit as defined in G.S. 115C-5, or a community college.

(14) Participating agency. – Any agency that has transferred its information technology personnel, operations, projects, assets, and funding to the Department of Information Technology. The State CIO ~~shall be~~ is responsible for providing all required information technology support to participating agencies.

(14a) Ransomware attack. – A cybersecurity incident where a malicious actor introduces software into an information system that encrypts data and renders the systems that rely on that data unusable, followed by a demand for a ransom payment in exchange for decryption of the affected data.

(15) Recodified as subdivision (a)(16a) at the direction of the Revisor of Statutes.

(16) Separate agency. – Any agency that has maintained responsibility for its information technology personnel, operations, projects, assets, and funding. The agency head shall work with the State CIO to ensure that the agency has all required information technology support.

(16a) Significant cybersecurity incident. – A cybersecurity incident that is likely to result in demonstrable harm to the State's security interests, economy, critical infrastructure, or to the public confidence, civil liberties, or public health and safety of the residents of North Carolina. A significant cybersecurity incident is determined by the following factors:

a. Incidents that meet thresholds identified by the Department jointly with the Department of Public Safety that involve ~~information:~~either of the following:

1. ~~That~~ Information that is not releasable to the public and that is restricted or highly restricted according to Statewide Data Classification and Handling ~~Policy; or~~Policy.

2. ~~That involves the~~ The exfiltration, modification, deletion, ~~or~~ unauthorized access, or lack of availability to information or

systems within certain parameters to include (i) a specific threshold of number of records or users affected as defined in G.S. 75-65 or (ii) any additional data types with required security controls.

b. Incidents that involve ~~information~~ either of the following:

1. Information that is not recoverable or cannot be recovered within defined time lines required to meet operational commitments defined jointly by the State agency and the ~~Department or~~ Department.

2. Information that can be recovered only through additional measures and that has a high or medium functional impact to the mission of an agency.

(17) State agency or agency. – Any agency, department, institution, commission, committee, board, division, bureau, office, unit, officer, or official of the State. The term does not include the legislative or judicial branches of government or The University of North Carolina.

(18) State Chief Information Officer or State CIO. – The head of the Department, who is a Governor's cabinet level officer.

(19) State CIO approved data center. – A data center designated by the State CIO for State agency use that meets operational standards established by the Department.

(b) Exemptions. – Except as otherwise specifically provided by law, ~~the provisions of this Chapter do~~ this Article does not apply to the following entities: the General Assembly, the Judicial Department, and The University of North Carolina and its constituent institutions. These entities may elect to participate in the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with the statutes, policies, and rules of the Department. The election ~~must~~ shall be made in writing, as follows:

(1) For the General Assembly, by the Legislative Services Commission.

(2) For the Judicial Department, by the Chief Justice.

(3) For The University of North Carolina, by the Board of Governors.

(4) For the constituent institutions of The University of North Carolina, by the respective boards of trustees.

(c) Deviations. – Any State agency may apply in writing to the State Chief Information Officer for approval to deviate from ~~the provisions of this Chapter.~~ this Article. If granted by the State Chief Information Officer, any deviation shall be consistent with available appropriations and shall be subject to ~~such~~ any terms and conditions ~~as may be~~ specified by the State CIO.

(d) Review. – Notwithstanding subsection ~~(b)~~ (c) of this section, any State agency shall review and evaluate any deviation authorized and shall, in consultation with the Department of Information Technology, adopt a plan to phase out any deviations that the State CIO determines to be unnecessary in carrying out functions and responsibilities unique to the agency having a deviation. The plan adopted by the agency shall include a strategy to coordinate its general information processing functions with the Department of Information Technology in the manner prescribed by this ~~act~~ Article and shall provide for its compliance with policies, procedures, and guidelines adopted by the Department of Information Technology. Any agency receiving a deviation shall submit its plan to the Office of State Budget and Management as directed by the State Chief Information Officer."

SECTION 40. G.S. 150B-1 reads as rewritten:

"**§ 150B-1. Policy and scope.**

(a) Purpose. – This Chapter establishes a uniform system of administrative ~~rule-making~~ rulemaking and adjudicatory procedures for agencies. The procedures ensure that the functions of ~~rule-making,~~ rulemaking, investigation, advocacy, and adjudication are not all performed by the same person in the administrative process.

(b) Rights. – This Chapter confers procedural rights.

(c) Full Exemptions. – This Chapter applies to every agency ~~except:~~except the following:

…

(d) Exemptions from ~~Rule Making.~~ Rulemaking. – Article 2A of this Chapter does not apply to the following:

(1) The Commission.

(2) Repealed by Session Laws 2000-189, s. 14, effective July 1, 2000.

(3) Repealed by Session Laws 2001-474, s. 34, effective November 29, 2001.

(4) The Department of Revenue, with respect to the notice and hearing requirements contained in Part 2 of Article ~~2A.~~ 2A of this Chapter. With respect to the Secretary of Revenue's authority to redetermine the State net taxable income of a corporation under G.S. 105-130.5A, the Department is subject to the ~~rule-making~~ rulemaking requirements of G.S. 105-262.1.

(5) The North Carolina Global TransPark Authority with respect to the acquisition, construction, operation, or use, including fees or charges, of any portion of a cargo airport complex.

(6) The Department of ~~Public Safety,~~ Adult Correction, with respect to matters relating to executions under Article 19 of Chapter 15 of the General Statutes and matters relating solely to persons in its custody or under its supervision, including prisoners, probationers, and parolees.

…

(26) The Board of Agriculture in the Department of Agriculture and Consumer Services with respect to the following:

a. Annual admission fees for the State Fair.

b. Operating hours, admission fees, or related activity fees at State forests.

The Board shall annually post the admission fee and operating hours schedule on its ~~Web site~~ website and provide notice of the schedule, along with a citation to this section, to all persons named on the mailing list maintained pursuant to G.S. 150B-21.2(d).

c. Fee schedules for the preparation of forest management plans developed pursuant to G.S. 106-1004.

d. Fees for State phytosanitary certificates.

(27) The Department of Natural and Cultural Resources with respect to operating hours, admission fees, or related activity fees ~~at:~~at the following:

a. The North Carolina Zoological Park pursuant to G.S. 143B-135.205.

b. State parks pursuant to G.S. 143B-135.16.

c. The North Carolina Aquariums pursuant to G.S. 143B-135.188.

d. The North Carolina Museum of Natural Sciences.

The exclusion from ~~rule-making~~ rulemaking for the setting of operating hours set forth in this subdivision (i) ~~shall~~ does not apply to a decision to eliminate all public operating hours for the sites and facilities listed and (ii) does not authorize any of the sites and facilities listed in this subdivision that do not currently charge an admission fee to charge an admission fee until authorized by an act of the General Assembly.

…

(e) Exemptions From Contested Case Provisions. – The contested case provisions of this Chapter apply to all agencies and all proceedings not expressly exempted from the Chapter. The contested case provisions of this Chapter do not apply to the following:

…

(5) Hearings required pursuant to the Rehabilitation Act of 1973, (Public Law 93-122), as amended and federal regulations ~~promulgated thereunder.~~ adopted under it. G.S. 150B-51(a) is considered a contested case hearing provision that does not apply to these hearings.

…

~~(22) The Department of Public Safety, with respect to matters relating to executions under Article 19 of Chapter 15 of the General Statutes.~~

…."

SECTION 40.1. G.S. 163-129 reads as rewritten:

"**§ 163-129. Structure at voting place; marking off limits of voting place.**

(a) At the voting place in each precinct established under ~~the provisions of~~ G.S. 163-128, the county board of elections shall provide or procure by lease or otherwise a suitable structure or part of a structure in which registration and voting may be conducted. To this end, the county board of elections ~~shall be entitled to~~ may demand and use any school or other State, county, or municipal building, or a part thereof, or any other building, or a part thereof, ~~which~~ that is supported or maintained, in whole or in part by or through tax ~~revenues provided, however, that this section shall not be construed to permit any board of elections to demand and use any tax exempt church property for such purposes without the express consent of the individual church involved,~~ revenues for the purpose of conducting registration and voting for any primary or election, and ~~it~~ the board may require that the requisitioned premises, or a part thereof, be vacated for these purposes. This section does not permit a board of elections to demand and use a tax-exempt church property for these purposes without the express consent of the individual church involved.

…

(c) The county board of elections shall inspect each precinct voting place to ascertain how it should be arranged for voting ~~purposes,~~ purposes and shall direct the chief judge and judges of any precinct to define the voting place by roping off the area or otherwise enclosing it or by marking its boundaries. The boundaries of the voting place shall at any point lie no more than 100 feet from each ballot box or voting machine. The space so roped off or enclosed or marked for the voting place may contain area both inside and outside the structure in which registration and voting are to take place.

(d) The county board of elections shall ensure that each precinct voting place permits candidates at least 36 hours prior to the opening of the voting place and at least 36 hours after the close of the voting place, as provided in ~~G.S. 163A-1130,~~ G.S. 163-166.25, to place and retrieve political advertising. Any political advertising placed outside the times specified in this subsection may be removed by the property owner."

SECTION 40.2. G.S. 163-278.8B reads as rewritten:

"**§ 163-278.8B. Affiliated party committees.**

…

(b) An affiliated party committee shall be established only by majority vote of the total membership of the political party caucus. Attached to the organizational report filed in accordance with ~~G.S. 163-9,~~ G.S. 163-278.9, the affiliated party committee shall provide a report to the State Board of Elections certifying that the political party caucus has organized and taken the appropriate vote to establish an affiliated party committee. The report described in this subsection ~~shall be~~ is a public record within the meaning of Chapter 132 of the General Statutes.

(c) Each affiliated party committee ~~shall:~~shall do all of the following:

(1) Adopt bylaws ~~which shall be in compliance~~ that comply with the provisions of this Article. At a minimum, the bylaws shall include designation of a treasurer.

(2) Conduct campaigns for candidates who would be eligible to be members of that political party caucus of the North Carolina House of Representatives or North Carolina Senate if elected or reelected or manage daily operations of the affiliated party committee.

(3) Establish a bank account.

(4) Accept contributions and expend funds.

(d) Notwithstanding any other provision of law to the contrary, an affiliated party committee ~~shall be entitled to~~ may use the name, abbreviation, and symbol of its respective political party.

…."

SECTION 41. Section 4 of Chapter 601 of the 1983 Session Laws reads as rewritten:

"Sec. 4. This act shall become effective July 1, ~~1983, and shall be reconsidered on or before July 1, 1989, and every six years thereafter, by the Joint Legislative Commission on Governmental Operations.~~1983."

SECTION 42.(a) Section 4C.11(c) of S.L. 2024-53 reads as rewritten:

"**SECTION 4C.11.(c)** No later than November 15, 2024, the Department of Environmental Quality shall prepare and submit to the United States National Oceanic and Atmospheric Administration for approval by that agency the proposed change made to G.S. 113A-118, as enacted by subsection (b) of this section. ~~The Department of Environmental Quality shall report to the Environmental Review Commission on the status of their activities pursuant to this section quarterly, beginning January 1, 2025, until such time as the General Assembly repeals this reporting requirement.~~"

SECTION 42.(b) Section 4C.12(c) of S.L. 2024-53 reads as rewritten:

"**SECTION 4C.12.(c)** No later than November 15, 2024, the Department of Environmental Quality shall prepare and submit to the United States National Oceanic and Atmospheric Administration for approval by that agency the proposed change made to G.S. 113A-115.1, as enacted by subsection (b) of this section. ~~The Department of Environmental Quality shall report to the Environmental Review Commission on the status of their activities pursuant to this section quarterly, beginning January 1, 2025, until such time as the General Assembly repeals this reporting requirement.~~"

SECTION 42.(c) This section is retroactively effective October 25, 2024.

SECTION 42.1. If House Bill 477, 2025 Regular Session, becomes law, Section 1(c) of that act reads as rewritten:

"**SECTION 1.(c)** The first sentence of the lead-in language in ~~subsection 135-7(g)~~ G.S. 135-7(g) is recodified as the second sentence of subsection (a) of G.S. 135-154."

PART III. ELECTRONIC SIGNATURES

SECTION 43. G.S. 6-21.6 reads as rewritten:

"**§ 6-21.6. Reciprocal attorneys' fees provisions in business contracts.**

(a) As used in this section, the following definitions apply:

(1) Business contract. – A contract entered into primarily for business or commercial purposes. The term does not include a consumer contract, an employment contract, or a contract to which a government or a governmental agency of this State is a party.

(2) Consumer contract. – A contract entered into by one or more individuals primarily for personal, family, or household purposes.

(3) Employment contract. – A contract between an individual and another party to provide personal services by that individual to the other party, whether the

relationship is in the nature of employee-employer or principal-independent contractor.

(4) Reciprocal attorneys' fees provisions. – Provisions in any written business contract by which each party to the contract agrees, in the manner set out in subsection (b) of this section, upon the terms and subject to the conditions set forth in the contract that are made applicable to all parties, to pay or reimburse the other parties for attorneys' fees and expenses incurred by reason of any suit, action, proceeding, or arbitration involving the business contract.

(b) Reciprocal attorneys' fees provisions in business contracts are valid and enforceable for the recovery of reasonable attorneys' fees and expenses only if all of the parties to the business contract sign ~~by hand the business contract. Signature "by hand" is not intended to prevent the application of this section to a business contract executed by either~~ the contract by hand or with one of the following:

(1) ~~A party's~~ An electronic signature, as defined in G.S. 66-312, if the party's electronic signature originates from an affirmative action on the part of the party to evidence acceptance and execution such as typing the party's signature or writing the party's signature with a finger or stylus on a touchscreen to indicate acceptance and execution.

(2) A ~~party's~~ manual signature that is delivered by an electronic reproductive image thereof.

(c) If a business contract governed by the laws of this State contains a reciprocal attorneys' fees provision, the court or arbitrator in any suit, action, proceeding, or arbitration involving the business contract may award reasonable attorneys' fees in accordance with the terms of the business contract. In determining reasonable attorneys' fees and expenses under this section, the court or arbitrator may consider all relevant facts and circumstances, including, but not limited to, the following:

…

(7) Offers of judgment pursuant to ~~Rule 68 of the North Carolina Rules of Civil Procedure~~ G.S. 1A-1, Rule 68, and whether judgment finally obtained was more favorable than ~~such~~ these offers.

…

(d) Reasonable attorneys' fees and expenses ~~shall not be~~ are not governed by (i) any statutory presumption or provision in the business contract providing for a stated percentage of the amount of ~~such~~ the attorneys' fees or (ii) the amount recovered in other cases in which the business contract contains reciprocal attorneys' fees provisions.

(e) Nothing in this section ~~shall in any way make valid or invalid~~ makes valid or invalid attorneys' fees provisions in consumer contracts or in any note, conditional sale contract, or other evidence of indebtedness that is otherwise governed by G.S. 6-21.2. If the business contract is also a note, conditional sale contract, or other evidence of indebtedness that is otherwise governed by G.S. 6-21.2, then the parties that are entitled to recover attorneys' fees and expenses may elect to recover attorneys' fees and expenses either under this section or G.S. 6-21.2 but may recover only once for the same attorneys' fees and expenses.

(f) In any suit, action, proceeding, or arbitration primarily for the recovery of monetary damages, the award of reasonable attorneys' fees ~~may~~ shall not exceed the amount in controversy.

(g) Nothing in this section ~~shall in any way make valid or invalid~~ makes valid or invalid attorneys' fees provisions in a contract of insurance governed by Chapter 58 of the General Statutes."

SECTION 44.(a) Subsection (e) of G.S. 10B-5 is recodified as the fourth and fifth sentences of subdivision (b)(8) of that section.

SECTION 44.(b) G.S. 10B-5, as amended by subsection (a) of this section, reads as rewritten:

"**§ 10B-5. Qualifications.**

(a) Except as provided in subsection (d) of this section, the Secretary shall commission as a notary any qualified person who submits an application in accordance with this Chapter.

(b) A person qualified for a notarial commission shall meet all of the following requirements:

…

(8) Submit an application containing no significant misstatement or omission of fact. The application form shall be provided by the Secretary and be available at the register of deeds office in each county. Every application shall include the signature of the ~~applicant written with pen and ink,~~ applicant, and the signature shall be acknowledged by the applicant before a person authorized to administer oaths. ~~Notwithstanding subdivision (8) of subsection (b) of this section, the~~ An applicant's signature on an initial application shall be written with pen and ink. The Secretary may allow applications for commissions to be submitted electronically, in the format prescribed by the Secretary. The Secretary shall establish a process for submission of the ~~signature of the applicant prior to commissioning, which~~ applicant's signature that may include electronic submission.

(9) Repealed by Session Laws 2013-204, s. 1, effective July 1, 2013.

(c) The notary shall be commissioned in his or her county of residence, unless the notary is not a North Carolina resident, in which case he or she shall be commissioned in the county of his or her employment or business.

(d) The Secretary may deny an application for commission or recommission if any of the following ~~apply~~ applies to an applicant:

(1) Submission of an incomplete application or an application containing a material misstatement or omission of fact.

(2) The applicant's conviction or plea of admission or nolo contendere to a felony or any crime involving dishonesty or moral turpitude. In no case ~~may~~ shall a commission be issued to an applicant within 10 years after release from prison, probation, or parole, whichever is later.

(3) A finding or admission of liability against the applicant in a civil lawsuit based on the applicant's deceit.

(4) The revocation, suspension, restriction, or denial of a notarial commission or professional license by this or any other state or nation. In no case ~~may~~ shall a commission be issued to an applicant within five years after the completion of all conditions of any disciplinary order.

…

(e) Recodified."

PART IV. UNIFORM CHILD ABDUCTION PREVENTION ACT

SECTION 45.(a) The title of Chapter 50A of the General Statutes reads as rewritten:

"**~~Uniform Child-Custody Jurisdiction and Enforcement Act and Uniform Deployed Parents Custody and Visitation Act.~~Uniform Acts on Children.**"

SECTION 45.(b) Chapter 50A of the General Statutes is amended by adding a new Article to read:

"Article 4.

"Uniform Child Abduction Prevention Act.

"**§ 50A-411. Short title.**

This Article may be cited as the Uniform Child Abduction Prevention Act.

"**§ 50A-412. Definitions.**

In this Article, the following definitions apply:

(1) Abduction. – The wrongful removal or wrongful retention of a child.
(2) Child. – Defined in G.S. 50A-102.
(3) Child-custody determination. – Defined in G.S. 50A-102.
(4) Child-custody proceeding. – Defined in G.S. 50A-102.
(5) Court. – Defined in G.S. 50A-102.
(6) Petition. – Includes a motion or its equivalent.
(7) Record. – Information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.
(8) State. – Consists of the following:
a. A state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.
b. An Indian tribe or band or Alaskan native village that is recognized by federal law or formally acknowledged by an entity listed in sub-subdivision a. of this subdivision.
(9) Travel documents. – Records relating to a travel itinerary, including travel tickets, passes, reservations for transportation, or accommodations. The term does not include a passport or visa.
(10) Wrongful removal. – The taking of a child that breaches rights of custody or visitation given or recognized under the law of this State.
(11) Wrongful retention. – The keeping or concealing of a child that breaches rights of custody or visitation given or recognized under the law of this State.

"**§ 50A-413. Cooperation and communication among courts.**

G.S. 50A-110, 50A-111, and 50A-112 apply to cooperation and communications among courts in proceedings under this Article.

"**§ 50A-414. Actions for abduction prevention measures.**

(a) A court on its own motion may order abduction prevention measures in a child-custody proceeding if the court finds that the evidence establishes a credible risk of abduction of the child.

(b) A party to a child-custody determination or another individual or entity having a right under the law of this State or any other state to seek a child-custody determination for the child may file a petition seeking abduction prevention measures to protect the child under this Article.

"**§ 50A-415. Jurisdiction.**

(a) A petition under this Article may be filed in district court if the court has jurisdiction to make a child-custody determination with respect to the child at issue under Article 2 of this Chapter.

(b) A district court of this State has temporary emergency jurisdiction under G.S. 50A-204 if the court finds a credible risk of abduction.

"**§ 50A-416. Contents of petition.**

A petition under this Article must be verified and include a copy of any existing child-custody determination, if available. The petition must specify the risk factors for abduction, including the relevant factors described in G.S. 50A-417. Subject to G.S. 50A-209(e), if reasonably ascertainable, the petition must contain all of the following:

(1) The name, date of birth, and gender of the child.
(2) The customary address and current physical location of the child.
(3) The identity, customary address, and current physical location of the respondent.
(4) A statement of whether a prior action to prevent abduction or domestic violence has been filed by a party or other individual or entity having custody of the child and the date, location, and disposition of the action.

(5) A statement of whether a party to the proceeding has been arrested for a crime related to domestic violence, stalking, or child abuse or neglect and the date, location, and disposition of the case.

(6) Any other information required to be submitted to the court for a child-custody determination under G.S. 50-13.1(a1) or G.S. 50A-209.

"**§ 50A-417. Factors to determine risk of abduction.**

(a) In determining whether there is a credible risk of abduction of a child, the court must consider any evidence that the petitioner or respondent has done or is doing any of the following:

(1) Has previously abducted or attempted to abduct the child.

(2) Has threatened to abduct the child.

(3) Has recently engaged in activities that may indicate a planned abduction, including any of the following:

a. Abandoning employment.

b. Selling a primary residence.

c. Terminating a lease.

d. Closing bank or other financial management accounts, liquidating assets, hiding or destroying financial documents, or conducting any unusual financial activities.

e. Applying for a passport or visa or obtaining travel documents for the respondent, a family member, or the child.

f. Seeking to obtain the child's birth certificate or school or medical records.

(4) Has engaged in domestic violence, stalking, or child abuse or neglect.

(5) Has refused to follow a child-custody determination.

(6) Lacks strong familial, financial, emotional, or cultural ties to the State or the United States.

(7) Has strong familial, financial, emotional, or cultural ties to another state or country.

(8) Is likely to take the child to a country that meets any of the following descriptions:

a. The country is not a party to the Hague Convention on the Civil Aspects of International Child Abduction and does not provide for the extradition of an abducting parent or for the return of an abducted child.

b. The country is a party to the Hague Convention on the Civil Aspects of International Child Abduction, but the country also meets any of the following descriptions:

1. The Hague Convention on the Civil Aspects of International Child Abduction is not in force between the United States and the country.

2. The country is noncompliant according to the most recent compliance report issued by the United States Department of State.

3. The country lacks legal mechanisms for immediately and effectively enforcing a return order under the Hague Convention on the Civil Aspects of International Child Abduction.

c. The country poses a risk that the child's physical or emotional health or safety would be endangered because of specific circumstances relating to the child or because of human rights violations committed against children.

d. The country has laws or practices that would do any of the following:
1. Enable the respondent, without due cause, to prevent the petitioner from contacting the child.
2. Restrict the petitioner from freely traveling to or exiting from the country because of the petitioner's gender, nationality, marital status, or religion.
3. Restrict the child's ability legally to leave the country after the child reaches the age of majority because of a child's gender, nationality, or religion.
e. The country is included by the United States Department of State on a current list of state sponsors of terrorism.
f. The country has no official United States diplomatic presence.
g. The country is engaged in active military action or war, including a civil war, to which the child may be exposed.

(9) Is undergoing a change in immigration or citizenship status that would adversely affect the person's ability to remain in the United States lawfully.

(10) Has had an application for United States citizenship denied.

(11) Has forged or presented misleading or false evidence on government forms or supporting documents to obtain or attempt to obtain a passport, a visa, travel documents, a social security card, a drivers license, or other government-issued identification card or has made a misrepresentation to the United States government.

(12) Has used multiple names to attempt to mislead or defraud.

(13) Has engaged in any other conduct the court considers relevant to the risk of abduction.

(b) In the hearing on a petition under this Article, the court must consider any evidence that the respondent believed in good faith that the respondent's conduct was necessary to avoid imminent harm to the child or respondent and any other evidence that may be relevant to whether the respondent may be permitted to remove or retain the child.

"**§ 50A-418. Provisions and measures to prevent abduction.**

(a) If a petition is filed under this Article, the court may enter an order that must include all of the following:

(1) The basis for the court's exercise of jurisdiction.

(2) The manner in which notice and opportunity to be heard were given to the persons entitled to notice of the proceeding.

(3) A detailed description of each party's custody and visitation rights and residential arrangements for the child.

(4) A provision stating that a violation of the order may subject the party in violation to civil and criminal penalties.

(5) Identification of the child's country of habitual residence at the time of the issuance of the order.

(b) If, at a hearing on a petition under this Article or on the court's own motion, the court after reviewing the evidence finds a credible risk of abduction of the child, the court must enter an abduction prevention order. The order must include the provisions required by subsection (a) of this section and measures and conditions, including those in subsections (c), (d), and (e) of this section, that are reasonably calculated to prevent abduction of the child, giving due consideration to the custody and visitation rights of the parties. The court must consider the age of the child, the potential harm to the child from an abduction, the legal and practical difficulties of returning the child to the jurisdiction if abducted, and the reasons for the potential abduction, including evidence of domestic violence, stalking, or child abuse or neglect.

(c) An abduction prevention order may include one or more of the following:

(1) An imposition of travel restrictions that require that a party traveling with the child outside a designated geographical area provide the other party with all of the following:
  a. The travel itinerary of the child.
  b. A list of physical addresses and telephone numbers at which the child can be reached at specified times.
  c. Copies of all travel documents.
(2) A prohibition of the respondent directly or indirectly doing any of the following:
  a. Removing the child from this State, the United States, or another geographic area without permission of the court or the petitioner's written consent.
  b. Removing or retaining the child in violation of a child-custody determination.
  c. Removing the child from school or a child-care or similar facility.
  d. Approaching the child at any location other than a site designated for supervised visitation.
(3) A requirement that a party register the order in another state as a prerequisite to allowing the child to travel to that state.
(4) With regard to the child's passport, one or more of the following:
  a. A direction that the petitioner place the child's name in the United States Department of State's Child Passport Issuance Alert Program.
  b. A requirement that the respondent surrender to the court or the petitioner's attorney any United States or foreign passport issued in the child's name, including a passport issued in the name of both the parent and the child.
  c. A prohibition upon the respondent from applying on behalf of the child for a new or replacement passport or visa.
(5) As a prerequisite to exercising custody or visitation, a requirement that the respondent provide all of the following:
  a. To the United States Department of State Office of Children's Issues and the relevant foreign consulate or embassy, an authenticated copy of the order detailing passport and travel restrictions for the child.
  b. To the court, both of the following:
    1. Proof that the respondent has provided the information in sub-subdivision a. of this subdivision.
    2. An acknowledgment in a record from the relevant foreign consulate or embassy that no passport application has been made, or passport issued, on behalf of the child.
  c. To the petitioner, proof of registration of the order with the United States Embassy or other United States diplomatic presence in the destination country and with the Central Authority for the Hague Convention on the Civil Aspects of International Child Abduction, if that Convention is in effect between the United States and the destination country, unless one of the parties objects.
  d. A written waiver under the Privacy Act, 5 U.S.C. § 552a, with respect to any document, application, or other information pertaining to the child authorizing its disclosure to the court and the petitioner.
(6) Upon the petitioner's request, a requirement that the respondent obtain an order from the relevant foreign country containing terms identical to the child-custody determination issued in the United States.

(d) In an abduction prevention order, the court may impose conditions on the exercise of custody or visitation that do one or more of the following:

(1) Limit visitation or require that visitation with the child by the respondent be supervised until the court finds that supervision is no longer necessary and order the respondent to pay the costs of supervision.

(2) Require the respondent to post a bond or provide other security in an amount sufficient to serve as a financial deterrent to abduction, the proceeds of which may be used to pay for the reasonable expenses of recovery of the child, including reasonable attorneys' fees and costs if there is an abduction.

(3) Require the respondent to obtain education on the potentially harmful effects to the child from abduction.

(e) To prevent imminent abduction of a child, a court may do any of the following:

(1) Issue a warrant to take physical custody of the child under G.S. 50A-419 or other State law.

(2) Authorize law enforcement to take any action reasonably necessary to locate the child or obtain return of the child pursuant to an order issued under this Article or other State law.

(3) Grant any other relief allowed under other State law.

(f) The remedies provided in this Article are cumulative and do not affect the availability of other remedies to prevent abduction.

"**§ 50A-419. Warrant to take physical custody of child.**

(a) If a petition under this Article contains allegations, and the court finds, that there is a credible risk that the child is imminently likely to be wrongfully removed, the court may issue an ex parte warrant to take physical custody of the child.

(b) The respondent on a petition under subsection (a) of this section must be afforded an opportunity to be heard at the earliest possible time after the ex parte warrant is executed, but not later than the end of the next day that the district court is in session unless a hearing on that date is impossible. In that event, the court must hold the hearing on the first possible day that the district court is in session.

(c) An ex parte warrant under subsection (a) of this section to take physical custody of a child must do all of the following:

(1) Recite the facts upon which a determination of a credible risk of imminent wrongful removal of the child is based.

(2) Authorize law enforcement officers to take physical custody of the child without delay.

(3) State the date and time for the hearing on the petition.

(4) Provide for the safe interim placement of the child pending further order of the court.

(d) If feasible, before issuing a warrant and before determining the placement of the child after the warrant is executed, the court may order a search of the relevant databases of the National Crime Information Center system and similar databases of this State or another state to determine if either the petitioner or respondent has a history of domestic violence, stalking, or child abuse or neglect.

(e) The petition and warrant must be served on the respondent when, or as soon as possible after, the child is taken into physical custody.

(f) A warrant to take physical custody of a child, issued by this State or another state, is enforceable throughout this State. If the court finds that a less intrusive remedy will not be effective, it may authorize law enforcement officers to enter private property to take physical custody of the child, which may include forcible entry at any hour.

(g) If the court finds, after a hearing, that a petitioner sought an ex parte warrant under subsection (a) of this section for the purpose of harassment or in bad faith, the court may award the respondent reasonable attorneys' fees, costs, and expenses.

(h) This Article does not affect the availability of relief allowed under other State law.

"**§ 50A-420. Duration of abduction prevention order.**

An abduction prevention order remains in effect until the earliest of the following:

(1) The time stated in the order.

(2) The emancipation of the child.

(3) The child's attaining 18 years of age.

(4) The time the order is modified, revoked, vacated, or superseded by a court with jurisdiction under G.S. 50A-201 through G.S. 50A-203.

"**§ 50A-421. Uniformity of application and construction.**

In applying and construing this Article, consideration must be given to the need to promote uniformity of the law with respect to its subject matter among states that enact the Uniform Child Abduction Prevention Act.

"**§ 50A-422. Relation to Electronic Signatures in Global and National Commerce Act.**

This Article modifies, limits, and supersedes the federal Electronic Signatures in Global and National Commerce Act, Chapter 96 of Title 15 of the United States Code, but does not modify, limit, or supersede section 101(c) of the act, 15 U.S.C. § 7001(c), or authorize electronic delivery of any of the notices described in section 103(b) of the act, 15 U.S.C. § 7003(b)."

SECTION 45.(c) The Revisor of Statutes shall cause to be printed, as annotations to the published General Statutes, all relevant portions of the Official Comments to the Uniform Child Abduction Prevention Act and all explanatory comments of the drafters of this section as the Revisor may deem appropriate.

SECTION 45.(d) This section becomes effective October 1, 2025, and applies to petitions filed or motions made on or after that date.

PART V. ARTICLE THREE OF THE UNIFORM UNREGULATED CHILD CUSTODY TRANSFER ACT

SECTION 46.(a) Article 3 of Chapter 48 of the General Statutes is amended by adding a new Part to read:

"Part 2A. Information and Guidance.

"**§ 48-3-230. Title and purpose.**

This Part consists of and may be cited as the Information and Guidance Provisions of the Uniform Unregulated Child Custody Transfer Act. The purpose of this Part is to prevent the unlawful transfer of custody of minors, as prohibited by G.S. 14-321.2, by better preparing adoptive parents for issues that may arise when caring for an adopted minor.

"**§ 48-3-231. Definitions.**

For the purposes of this Part, the following definitions apply:

(1) Intercountry adoption. – An adoption or placement for adoption of a minor who resides in a foreign country at the time of adoption or placement. The term includes an adoption finalized in the minor's country of residence or in a state.

(2) Parent. – An individual recognized as a parent under other law of this State.

(3) Prospective adoptive parent. – An individual approved or permitted under other law of this State to adopt a minor.

(4) Record. – Information inscribed on a tangible medium or stored in an electronic or other medium and retrievable in perceivable form.

"**§ 48-3-232. Scope.**

This Part applies to placement for adoption of a minor to whom any of the following applies:

(1) Has been or is in foster or institutional care.

(2) Previously has been adopted in a state.
(3) Has been or is being adopted under the law of a foreign country.
(4) Has come or is coming to a state from a foreign country to be adopted.
(5) Is not a citizen of the United States.

"**§ 48-3-233. General adoption information.**

Within a reasonable time before an agency places a minor for adoption with a prospective adoptive parent, the agency shall provide or cause to be provided to the prospective adoptive parent general adoption information. The information shall address all of the following:

(1) Possible physical, mental, emotional, and behavioral issues concerning all of the following:
  a. Identity, loss, and trauma that a minor might experience before, during, or after adoption.
  b. A minor leaving familiar ties and surroundings.
(2) The effect that access to resources, including health insurance, may have on the ability of an adoptive parent to meet the needs of a minor.
(3) Causes of disruption of an adoptive placement or dissolution of an adoption and resources available to help avoid disruption or dissolution.
(4) Criminal prohibitions under G.S. 14-321.2.

"**§ 48-3-234. Nonidentifying information about minor.**

(a) Within a reasonable time before an agency places a minor to whom this Part applies for adoption with a prospective adoptive parent, the agency shall provide or cause to be provided to the prospective adoptive parent nonidentifying information specific to the minor, in addition to information provided pursuant to G.S. 48-3-205, that is known to or reasonably obtainable by the agency and material to the prospective adoptive parent's informed decision to adopt the minor. To the extent that it is not already being provided under G.S. 48-3-205, the nonidentifying information shall include all of the following:

(1) The minor's family, cultural, racial, religious, ethnic, linguistic, and educational background.
(2) The minor's physical, mental, emotional, and behavioral health.
(3) Circumstances that might adversely affect the minor's physical, mental, emotional, or behavioral health.
(4) The minor's medical history, including immunizations.
(5) The medical history of the minor's biological parents and siblings.
(6) The history of an adoptive or out-of-home placement of the minor and the reason the adoption or placement ended.
(7) The minor's United States immigration status.
(8) Medical, therapeutic, and educational resources, including language-acquisition training, available to the adoptive parent and minor after placement for adoption or adoption to assist in responding effectively to physical, mental, emotional, or behavioral health issues.

(b) Subject to the requirements of Article 9 of this Chapter, an agency shall include available records relevant to the information in subdivisions (1) through (8) of subsection (a) of this section when providing the information, regardless of whether the information is provided pursuant to subsection (a) of this section or G.S. 48-3-205.

(c) If, before an adoption is finalized, additional information under subsection (a) of this section that is material to a prospective adoptive parent's informed decision to adopt the minor becomes known to or reasonably obtainable by the agency, the agency shall provide the information to the prospective adoptive parent.

(d) If, after an adoption is finalized, additional information under subsection (a) of this section becomes known to the agency, the agency shall make a reasonable effort to provide the information to the adoptive parent.

"**§ 48-3-235. Guidance and instruction.**

(a) An agency placing a minor for adoption shall provide or cause to be provided to the prospective adoptive parent guidance and instruction specific to the minor to help prepare the parent to respond effectively to needs of the minor that are known to or reasonably ascertainable by the agency.

(b) The guidance and instruction under subsection (a) of this section shall address, if applicable, all of the following:

(1) The potential effect on the minor of all of the following:

a. A previous adoption or out-of-home placement.

b. Multiple previous adoptions or out-of-home placements.

c. Trauma, insecure attachment, fetal alcohol exposure, or malnutrition.

d. Neglect, abuse, drug exposure, or similar adversity.

e. Separation from a sibling or significant caregiver.

f. A difference in ethnicity, race, or cultural identity between the minor and the prospective adoptive parent or other minor of the parent.

(2) Information available from the federal government on the process for the minor to acquire United States citizenship.

(3) Any other matter the agency considers material to the adoption.

(c) The guidance and instruction under subsection (a) of this section shall be provided as follows:

(1) For adoption of a minor residing in the United States, a reasonable time before the adoption is finalized.

(2) For an intercountry adoption, in accordance with federal law.

"**§ 48-3-236. Information about financial assistance and support services.**

Consistent with the purposes of G.S. 48-1-110, on request of a minor who was placed for adoption or the minor's adoptive parent, the agency placing the minor or the Department of Health and Human Services shall provide information about how to obtain financial assistance or support services as follows:

(1) To assist the minor or parent to respond effectively to adjustment, behavioral health, and other challenges.

(2) To help preserve the placement or adoption.

"**§ 48-3-237. Agency compliance.**

(a) The Department of Health and Human Services may investigate an allegation that an agency has failed to comply with this Part and may commence an action for injunctive or other relief or initiate an administrative proceeding against the agency to enforce this Part.

(b) The Department of Health and Human Services may initiate a proceeding to determine whether an agency has failed to comply with this Part. If the Department of Health and Human Services finds that the agency has failed to comply, the Department may suspend or revoke the agency's license or take other action permitted by law of this State.

"**§ 48-3-238. Uniformity of application and construction.**

In applying and construing this Part, a court shall consider the promotion of uniformity of the law among jurisdictions that enact Article 3 of the Uniform Unregulated Child Custody Transfer Act.

"**§ 48-3-239. Relation to Electronic Signatures in Global and National Commerce Act.**

This Part modifies, limits, or supersedes the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001 et seq., but does not modify, limit, or supersede 15 U.S.C. § 7001(c), or authorize electronic delivery of any of the notices described in 15 U.S.C. § 7003(b)."

SECTION 46.(b) G.S. 48-3-205 reads as rewritten:

"**§ 48-3-205. Disclosure of background information.**

(a) ~~Notwithstanding any other provision of law, before~~ Before placing a minor for adoption, an individual or agency placing the minor, or the individual's agent, ~~must~~ shall compile

and provide to the prospective adoptive parent a written document containing all of the following information:

(1) The date of the birth of the minor and the minor's weight at birth and any other reasonably available nonidentifying information about the minor that is relevant to the adoption decision or to the minor's development and ~~well-being;~~well-being.

(2) Age of the biological parents in years at the time of the minor's ~~birth;~~birth.

(3) Heritage of the biological parents, ~~which shall consist~~ consisting of nationality, ethnic background, and ~~race;~~race.

(4) Education of the biological parents, ~~which shall be~~ consisting of the number of years of school completed by the biological parents at the time of the minor's ~~birth; and~~birth.

(5) General physical appearance of the biological parents.

In addition, the written document ~~must~~ shall also include all reasonably available nonidentifying information about the health of the minor, the biological parents, and other members of the biological parents' families that is relevant to the adoption decision or to the minor's health and development. This health-related information shall include each ~~such~~ individual's present state of physical and mental health, health and genetic histories, and information concerning any history of emotional, physical, sexual, or substance abuse. This health-related information shall also include an account of the prenatal and postnatal care received by the minor. The information described in this subsection, if known, shall, upon written request of the minor, be made available to the minor upon the minor reaching age 18 or upon the minor's marriage or emancipation.

(b) Information provided under this section, or any information directly or indirectly derived from ~~such~~ the information, ~~may~~ shall not be used against the provider or against an individual described in subsection (a) of this section who is the subject of the information in any criminal action or any civil action for damages. In addition, information provided under this section ~~may~~ shall not be admitted in evidence against the provider or against an individual described in subsection (a) of this section who is the subject of the information in any other action or proceeding.

(c) The agency placing the minor shall receive and preserve any additional health-related information obtained after the preparation of the document described in subsection (a) of this section.

(d) The Division shall develop and make available forms designed to collect the information described in subsection (a) of this section. However, forms reasonably equivalent to those provided by the Division may be substituted."

SECTION 46.(c) If a provision of this section or its application to a person or circumstance is held invalid, the invalidity does not affect another provision or application that can be given effect without the invalid provision.

SECTION 46.(d) The Revisor of Statutes shall cause to be printed, as annotations to the published General Statutes, all relevant portions of the Official Comments to Article 3 of the Uniform Unregulated Child Custody Transfer Act and all explanatory comments of the drafters of this section as the Revisor may deem appropriate.

SECTION 46.(e) This section is effective when it becomes law and applies to placement of a minor for adoption beginning 60 days after the effective date of this section.

PART VI. CONVEYANCES BETWEEN SPOUSES

SECTION 47.(a) G.S. 29-30(a), as amended by Section 1(b) of this act, reads as rewritten:

"(a) Except as provided in this subsection, in lieu of the intestate share provided in G.S. 29-14 or G.S. 29-21, or of the elective share provided in G.S. 30-3.1, the surviving spouse of an intestate or the surviving spouse who has petitioned for an elective share is entitled to take

as the surviving spouse's intestate share or elective share a life estate in one third in value of all the real estate of which the deceased spouse was seised and possessed of an estate of inheritance at any time during the marriage. The surviving spouse is not entitled to take a life estate in any of the following circumstances:

(1) The surviving spouse has waived the surviving spouse's rights by joining with the other spouse in a conveyance of the real estate.

(1a) The surviving spouse has waived the right to take a life estate in lieu of an intestate or elective share by an express written waiver.

(2) The surviving spouse has waived, released, or conveyed the surviving spouse's interest in the real estate in accordance with G.S. 52-10.

(2a) The surviving spouse has conveyed the surviving spouse's interest in the real estate to the other spouse pursuant to G.S. 39-13.3 or G.S. 41-63(4) and has expressly waived or released the surviving spouse's right to take a life estate in the real estate in the instrument of conveyance.

(3) The surviving spouse was not required by law to join in a conveyance of the real estate in order to bar the elective life estate.

(3a) The surviving spouse has executed a written declaration permitting the deceased spouse to convey or encumber the real estate without the consent or joinder of the surviving spouse.

(3b) The real estate in which the deceased spouse had an interest was either apportioned to or sold to another person in a partition proceeding initiated before the deceased spouse's death.

(4) The surviving spouse is otherwise not legally entitled to the election provided in this section."

SECTION 47.(b) This section applies to conveyances executed before, on, or after the effective date of this act.

SECTION 48.(a) G.S. 39-13.3 reads as rewritten:

"**§ 39-13.3. Conveyances between husband and wife.**

(a) A conveyance from a husband or wife to the other spouse of real property or any interest ~~therein~~ in real property owned by the grantor alone vests ~~such~~ the property or interest in the grantee. The conveyance does not waive or release any of the following rights or claims that the grantor may have acquired by marriage in the property conveyed:

(1) A right to an elective life estate under G.S. 29-30, unless the instrument of conveyance expressly waives the right, as provided in G.S. 29-30(a)(2a).

(2) A right or claim to an equitable distribution with respect to the property under G.S. 50-20. A right or claim for equitable distribution shall not be waived or released in the instrument of conveyance.

(b) Recodified as G.S. 41-56(b) by Session Laws 2020-50, s. 1(b), effective June 30, 2020.

(c) Recodified as G.S. 41-63(4) by Session Laws 2020-50, s. 1(b), effective June 30, 2020.

(d) The joinder of the spouse of the grantor in any conveyance made by a husband or a wife pursuant to ~~the foregoing provisions of~~ this section is not necessary.

~~(e) Any conveyance authorized by this section is subject to the provisions of G.S. 52-10 or 52-10.1, except that acknowledgment by the spouse of the grantor is not necessary.~~"

SECTION 48.(b) G.S. 41-63 reads as rewritten:

"**§ 41-63. Termination of tenancy by the entirety other than upon death of a spouse; effects of termination.**

Events terminating a tenancy by the entirety other than the death of a spouse and the effects of termination include the following:

(1) The voluntary sale and conveyance of property held as tenants by the entirety to a third party, including a foreclosure sale pursuant to a power of sale in a deed of trust. Proceeds of the sale, including surplus funds generated from a foreclosure sale, are personal property held by the spouses as tenants in common.

(2) The voluntary partition between ~~the~~ spouses executing a joint instrument conveying the property held as tenants by the entirety to themselves as tenants in common or in severalty.

(3) The involuntary transfer of title of property held by spouses as tenants by the entirety. The proceeds resulting from the transfer are held by the spouses as tenants by the entirety. An involuntary transfer of title includes:

a. A sale pursuant to Article 15 of Chapter 35A of the General Statutes as to an incompetent spouse.

b. An appropriation in a condemnation proceeding by the North Carolina State Highway Commission.

(4) The conveyance from one spouse to the other spouse of his or her interest in property held as tenants by the entirety. The conveyance vests the property or interest formerly held as tenants by the entirety in the other spouse. The joinder of a spouse in a conveyance made by the grantor pursuant to this subdivision is not ~~necessary, but the conveyance is subject to the provisions of G.S. 52-10 or G.S. 52-10.1, except that an acknowledgment by the spouse of the grantor is not necessary.~~necessary. The conveyance does not waive or release any of the following rights or claims that the grantor may have acquired by marriage in the property conveyed:

a. A right to an elective life estate under G.S. 29-30, unless the instrument of conveyance expressly waives the right, as provided in G.S. 29-30(a)(2a).

b. A right or claim to an equitable distribution with respect to the property under G.S. 50-20. A right or claim for equitable distribution shall not be waived or released in the instrument of conveyance.

(5) An absolute divorce of the spouses. An absolute divorce converts property held as tenants by the entirety to a tenancy in common.

(6) A judgment of forfeiture ordering divestment of an interest in tenancy by the entirety pursuant to Chapter 75D of the General Statutes. The effect of a judgment when one spouse is an innocent person as defined in G.S. 75D-5(i) is governed by G.S. 75D-8(a)."

SECTION 48.(c) Subdivisions (b)(1), (b)(3), and (b)(4) of G.S. 50-20 are recodified as subdivisions (b)(1b), (b)(1), and (b)(1a) of that section, respectively.

SECTION 48.(d) G.S. 50-20, as amended by subsection (c) of this section, reads as rewritten:

"**§ 50-20. Distribution by court of marital and divisible property.**

(a) Upon application of a party, the court shall determine what is the marital property and divisible property and shall provide for an equitable distribution of the marital property and divisible property between the parties in accordance with ~~the provisions of~~ this section.

(b) For purposes of this ~~section:~~section, the following definitions apply:

(1) ~~"Distributive award" means payments~~ Distributive award. – Payments that are payable either in a lump sum or over a period of time in fixed amounts, but ~~shall~~ the term does not include alimony payments or ~~other~~ similar payments for support ~~and maintenance which are treated as ordinary income to the recipient under the Internal Revenue Code.~~or maintenance of a spouse or child.

(1a) ~~"Divisible property" means all~~ Divisible property. – All real and personal property as set forth below:

a. All appreciation and diminution in value of marital property and divisible property of the parties occurring after the date of separation and prior to the date of distribution, except that appreciation or diminution in value ~~which~~ that is the result of postseparation actions or activities of a spouse ~~shall not be~~ is not treated as divisible property.

b. All property, property rights, or any portion thereof received after the date of separation but before the date of distribution that was acquired as a result of the efforts of either spouse during the marriage and before the date of separation, including, but not limited to, commissions, bonuses, and contractual rights.

c. Passive income from marital property received after the date of separation, including, but not limited to, interest and dividends.

d. Passive increases and passive decreases in marital debt and financing charges and interest related to marital debt.

(1b) ~~"Marital property" means all~~ Marital property. – All real and personal property acquired by either spouse or both spouses during the course of the marriage and before the date of the separation of the parties, and presently owned, except property determined to be separate property or divisible property in accordance with ~~subdivision (2) or (4) of~~ this subsection. Marital property includes all vested and nonvested ~~pension, retirement, and other~~ pension and retirement rights and benefits, vested and nonvested deferred compensation ~~rights,~~ rights and benefits, and vested and nonvested military pensions eligible under the federal Uniformed Services Former Spouses Protection Act. It is presumed that all property acquired after the date of marriage and before the date of separation is marital property except property ~~which~~ that is separate property under ~~subdivision (2) of~~ this subsection. It is presumed that all real property creating a tenancy by the entirety acquired after the date of marriage and before the date of separation is marital property. Either presumption may be rebutted by the greater weight of the evidence.

(2) ~~"Separate property" means all~~ Separate property. – All real and personal property acquired by a spouse before marriage or acquired by a spouse by devise, descent, or gift during the course of the marriage. However, ~~property~~ property, other than real property, acquired by gift from the other spouse during the course of the marriage ~~shall be~~ is considered separate property only if ~~such an intention is~~ this intent is expressly stated ~~in the conveyance.~~ in writing. Real property acquired by gift from the other spouse during the course of the marriage is considered separate property only if this intent is expressly stated in a written agreement separate from the conveyance in accordance with subsection (d) of this section. The act of conveying property from one spouse to the other does not in itself state this intent. Property acquired in exchange for separate property ~~shall remain~~ remains separate property regardless of whether the title is in the name of ~~the husband or wife or both~~ one or both spouses and ~~shall~~ is not ~~be~~ considered ~~to be~~ marital property unless ~~a contrary intention~~ the intent for the property to become marital property is expressly stated ~~in the conveyance.~~ in writing. The act of acquiring the property does not in itself state this intent. The increase in value of separate property and the income derived from separate property ~~shall be~~ is considered separate property. All professional licenses and business licenses ~~which~~ that would terminate on transfer ~~shall be~~ are considered separate property.

(c) There shall be an equal division by using net value of marital property and net value of divisible property unless the court determines that an equal division is not equitable. If the court determines that an equal division is not equitable, the court shall divide the marital property and divisible property equitably. The court shall consider all of the following factors under this subsection:

(1) The income, property, and liabilities of each party at the time the division of property is to become effective.

(2) Any obligation for support arising out of a prior marriage.

(3) The duration of the marriage and the age and physical and mental health of both parties.

(4) The need of a parent with custody of a child or children of the marriage to occupy or own the marital residence and to use or own its household effects.

(5) The expectation of pension, retirement, or other deferred compensation rights that are not marital property.

(6) Any equitable claim to, interest in, or direct or indirect contribution made to the acquisition of ~~such~~ the marital property by the party not having title, including joint efforts or expenditures and contributions and services, or lack thereof, as a spouse, parent, wage ~~earner~~ earner, or homemaker.

(7) Any direct or indirect contribution made by one spouse to help educate or develop the career potential of the other spouse.

(8) Any direct contribution to an increase in value of separate property ~~which~~ that occurs during the course of the marriage.

(9) The liquid or nonliquid character of all marital property and divisible property.

(10) The difficulty of evaluating any component asset or any interest in a business, ~~corporation~~ corporation, or profession, and the economic desirability of retaining ~~such~~ the asset or interest, intact and free from any claim or interference by the other party.

(11) The tax consequences to each party, including those federal and State tax consequences that would have been incurred if the marital and divisible property had been sold or liquidated on the date of valuation. The trial court may, however, in its discretion, consider whether or when ~~such~~ the tax consequences are reasonably likely to occur in determining the equitable value deemed appropriate for this factor.

(11a) Acts of either party to maintain, preserve, develop, or expand; or to waste, neglect, ~~devalue~~ devalue, or convert the marital property or divisible property, or both, during the period after separation of the parties and before the time of distribution.

…

(12) Any other factor ~~which~~ that the court finds ~~to be~~ just and proper.

(c1) Notwithstanding any other provision of law, a second or subsequent spouse acquires no interest in the marital property and divisible property of his or her spouse from a former marriage until a final determination of equitable distribution is made in the marital property and divisible property of the spouse's former marriage.

(d) Before, ~~during~~ during, or after marriage the parties may by written agreement, duly executed and acknowledged in accordance with ~~the provisions of~~ G.S. 52-10 and ~~52-10.1,~~ G.S. 52-10.1, or by a written agreement valid in the jurisdiction where executed, provide for distribution of the marital property or divisible property, or both, in a manner deemed by the parties to be ~~equitable and the~~ equitable. The agreement ~~shall be~~ is binding on the parties. As provided in G.S. 39-13.3(a)(2) and G.S. 41-63(4)b., the parties shall not provide for this distribution in an instrument of conveyance of real property.

(e) Subject to the presumption of subsection (c) of this section that an equal division is equitable, it shall be presumed in every action that an in-kind distribution of marital or divisible property is equitable. This presumption may be rebutted by the greater weight of the evidence, or by evidence that the property is a closely held business entity or is otherwise not susceptible of division in-kind. In any action in which the presumption is rebutted, the court in lieu of in-kind distribution shall provide for a distributive award in order to achieve equity between the parties. The court may provide for a distributive award to facilitate, ~~effectuate~~ effectuate, or supplement a distribution of marital or divisible property. The court may provide that any distributive award payable over a period of time be secured by a lien on specific property.

(f) The court shall provide for an equitable distribution without regard to alimony for either party or support of the children of both parties. After the determination of an equitable distribution, the court, upon request of either party, shall consider whether an order for alimony or child support should be modified or vacated pursuant to G.S. 50-16.9 or ~~50-13.7.~~G.S. 50-13.7.

(g) If the court orders the transfer of real or personal property or an interest ~~therein,~~ in real or personal property, the court may also enter an order ~~which shall transfer~~ transferring title, as provided in G.S. 1A-1, ~~Rule 70~~ Rule 70, and G.S. 1-228.

(h) If either party claims that any real property is marital property or divisible property, that party may cause a notice of lis pendens to be recorded pursuant to Article 11 of Chapter 1 of the General Statutes. Any person whose conveyance or encumbrance is recorded or whose interest is obtained by descent, prior to the filing of the lis pendens, ~~shall take~~ takes the real property free of any claim resulting from the equitable distribution proceeding. The court may cancel the notice of lis pendens upon substitution of a bond with surety in an amount determined by the court to be sufficient provided the court finds that the claim of the spouse against property subject to the notice of lis pendens can be satisfied by money damages.

(i) Upon filing an action or motion in the cause requesting an equitable distribution or alleging that an equitable distribution will be requested when it is timely to do so, a party may seek injunctive relief pursuant to G.S. 1A-1, ~~Rule 65~~ Rule 65, and ~~Chapter 1, Article 37,~~ Article 37 of Chapter 1 of the General Statutes to prevent the disappearance, ~~waste~~ waste, or conversion of property alleged to be marital property, divisible property, or separate property of the party seeking relief. The court, in lieu of granting an injunction, may require a bond or other assurance of sufficient amount to protect the interest of the other spouse in the property. Upon application by the owner of separate property ~~which~~ that was removed from the marital home or possession of its owner by the other spouse, the court may enter an order for reasonable counsel fees and costs of court incurred to regain its possession, but ~~such~~ the fees shall not exceed the fair market value of the separate property at the time it was removed.

(i1) Unless good cause is shown that there should not be an interim distribution, the court may, at any time after an action for equitable distribution has been filed and prior to the final judgment of equitable distribution, enter ~~orders~~ an order declaring what is separate property and may also enter ~~orders~~ an order dividing part of the marital property, divisible property or debt, or marital debt between the parties. The partial distribution may provide for a distributive award and may also provide for a distribution of marital property, marital debt, divisible property, or divisible debt. Any ~~such~~ orders entered shall be taken into consideration at trial and shall be given proper ~~credit given.~~credit.

Hearings held pursuant to this subsection may be held at sessions arranged by the chief district court judge pursuant to G.S. 7A-146 and, if held at ~~such~~ these sessions, ~~shall~~ are not ~~be~~ subject to the reporting requirements of G.S. 7A-198.

(j) In any order for the distribution of property made pursuant to this section, the court shall make written findings of fact that support the determination that the marital property and divisible property has been equitably divided.

(k) The rights of the parties to an equitable distribution of marital property and divisible property are a species of common ownership, the rights of the respective parties vesting at the time of the parties' separation.

(*l*) The following applies regarding the death of a spouse:

(1) A claim for equitable distribution, whether an action is filed or not, survives the death of a spouse so long as the parties are living separate and apart at the time of death.

(2) ~~The provisions of~~ Article 19 of Chapter 28A of the General Statutes ~~shall be~~ is applicable to a claim for equitable distribution against the estate of the deceased spouse.

(3) Any claim for equitable distribution against the surviving spouse made by the estate of the deceased spouse ~~must~~ shall be filed with the district court within one year of the date of death of the deceased spouse or be forever barred."

SECTION 48.(e) G.S. 39-13.3(a)(1) and G.S. 41-63(4)a., as enacted by this section regarding an elective life estate, apply to conveyances executed before, on, or after the effective date of this act. The remainder of this section applies to conveyances executed on or after the effective date of this act.

SECTION 49. This Part becomes effective October 1, 2025.

PART VII. UNIFORM COMMUNITY PROPERTY DISPOSITION AT DEATH ACT

SECTION 50. Chapter 31C of the General Statutes is repealed.

SECTION 51. Chapter 30 of the General Statutes is amended by adding a new Article to read:

"Article 5.

"Uniform Community Property Disposition at Death Act.

"**§ 30-41. Title.**

This Article may be cited as the Uniform Community Property Disposition at Death Act.

"**§ 30-42. Definitions.**

In this Article, the following definitions apply:

(1) Community-property spouse. – An individual in a marriage or other relationship that satisfies all of the following:

a. Community property could be acquired under the relationship.

b. The relationship remains in existence at the time of death of either party to the relationship.

(2) Electronic. – Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(3) Jurisdiction. – The United States, a state, a foreign country, or a political subdivision of a foreign country.

(4) Partition. – Voluntarily divide property to which this Article otherwise would apply.

(5) Person. – Defined in G.S. 28A-1-1.

(6) Personal representative. – Defined in G.S. 28A-1-1.

(7) Property. – Defined in G.S. 32C-1-102.

(8) Reclassify. – To change the characterization or treatment of community property to property owned separately by community-property spouses.

(9) Record. – Information inscribed on a tangible medium or stored in an electronic or other medium and retrievable in perceivable form.

(10) Sign. – With present intent to authenticate or adopt a record, to do either of the following:

a. Execute or adopt a tangible symbol.

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

(11) State. – Consists of the following:

a. A state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any other territory or insular possession subject to the jurisdiction of the United States.

b. An Indian tribe or band or Alaskan native village that is recognized by federal law or formally acknowledged by an entity listed in sub-subdivision a. of this subdivision.

"**§ 30-43. Included and excluded property.**

(a) Subject to subsection (b) of this section, this Article applies to all of the following property of a community-property spouse, without regard to how the property is titled or held:

(1) If a decedent was domiciled in this State at the time of death, all of the following property:

a. All or a proportionate part of each item of personal property, wherever located, that was community property under the law of the jurisdiction where the decedent or the surviving community-property spouse was domiciled either when the community property was acquired or, after acquisition, became community property.

b. Income, rent, profit, appreciation, or other increase derived from or traceable to property described in sub-subdivision a. of this subdivision.

c. Personal property traceable to property described in sub-subdivision a. or b. of this subdivision.

(2) Regardless of whether a decedent was domiciled in this State at the time of death, all of the following property:

a. All or a proportionate part of each item of real property located in this State traceable to community property or acquired with community property under the law of the jurisdiction where the decedent or the surviving community-property spouse was domiciled either when the community property was acquired or, after acquisition, became community property.

b. Income, rent, profit, appreciation, or other increase, derived from or traceable to property described in sub-subdivision a. of this subdivision.

(b) If community-property spouses acquired community property by complying with the law of a jurisdiction that allows for creation of community property by transfer of property to a trust, this Article applies to the property only to the extent the property is held in the trust or characterized as community property by the terms of the trust or the law of the jurisdiction under which the trust was created.

(c) This Article does not apply to the following property:

(1) Property that community-property spouses have partitioned or reclassified.

(2) Property that is the subject of a waiver of rights granted by this Article.

"**§ 30-44. Form of partition, reclassification, or waiver.**

(a) Community-property spouses domiciled in this State may partition or reclassify property to which this Article otherwise would apply. The partition or reclassification must be in a record signed by both community-property spouses. Unless both community-property spouses agree otherwise, partition of community property is presumed to result in each spouse owning a one-half separate property interest in each item of property addressed in the record.

(b) A community-property spouse domiciled in this State may waive a right granted by this Article only by complying with the law of this State, including this State's choice-of-law rules, applicable to waiver of a spousal property right.

"**§ 30-45. Community property presumption.**

This Article is presumed to apply to all property acquired by a community-property spouse when domiciled in a jurisdiction where property acquired by the community-property spouse was presumed to be community property under the law of that jurisdiction. This presumption may be rebutted by a preponderance of the evidence.

"**§ 30-46. Disposition of property at death.**

(a) One-half of the property to which this Article applies belongs to the surviving community-property spouse of a decedent and is not subject to disposition by the decedent at death.

(b) One-half of the property to which this Article applies belongs to the decedent and is subject to disposition by the decedent at death.

(c) The property that belongs to the decedent under subsection (b) of this section is not subject to the surviving community-property spouse's right to petition for an elective share under Article 1A of this Chapter or the surviving community-property spouse's right to elect a life estate under Article 8 of Chapter 29 of the General Statutes.

(d) This section does not apply to property transferred by right of survivorship or under a revocable trust or other nonprobate transfer.

(e) This section does not limit the right of a surviving community-property spouse to the year's allowance under Article 4 of this Chapter or the property exemptions under Article X of the North Carolina Constitution and Article 16 of Chapter 1C of the General Statutes.

(f) If at death a decedent purports to transfer to a third person property that, under this section, belongs to the surviving community-property spouse and transfers other property to the surviving community-property spouse, this section does not limit the authority of the court under other laws of this State to require that the community-property spouse elect between retaining the property transferred to the community-property spouse or asserting rights under this Article.

"**§ 30-47. Other remedies available at death.**

(a) At the death of a community-property spouse, the surviving community-property spouse or a personal representative, heir, or nonprobate transferee of the decedent may assert a right based on either of the following acts:

(1) An act of the surviving community-property spouse or decedent during the marriage or other relationship under which community property then could be acquired.

(2) An act of the decedent that takes effect at the death of the decedent.

(b) In determining a right under subsection (a) of this section and corresponding remedy, the court shall apply equitable principles and may consider the community property law of the jurisdiction where the decedent or surviving community-property spouse was domiciled when the property was acquired or enhanced.

"**§ 30-48. Right of surviving community-property spouse.**

(a) The surviving community-property spouse of a decedent may assert a claim for relief with respect to a right under this Article in accordance with the following:

(1) With respect to a claim for relief asserting a right in or to property, the surviving community-property spouse must do either of the following:

a. Within one year of the decedent's date of death, commence a civil action in superior court against an heir, devisee, or nonprobate transferee that is in possession of the property.

b. Within six months after the issuance of letters testamentary or letters of administration in connection with the decedent's testate or intestate proceeding, file a petition with the clerk of superior court or

commence a civil action in superior court in the county in which the primary administration of the decedent's estate lies. A petition with the clerk of superior court shall be filed as an estate proceeding, and the proceeding shall be conducted in accordance with the procedures of Article 2 of Chapter 28A of the General Statutes.

(2) With respect to a claim for relief other than a claim under subdivision (a)(1) of this section, the surviving community-property spouse must do either of the following:

a. If a personal representative of the decedent's estate is not appointed, commence a civil action in superior court within one year of the decedent's date of death.

b. Satisfy the procedural requirements of sub-subdivision (a)(1)b. of this section.

(3) The incapacity of the surviving spouse does not toll the time for commencing an action or filing a petition as provided in this section.

(b) Unless a timely demand is made under sub-subdivision (a)(1)b. or (a)(2)b. of this section, the personal representative may distribute the assets of the decedent's estate without personal liability for a community-property spouse's claim under this Article.

"**§ 30-49. Right of heir, devisee, or nonprobate transferee.**

An heir, devisee, or nonprobate transferee of a deceased community-property spouse may assert a claim for relief with respect to a right under this Article in accordance with the following:

(1) With respect to a claim asserting a right in or to property, the heir, devisee, or nonprobate transferee must do either of the following:

a. Within one year of the decedent's date of death, commence a civil action in superior court against the surviving community-property spouse who is in possession of the property.

b. Satisfy the procedural requirements of G.S. 30-48(a)(1)b.

(2) With respect to a claim for relief other than a claim under subdivision (1) of this section, the heir, devisee, or nonprobate transferee must do either of the following:

a. If a personal representative of the decedent's estate is not appointed, commence a civil action in superior court within one year of the decedent's date of death.

b. Satisfy the procedural requirements of G.S. 30-48(a)(1)b.

(3) The incapacity of the heir, devisee, or nonprobate transferee does not toll the time for commencing an action or filing a petition as provided in this section.

"**§ 30-50. Protection of third person.**

(a) With respect to property to which this Article applies, a person is not liable under this Article if all of the following apply:

(1) The person transacts in good faith and for value with either of the following:

a. A community-property spouse.

b. After the death of the decedent, a surviving community-property spouse, personal representative, heir, devisee, or nonprobate transferee of the decedent.

(2) The person does not know or have reason to know that the other party to the transaction is exceeding or improperly exercising the party's authority.

(b) Good faith under subdivision (a)(1) of this section does not require the person to inquire into the extent or propriety of the exercise of authority by the other party to the transaction.

(c) With respect to real property to which this Article applies, a lien creditor or a purchaser for value of the property is not liable under this Article unless, before the lien was

acquired or the purchase was made, the community-property spouses gave notice in a registered instrument of their intention for this Article to apply to the property. Priority among this registered instrument and other registered instruments is governed by G.S. 47-18.

"**§ 30-51. Principles of law and equity.**

The principles of law and equity supplement this Article except to the extent inconsistent with this Article.

"**§ 30-52. Uniformity of application and construction.**

In applying and construing this Article, a court shall consider the promotion of uniformity of the law among jurisdictions that enact the Uniform Community Property Disposition at Death Act."

SECTION 52. G.S. 28A-2-4 reads as rewritten:

"**§ 28A-2-4. Subject matter jurisdiction of the clerk of superior court in estate proceedings.**

(a) The clerks of superior court of this State, as ex officio judges of probate, ~~shall~~ have original jurisdiction of estate proceedings. Except as provided in subdivision (4) of this subsection, the jurisdiction of the clerk of superior court is exclusive. Estate proceedings include, but are not limited to, the following:

…

(4) Proceedings to ascertain heirs or devisees, to approve settlement agreements pursuant to G.S. 28A-2-10, to determine questions of construction of wills, to determine priority among creditors, to determine whether a person is in possession of property belonging to an estate, to order the recovery of property of the estate in possession of third parties, to determine a claim for relief regarding the disposition of community property at death as provided in Article 5 of Chapter 30 of the General Statutes, and to determine the existence or nonexistence of any immunity, power, privilege, duty, or right. Any party or the clerk of superior court may file a notice of transfer of a proceeding pursuant to this subdivision to the Superior Court Division of the General Court of Justice as provided in G.S. 28A-2-6(h). In the absence of a transfer to superior court, Article 26 of Chapter 1 of the General Statutes ~~shall apply~~ applies to an estate proceeding pending before the clerk of superior court to the extent consistent with this Article.

(b) Nothing in this section ~~shall affect~~ affects the right of a person to file an action in the Superior Court Division of the General Court of Justice for declaratory relief under Article 26 of Chapter 1 of the General Statutes. In the event that either the petitioner or the respondent in an estate proceeding requests declaratory relief under Article 26 of Chapter 1 of the General Statutes, either party may move for a transfer of the proceeding to the Superior Court Division of the General Court of Justice as provided in Article 21 of Chapter 7A of the General Statutes. In the absence of a removal to superior court, Article 26 of Chapter 1 of the General Statutes ~~shall apply~~ applies to an estate proceeding to the extent consistent with this Article.

(c) Without otherwise limiting the jurisdiction of the Superior Court Division of the General Court of Justice, the clerk of superior court ~~shall~~ does not have jurisdiction under subsection (a) or (b) of this section or G.S. 28A-2-5 of the following:

…

(4) ~~Proceeding~~ Proceedings to determine proper county of venue as provided in G.S. 28A-3-2.

…."

SECTION 53. If a provision of this Part or its application to a person or circumstance is held invalid, the invalidity does not affect another provision or application that can be given effect without the invalid provision.

SECTION 54. The Revisor of Statutes shall cause to be printed, as annotations to the published General Statutes, all relevant portions of the Official Comments to the Uniform

Community Property Disposition at Death Act and all explanatory comments of the drafters of this Part as the Revisor may deem appropriate.

SECTION 55. If a right with respect to property to which this act applies is acquired, extinguished, or barred on the expiration of a limitation period that began to run under another statute before the effective date of this Part, that statute continues to apply to the right even if the statute has been repealed or superseded by this Part.

SECTION 56. This Part becomes effective January 1, 2026. Except as provided in Section 55 of this act, this act applies to a judicial proceeding commenced on or after that date, regardless of the date of death of the decedent.

PART VIII. UNIFORM COMMERCIAL CODE AND EMERGING TECHNOLOGIES

SUBPART VIII-A. CONTROLLABLE ELECTRONIC RECORDS

SECTION 57. Chapter 25 of the General Statutes is amended by adding a new Article to read:

"Article 12.

"Controllable Electronic Records.

"**§ 25-12-101. Title.**

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

"**§ 25-12-102. Definitions.**

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

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

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

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

(4) Controllable electronic record. – A record stored in an electronic medium that can be subjected to control under G.S. 25-12-105. 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.

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

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

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

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

(9) Qualifying purchaser. – 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.

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

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

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

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

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

"**§ 25-12-103. 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 of this Chapter, Article 9 of this Chapter 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 rule of this State that regulates the rates, charges, agreements, and practices for loans, credit sales, or other extensions of credit, and to any consumer-protection statute or rule of this State, including Chapter 24 of the General Statutes, the Retail Installment Sales Act (Chapter 25A of the General Statutes), the North Carolina Consumer Finance Act (Article 15 of Chapter 53 of the General Statutes), and the Pawnbrokers and Currency Converters Modernization Act (Part 1 of Article 45 of Chapter 66 of the General Statutes).

"**§ 25-12-104. 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 this section 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) of this section 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 shall 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 of this Chapter is not notice of a claim of a property right in a controllable electronic record.

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

(a) General Rule for 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 does both of the following:

(1) Gives the person both of the following:

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

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

1. Prevent others from availing themselves of substantially all the benefit from the electronic record.
2. 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.

(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 subdivision (1) of this subsection.

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

(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.
(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 subdivision (b)(2) of this section and the person's power is not exclusive if both of the following apply:

(1) The person can exercise the power only if the power also is exercised by the other person.
(2) Either of the following applies:
a. The other person can exercise the power without exercise of the power by the person.
b. The other person 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 sub-subdivision (a)(1)b. of this section, the powers are presumed to be exclusive.

(e) Control Through Another Person. – A person has control of a controllable electronic record if either of the following applies to 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) The other person has control of the electronic record and acknowledges that it has control on behalf of the person.
(2) The other person 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 of this Chapter 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.

"**§ 25-12-106. 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 either of the following persons:

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

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

(b) Content and Effect of Notification. – Subject to subsection (d) of this section, the account debtor shall 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 satisfies all of the following requirements:

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

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

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

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

(5) The notification 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) of this section, the account debtor may discharge its obligation by paying in accordance with the notification and shall not discharge the obligation by paying a person that formerly had control.

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

(1) The notification is ineffective 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) The notification is ineffective 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.

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

a. Divide a payment.

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

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) of this section, if requested by the account debtor, the person giving the notification under subsection (b) of this section seasonably shall furnish reasonable proof, using the method in the agreement referred to in subdivision (d)(1) of this section, 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) of this section.

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

(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.

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

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

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

"**§ 25-12-107. Governing law.**

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

(b) Governing Law for G.S. 25-12-106. – 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 G.S. 25-12-106 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 Chapter, that jurisdiction is the controllable electronic record's jurisdiction.

(2) If subdivision (1) of this subsection 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 Chapter, that jurisdiction is the controllable electronic record's jurisdiction.

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

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

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

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

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

SUBPART VIII-B. CONFORMING CHANGES AND OTHER AMENDMENTS TO ARTICLE 9 (SECURED TRANSACTIONS) OF THE UCC

SECTION 58. G.S. 25-9-102 reads as rewritten:

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

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

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

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

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

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

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

(5) ~~"Agricultural lien" means an~~ Agricultural lien. – An interest, other than a security interest, in farm ~~products:~~products that satisfies all of the following requirements:
a. ~~Which~~ The interest secures payment or performance of an obligation ~~for:~~for either of the following:
1. Goods or services furnished in connection with a debtor's farming ~~operation; or~~operation.
2. Rent on real property leased by a debtor in connection with ~~its~~ the debtor's farming ~~operation;~~operation.
b. ~~Which~~ The interest is created by statute in favor of a person ~~that:~~that did either of the following:
1. In the ordinary course of its ~~business~~ business, furnished goods or services to a debtor in connection with ~~a~~ the debtor's farming ~~operation; or~~operation.
2. Leased real property to a debtor in connection with the debtor's farming ~~operation; and~~operation.
c. ~~Whose~~ The interest's effectiveness does not depend on the ~~person's~~ interest holder's possession of the personal property.

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

(6) ~~"As-extracted collateral" means:~~As-extracted collateral. – Either of the following:
a. Oil, gas, or other minerals that are subject to a security interest ~~that:~~that satisfies both of the following:
1. ~~Is~~ The security interest is created by a debtor having an interest in the minerals before ~~extraction; and~~extraction.
2. ~~Attaches~~ The security interest attaches to the minerals as ~~extracted; or~~extracted.
b. Accounts arising out of the sale at the wellhead or minehead of oil, gas, or other minerals in which the debtor had an interest before extraction.

(6a) 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.

(6b) Assignor. – 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.

~~(7) "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 an electronic sound, symbol, or process.~~

(8) ~~"Bank" means an~~ Bank. – An organization that is engaged in the business of banking. The term includes savings banks, savings and loan associations, credit unions, and trust companies.

(8a) Beneficiary. – Defined in G.S. 25-5-102.

(8b) Broker. – Defined in G.S. 25-8-102.

(9) ~~"Cash proceeds" means proceeds~~ Cash proceeds. – Proceeds that are money, checks, deposit accounts, or the like.

(10) ~~"Certificate of title" means a~~ Certificate of title. – A certificate of title with respect to which a statute provides for the security interest in question to be indicated on the certificate as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral. The term includes another record maintained as an alternative to a certificate of title by the governmental unit that issues certificates of title if a statute permits the security interest in question to be indicated on the record as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral.

(10a) Certificated security. – Defined in G.S. 25-8-102.

(11) ~~"Chattel paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods. In this subdivision, "monetary obligation" means a monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary obligation with respect to software used in the goods. The term does not include (i) charters or other contracts involving the use or hire of a vessel or (ii) records that evidence 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. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.~~Chattel paper. – Either of the following:

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.

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 both of the following apply:

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

2. 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.

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

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

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

a. Proceeds to which a security interest ~~attaches;~~attaches.
b. Accounts, chattel paper, payment intangibles, and promissory notes that have been ~~sold; and~~sold.
c. Goods that are the subject of a consignment.

(13) ~~"Commercial tort claim" means a~~ Commercial tort claim. – A claim arising in tort ~~with respect to which:~~if either of the following applies:
a. The claimant is an ~~organization; or~~organization.
b. The claimant is an individual and ~~the claim:~~both of the following apply:
1. ~~Arose~~ The claim arose in the course of the claimant's business or ~~profession; and~~profession.
2. ~~Does~~ The claim does not include damages arising out of personal injury to or the death of an individual.

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

(15) ~~"Commodity contract" means a~~ Commodity contract. – A commodity futures contract, an option on a commodity futures contract, a commodity option, or another contract if ~~the contract or option is:~~either of the following applies:
a. ~~Traded~~ The contract or option is traded on or subject to the rules of a board of trade that has been designated as a contract market for ~~such a contract~~ the contract or option pursuant to federal commodities ~~laws; or~~law.
b. ~~Traded~~ The contract or option is traded on a foreign commodity board of trade, exchange, or market, and is carried on the books of a commodity intermediary for a commodity customer.

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

(17) ~~"Commodity intermediary" means a~~ Commodity intermediary. – A person ~~that:~~that satisfies either of the following:
a. Is registered as a futures commission merchant under federal commodities ~~law; or~~law.
b. In the ordinary course of its ~~business~~ business, provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities law.

(18) ~~"Communicate" means:~~Communicate. – Any of the following:
a. To send a written or other tangible ~~record;~~record.
b. To transmit a record by any means agreed upon by the persons sending and receiving the ~~record; or~~record.
c. In the case of transmission of a record to or by a filing office, to transmit a record by any means prescribed by filing-office rule.

(19) ~~"Consignee" means a~~ Consignee. – A merchant to which goods are delivered in a consignment.

(20) ~~"Consignment" means a~~ Consignment. – A transaction, regardless of its form, in which a person delivers goods to a merchant for the purpose of sale ~~and:~~and all of the following apply:
a. ~~The merchant:~~All of the following apply to the merchant:
1. ~~Deals~~ The merchant deals in goods of that kind under a name other than the name of the person making ~~delivery;~~delivery.
2. ~~Is~~ The merchant is not an ~~auctioneer; and~~auctioneer.

3. ~~Is~~ The merchant is not generally known by its creditors to be substantially engaged in selling the goods of ~~others;~~others.

b. With respect to each delivery, the aggregate value of the goods is one thousand dollars ($1,000) or more at the time of ~~delivery;~~delivery.

c. The goods are not consumer goods immediately before ~~delivery;and~~ delivery.

d. The transaction does not create a security interest that secures an obligation.

(21) ~~"Consignor" means a~~ Consignor. – A person that delivers goods to a consignee in a consignment.

(22) ~~"Consumer debtor" means a~~ Consumer debtor. – A debtor in a consumer transaction.

(23) ~~"Consumer goods" means goods~~ Consumer goods. – Goods that are used or bought for use primarily for personal, family, or household purposes.

(24) ~~"Consumer-goods transaction" means a~~ Consumer-goods transaction. – A consumer transaction in ~~which:~~which both of the following apply:

a. An individual incurs an obligation primarily for personal, family, or household ~~purposes; and~~purposes.

b. A security interest in consumer goods secures the obligation.

(25) ~~"Consumer obligor" means an~~ Consumer obligor. – An obligor who is an individual and who incurred the obligation as part of a transaction entered into primarily for personal, family, or household purposes.

(26) ~~"Consumer transaction" means a~~ Consumer transaction. – A transaction in which (i) an individual incurs an obligation primarily for personal, family, or household purposes, (ii) a security interest secures the obligation, and (iii) the collateral is held or acquired primarily for personal, family, or household purposes. The term includes consumer-goods transactions.

(27) ~~"Continuation statement" means an~~ Continuation statement. – An amendment of a financing statement ~~which:~~that does both of the following:

a. Identifies, by its file number, the initial financing statement to which it ~~relates; and~~relates.

b. Indicates that it is a continuation statement for, or that it is filed to continue the effectiveness of, the identified financing statement.

(27a) Contract for sale. – Defined in G.S. 25-2-106.

(27b) Control. – Defined in G.S. 25-7-106.

(27c) Controllable account. – An account evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that has control under G.S. 25-12-105 of the controllable electronic record.

(27d) Controllable electronic record. – Defined in G.S. 25-12-102.

(27e) Controllable payment intangible. – A payment intangible evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that has control under G.S. 25-12-105 of the controllable electronic record.

(27f) Customer. – Defined in G.S. 25-4-104.

(28) ~~"Debtor" means:~~Debtor. – Any of the following:

a. A person having an interest, other than a security interest or other lien, in the collateral, whether or not the person is an ~~obligor;~~obligor.

b. A seller of accounts, chattel paper, payment intangibles, or promissory ~~notes; or~~notes.

c. A consignee.

(29) ~~"Deposit account" means a~~ Deposit account. – A demand, time, savings, passbook, or similar account maintained with a bank. The term does not include investment property or accounts evidenced by an instrument.

(30) ~~"Document" means a~~ Document. – A document of title or a receipt of the type described in G.S. 25-7-201(b).

~~(31) "Electronic chattel paper" means chattel paper evidenced by a record or records consisting of information stored in an electronic medium.~~

(31a) Electronic money. – Money in an electronic form.

(32) ~~"Encumbrance" means a~~ Encumbrance. – A right, other than an ownership interest, in real property. The term includes mortgages and other liens on real property.

(32a) Entitlement holder. – Defined in G.S. 25-8-102.

(33) ~~"Equipment" means goods~~ Equipment. – Goods other than inventory, farm products, or consumer goods.

(34) ~~"Farm products" means goods,~~ Farm products. – Any of the following goods, other than standing timber, with respect to which the debtor is engaged in a farming ~~operation and which are:~~operation:

a. Crops grown, growing, or to be grown, ~~including:~~including both of the following:
   1. Crops produced on trees, vines, and ~~bushes; and~~bushes.
   2. Aquatic goods produced in aquacultural ~~operations;~~operations.

b. Livestock, born or unborn, including aquatic goods produced in aquacultural ~~operations;~~operations.

c. Supplies used or produced in a farming ~~operation; or~~operation.

d. Products of crops or livestock in their unmanufactured states.

(35) ~~"Farming operation" means raising,~~ Farming operation. – Raising, cultivating, propagating, fattening, grazing, or any other farming, livestock, or aquacultural operation.

(36) ~~"File number" means the~~ File number. – The number assigned to an initial financing statement pursuant to G.S. 25-9-519(a).

(37) ~~"Filing office" means an~~ Filing office. – An office designated in G.S. 25-9-501 as the place to file a financing statement.

(38) ~~"Filing office rule" means a~~ Filing-office rule. – A rule adopted pursuant to G.S. 25-9-526.

(38a) Financial asset. – Defined in G.S. 25-8-102.

(39) ~~"Financing statement" means a~~ Financing statement. – A record or records composed of an initial financing statement and any filed record relating to the initial financing statement.

(40) ~~"Fixture filing" means the~~ Fixture filing. – The filing of a financing statement covering goods that are or are to become fixtures and satisfying G.S. 25-9-502(a) and (b). The term includes the filing of a financing statement covering goods of a transmitting utility ~~which~~ that are or are to become fixtures.

(41) ~~"Fixtures" means goods~~ Fixtures. – Goods that have become so related to particular real property that an interest in them arises under real property law.

(42) ~~"General intangible" means any~~ General intangible. – Any personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals before extraction. The term includes controllable electronic records, payment ~~intangibles~~ intangibles, and software.

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

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

(45) ~~"Governmental unit" means a~~ Governmental unit. – A subdivision, agency, department, county, parish, municipality, or other unit of the government of the United States, a state, or a foreign country. The term includes an organization having a separate corporate existence if the organization (i) is eligible to issue debt on which interest is exempt from income taxation under the laws of the United ~~States,~~ States or (ii) was created to facilitate the issuance of notes, bonds, other evidences of ~~indebtedness~~ indebtedness, or payment obligations for borrowed money by, or in conjunction with, installment or lease purchase financings ~~for,~~ for this State or any county, municipality, or other agency or political subdivision thereof as evidenced by the documents creating the organization.

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

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

(47) ~~"Instrument" means a~~ Instrument. – A negotiable instrument or any other writing that evidences a right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a type that in the ordinary course of business is transferred by delivery with any necessary indorsement or assignment. The term does not include (i) investment property, (ii) letters of credit, ~~or~~ (iii) writings that evidence 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.~~ card, or (iv) writings that evidence chattel paper.

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

a. Are leased by a person as ~~lessor;~~lessor.

b. Are held by a person for sale or lease or to be furnished under a contract of ~~service;~~service.

c. Are furnished by a person under a contract of ~~service; or~~service.

d. Consist of raw materials, work in process, or materials used or consumed in a business.

(49) ~~"Investment property" means a~~ Investment property. – A security, whether certificated or uncertificated, security entitlement, securities account, commodity contract, or commodity account.

(49a) Issuer. – Defined as follows:

a. With respect to a letter of credit or letter-of-credit right, defined in G.S. 25-5-102.

b. With respect to a security, defined in G.S. 25-8-201.

c. With respect to documents of title, defined in G.S. 25-7-102.

(50) ~~"Jurisdiction of organization", with respect to a registered organization, means the~~ Jurisdiction of organization. – With respect to a registered organization, the jurisdiction under whose law the organization is formed or organized.

(50a) Lease. – Defined in G.S. 25-2A-103.

(50b) Lease agreement. – Defined in G.S. 25-2A-103.

(50c) Lease contract. – Defined in G.S. 25-2A-103.

(50d) Leasehold interest. – Defined in G.S. 25-2A-103.

(50e) Lessee. – Defined in G.S. 25-2A-103.

(50f) Lessee in ordinary course of business. – Defined in G.S. 25-2A-103.

(50g) Lessor. – Defined in G.S. 25-2A-103.

(50h) Lessor's residual interest. – Defined in G.S. 25-2A-103.

(50i) Letter of credit. – Defined in G.S. 25-5-102.

(51) ~~"Letter-of-credit right" means a~~ Letter-of-credit right. – A right to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance. The term does not include the right of a beneficiary to demand payment or performance under a letter of credit.

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

a. A creditor that has acquired a lien on the property involved by attachment, levy, or the ~~like;~~like.

b. An assignee for benefit of creditors from the time of ~~assignment;~~assignment.

c. A trustee in bankruptcy from the date of the filing of the ~~petition; or~~petition.

d. A receiver in equity from the time of appointment.

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

a. ~~in~~ In the traveling mode, is eight body feet or more in width or 40 body feet or more in length, or, when erected on site, is 320 or more square ~~feet, and which~~feet.

b. ~~is~~ Is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required ~~utilities, and~~utilities.

c. ~~includes the~~ Includes plumbing, heating, air-conditioning, and electrical ~~systems contained therein.~~systems.

The term includes any structure that meets all of the requirements of this subdivision except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the United States Secretary of Housing and Urban Development and complies with the standards established under Title 42 of the United States Code.

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

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

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

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

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

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

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

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

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

a. ~~(i) money,~~ Money.

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

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

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

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

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

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

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

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

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

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

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

~~a.~~1. The spouse of the ~~individual;~~individual.

~~b.~~2. A brother, brother-in-law, sister, or sister-in-law of the ~~individual;~~individual.

~~c.~~3. An ancestor or lineal descendant of the individual or the individual's ~~spouse; or~~spouse.

~~d.~~4. Any other relative, by blood or marriage, of the individual or the individual's spouse who shares the same home with the individual.

~~(63) "Person related to", with respect to an organization, means:~~

b. With respect to an organization, any of the following:

~~a.~~1. A person directly or indirectly controlling, controlled by, or under common control with the ~~organization;~~organization.

~~b.~~2. An officer or director of, or a person performing similar functions with respect to, the ~~organization;~~organization.

~~c.~~3. An officer or director of, or a person performing similar functions with respect to, a person described in ~~sub-subdivision a. of this subdivision;~~sub-sub-subdivision 1. of this sub-subdivision.

~~d.~~4. The spouse of an individual described in ~~sub-subdivision a., b., or c. of this subdivision; or~~sub-sub-subdivision 1., 2., or 3., of this sub-subdivision.

~~e.~~5. An individual who is related by blood or marriage to an individual described in ~~sub-subdivision a., b., c., or d. of this subdivision~~ sub-sub-subdivision 1., 2., 3., or 4. of this sub-subdivision and shares the same home with the individual.

(64) ~~"Proceeds", except as used in G.S. 25-9-609(b), means the~~ Proceeds. – Except as used in G.S. 25-9-609(b), means any of the following property:

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

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

c. Rights arising out of ~~collateral;~~collateral.

d. To the extent of the value of collateral, claims arising out of the loss, nonconformity, or interference with the use of, defects or infringement of rights in, or damage to, the~~collateral; or~~collateral.

e. To the extent of the value of collateral and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the collateral.

(64a) Proceeds of a letter of credit. – Defined in G.S. 25-5-114.

(65) ~~"Production-money crops" means crops~~ Production-money crops. – Crops that secure a production-money obligation incurred with respect to the production of those crops.

(66) ~~"Production-money obligation" means an~~ Production-money obligation. – An obligation of an obligor incurred for new value given to enable the debtor to produce crops if the value is in fact used for the production of the crops.

(67) ~~"Production of crops" includes~~ Production of crops. – Includes tilling and otherwise preparing land for growing, planting, cultivating, fertilizing, irrigating, harvesting, gathering, and curing ~~crops,~~ crops and protecting them from damage or disease.

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

(69) ~~"Proposal" means a~~ Proposal. – A record ~~authenticated~~ signed by a secured party ~~which~~ that includes the terms on which the secured party is willing to accept collateral in full or partial satisfaction of the obligation it secures pursuant to G.S. 25-9-620, 25-9-621, and 25-9-622.

(69a) Protected purchaser. – Defined in G.S. 25-8-303.

(69b) Prove. – Defined in G.S. 25-3-103.

(70) ~~"Public finance transaction" means a~~ Public-finance transaction. – A secured transaction ~~in connection with which:~~to which all of the following apply:

a. Debt securities are ~~issued;~~issued.

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

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

(70a) ~~"Public organic record" means a~~ Public organic record. – A record that is available to the public for inspection and ~~is:~~is any of the following:

a. A record consisting of the record initially filed with or issued by a state or the United States to form or organize an organization and any record filed with or issued by the state or the United States ~~which~~ that amends or restates the initial ~~record;~~record.

b. An organic record of a business trust consisting of the record initially filed with a state and any record filed with the state ~~which~~ that amends or restates the initial record, if a statute of the state governing business trusts requires that the record be filed with the ~~state; or~~state.

c. A record consisting of legislation enacted by the legislature of a state or the Congress of the United States ~~which~~ that forms or organizes an organization, any record amending the legislation, and any record filed with or issued by the state or the United States ~~which~~ that amends or restates the name of the organization.

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

(71a) Qualifying purchaser. – Defined in G.S. 25-12-102.

(72) ~~"Record", except as used in "for record", "of record", "record or legal title", and "record owner",~~ Record. – Except as used in "for record," "of record," "record or legal title," and "record owner," 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.

(73) ~~"Registered organization" means an~~ Registered organization. – An organization formed or organized solely under the law of a ~~single~~ state or the United States by the filing of a public organic record with, the issuance of a public organic record by, or the enactment of legislation by the state or the United States. The term includes a business trust that is formed or organized under the law of a ~~single~~ state if a statute of the state governing business trusts requires that the business trust's organic record be filed with the state.

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

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

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

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

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

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

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

c. A ~~consignor;~~consignor.

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

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

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

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

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

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

(76) ~~"Security agreement" means an~~ Security agreement. – An agreement that creates or provides for a security interest.

(76a) Security certificate. – Defined in G.S. 25-8-102.

(76b) Security entitlement. – Defined in G.S. 25-8-102.

~~(77) "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 that it would have been received if properly sent under sub-subdivision a. of this subdivision.~~

(78) ~~"Software" means a~~ Software. – A computer program and any supporting information provided in connection with a transaction relating to the program. The term does not include a computer program that is included in the definition of goods.

(79) ~~"State" means a~~ State. – A state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.

(80) ~~"Supporting obligation" means a~~ Supporting obligation. – A letter-of-credit right or secondary obligation that supports the payment or performance of an account, chattel paper, a document, a general intangible, an instrument, or investment property.

~~(81) "Tangible chattel paper" means chattel paper evidenced by a record or records consisting of information that is inscribed on a tangible medium.~~

(81a) Tangible money. – Money in a tangible form.

(82) ~~"Termination statement" means an~~ Termination statement. – An amendment of a financing statement ~~which:~~that does both of the following:

a. Identifies, by its file number, the initial financing statement to which it ~~relates; and~~relates.

b. Indicates either that it is a termination statement or that the identified financing statement is no longer effective.

(83) ~~"Transmitting utility" means a~~ Transmitting utility. – A person primarily engaged in the business ~~of:~~of any of the following:

a. Operating a railroad, subway, street railway, or trolley ~~bus;~~bus.

b. Transmitting communications electrically, electromagnetically, or by ~~light;~~light.

c. Transmitting goods by pipeline or ~~sewer; or~~sewer.

d. Transmitting or producing and transmitting electricity, steam, gas, or water.

(84) Uncertificated security. – Defined in G.S. 25-8-102.

~~(b) Definitions in other articles. "Control" as provided in G.S. 25-7-106 and the following definitions in other Articles of this Chapter apply to this Article:~~

~~"Applicant"~~	~~G.S. 25-5-102.~~
~~"Beneficiary"~~	~~G.S. 25-5-102.~~
~~"Broker"~~	~~G.S. 25-8-102.~~
~~"Certificated security"~~	~~G.S. 25-8-102.~~
~~"Check"~~	~~G.S. 25-3-104.~~
~~"Clearing corporation"~~	~~G.S. 25-8-102.~~
~~"Contract for sale"~~	~~G.S. 25-2-106.~~
~~"Customer"~~	~~G.S. 25-4-104.~~
~~"Entitlement holder"~~	~~G.S. 25-8-102.~~
~~"Financial asset"~~	~~G.S. 25-8-102.~~
~~"Holder in due course"~~	~~G.S. 25-3-302.~~
~~"Issuer" (with respect to a letter of credit or letter-of-credit right)~~	~~G.S. 25-5-102.~~
~~"Issuer" (with respect to a security)~~	~~G.S. 25-8-201.~~
~~"Issuer" (with respect to documents of title)~~	~~G.S. 25-7-102.~~
~~"Lease"~~	~~G.S. 25-2A-103.~~
~~"Lease agreement"~~	~~G.S. 25-2A-103.~~
~~"Lease contract"~~	~~G.S. 25-2A-103.~~
~~"Leasehold interest"~~	~~G.S. 25-2A-103.~~
~~"Lessee"~~	~~G.S. 25-2A-103.~~
~~"Lessee in ordinary course of business"~~	~~G.S. 25-2A-103.~~
~~"Lessor"~~	~~G.S. 25-2A-103.~~
~~"Lessor's residual interest"~~	~~G.S. 25-2A-103.~~
~~"Letter of credit"~~	~~G.S. 25-5-102.~~
~~"Merchant"~~	~~G.S. 25-2-104.~~
~~"Negotiable instrument"~~	~~G.S. 25-3-104.~~
~~"Nominated person"~~	~~G.S. 25-5-102.~~
~~"Note"~~	~~G.S. 25-3-104.~~
~~"Proceeds of a letter of credit"~~	~~G.S. 25-5-114.~~
~~"Prove"~~	~~G.S. 25-3-103.~~
~~"Sale"~~	~~G.S. 25-2-106.~~
~~"Securities account"~~	~~G.S. 25-8-501.~~
~~"Securities intermediary"~~	~~G.S. 25-8-102.~~
~~"Security"~~	~~G.S. 25-8-102.~~
~~"Security certificate"~~	~~G.S. 25-8-102.~~
~~"Security entitlement"~~	~~G.S. 25-8-102.~~
~~"Uncertificated security"~~	~~G.S. 25-8-102.~~

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

SECTION 59. G.S. 25-9-104 reads as rewritten:

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

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

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

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

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

(4) Another person, other than the debtor, does either of the following:

a. Has control of the deposit account and acknowledges that it has control on behalf of the secured party.

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.

(b) Debtor's ~~right to direct disposition.~~ Right to Direct Disposition. – A secured party that has satisfied subsection (a) of this section has control, even if the debtor retains the right to direct the disposition of funds from the deposit account."

SECTION 60. G.S. 25-9-105 reads as rewritten:

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

~~(a) General Rule: Control of Electronic Chattel Paper. A secured party has control of electronic chattel paper if a system employed for evidencing the transfer of interests in the chattel paper reliably establishes the secured party as the person to which the chattel paper was assigned.~~

~~(b) Specific Facts Giving Control. A system satisfies subsection (a) of this section if the record or records comprising the chattel paper are created, stored, and assigned in such a manner that:~~

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

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

~~(3) The authoritative copy is communicated to and maintained by the secured party 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 secured party;~~

~~(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.~~

(a) General Rule for 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) of this section if the record or records evidencing the chattel paper are created, stored, and assigned in a manner that satisfies all of the following requirements:

(1) A single authoritative copy of the record or records exists that is unique, identifiable, and, except as otherwise provided in subdivisions (4), (5), and (6) of this subsection, 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.

(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) of this section, 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 does all of the following:

(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.

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

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

b. Transfer control of the authoritative electronic copy.

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

(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.

(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 subdivision (d)(2) of this section and the purchaser's power is not exclusive if both of the following apply:

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

(2) Either of the following applies:

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

b. The other person 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 subdivision (c)(3) of this section, 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 either of the following applies to another person, other than the transferor to the purchaser of an interest in the chattel paper:

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

(2) The other person 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 61. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

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

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

(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 both of the following:

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

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

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

2. 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.

(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 subdivision (1) of this subsection.

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

(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.

(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 subdivision (b)(2) of this section and the person's power is not exclusive if both of the following apply:

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

(2) Either of the following applies:

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

b. The other person 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 sub-subdivision (a)(1)b. of this section, the powers are presumed to be exclusive.

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

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

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

SECTION 62. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

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

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

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

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

(a) No Requirement to Acknowledge. – A person that has control under G.S. 25-9-104, 25-9-105, or 25-9-105.1 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 64. G.S. 25-9-203 reads as rewritten:

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

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

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

(1) Value has been ~~given;~~given.

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

(3) One of the following conditions is met:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 65. G.S. 25-9-204 reads as rewritten:

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

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

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

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

(2) A commercial tort claim.

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

(1) To consumer goods as proceeds under G.S. 25-9-315(a) or commingled goods under G.S. 25-9-336(c).

(2) To a commercial tort claim as proceeds under G.S. 25-9-315(a).

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

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

SECTION 66. G.S. 25-9-207 reads as rewritten:

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

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

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

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

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

(3) The secured party shall keep the collateral identifiable, but fungible collateral may be ~~commingled; and~~commingled.

(4) The secured party may use or operate the ~~collateral:~~collateral as follows:

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 67. G.S. 25-9-208 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

A secured party, other than a buyer, having control under G.S. 25-9-105 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.

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

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

(6) ~~A secured party having control of an electronic document shall:~~

~~a. Give control of the electronic document to the debtor or its designated custodian;~~

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

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

A secured party having control under G.S. 25-7-106 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 G.S. 25-9-105.1 of electronic money shall transfer control of the electronic money to the debtor or a person designated by the debtor.

(8) A secured party having control under G.S. 25-12-105 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 68. G.S. 25-9-209 reads as rewritten:

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

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

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

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

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

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

SECTION 69. G.S. 25-9-210 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 70. G.S. 25-9-301 reads as rewritten:

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

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

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

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

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

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

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

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

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

SECTION 71. G.S. 25-9-304 reads as rewritten:

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

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

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

…."

SECTION 72. G.S. 25-9-305 reads as rewritten:

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

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

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

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

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

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

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

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

…

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

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

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

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

SECTION 73. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

"**§ 25-9-306.1. 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) of this section, 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 subdivision (1) of this subsection 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 subdivisions (1) and (2) of this subsection 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 subdivisions (1), (2), and (3) of this subsection 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 subdivisions (1) through (4) of this subsection do not apply, the chattel paper's jurisdiction is the jurisdiction in which the debtor is located.

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

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

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

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

SECTION 74. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

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

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

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

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

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

SECTION 75. G.S. 25-9-310 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 76. G.S. 25-9-312 reads as rewritten:

"**§ 25-9-312. 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.~~ Filing Permitted. – A security interest in chattel paper, ~~negotiable documents,~~ controllable accounts, controllable electronic records, controllable payment intangibles, instruments, ~~or investment property~~ investment property, or negotiable documents may be perfected by filing.

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

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

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

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

(4) A security interest in electronic money may be perfected only by control under G.S. 25-9-314.

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

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

(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.~~ 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:~~by any of the following:

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

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

(3) Filing as to the goods.

(e) Temporary ~~perfection: new value.~~ Perfection for 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 ~~an authenticated~~ a signed security agreement.

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

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

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

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

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

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

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

SECTION 77. G.S. 25-9-313 reads as rewritten:

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

(a) Perfection by ~~possession or delivery.~~ Possession or Delivery. – Except as otherwise provided in subsection (b) of this section, a secured party may perfect a security interest in ~~tangible negotiable documents,~~ goods, instruments, ~~money, or tangible chattel paper~~ 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 G.S. 25-8-301.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 78. G.S. 25-9-314 reads as rewritten:

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

(a) Perfection by ~~control.~~ Control. – A security interest in ~~investment property, deposit accounts, letter-of-credit rights, electronic chattel paper, or electronic documents~~ 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 G.S. 25-7-106, 25-9-104, ~~25-9-105,~~ 25-9-105.1, 25-9-106, ~~or 25-9-107.~~25-9-107, or 25-9-107.1.

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

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

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

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

(2) One of the following occurs:

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

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

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

SECTION 79. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

"**§ 25-9-314.1. 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) of this section not earlier than the time the secured party takes possession and obtains control and remains perfected under subsection (a) of this section only while the secured party retains possession and control.

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

SECTION 80. G.S. 25-9-316 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) Change in ~~jurisdiction of bank, issuer, nominated person, securities intermediary, or commodity intermediary.~~ 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~~ that 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:~~of the following:

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

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

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

…

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

…

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

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

SECTION 81. G.S. 25-9-317 reads as rewritten:

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

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

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

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

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

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

(b) Buyers ~~that receive delivery.~~ That Receive Delivery. – Except as otherwise provided in subsection (e) of this section, a buyer, other than a secured party, of ~~tangible chattel paper, tangible documents,~~ goods, instruments, tangible documents, or a certificated security 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.

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

(d) Licensees and ~~buyers of certain collateral. A~~ Buyers of Certain Collateral. – Subject to subsections (f) through (i) of this section, a licensee of a general intangible or a buyer, other than a secured party, of collateral other than ~~tangible chattel paper, tangible documents,~~ 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.

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

(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 does both of the following:

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

(2) If each authoritative electronic copy of the record evidencing the chattel paper can be subjected to control under G.S. 25-9-105, 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 G.S. 25-7-106, 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 82. G.S. 25-9-323 reads as rewritten:

"**§ 25-9-323. Future advances.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 83. G.S. 25-9-324 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 84. Article 9 of Chapter 25 of the General Statutes is amended by adding a new section to read:

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

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

SECTION 85. G.S. 25-9-330 reads as rewritten:

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

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

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

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

(b) Purchaser's ~~priority: other security interests.~~ Priority; Other Security Interests. – A purchaser of chattel paper has priority over a security interest in the chattel paper ~~which~~ that is claimed other than merely as proceeds of inventory subject to a security interest if the purchaser gives new ~~value and~~ value, takes possession of each authoritative tangible copy of the record evidencing the chattel ~~paper or~~ paper, and obtains control ~~of~~ under G.S. 25-9-105 of each authoritative electronic copy of the record evidencing the chattel paper ~~under G.S. 25-9-105~~ 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.

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

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

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

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

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

(f) Indication of ~~assignment gives knowledge.~~ Assignment Gives Knowledge. – For purposes of subsections (b) and (d) of this section, if the authoritative copies of the record evidencing chattel paper or an instrument ~~indicates~~ indicate that ~~it~~ 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 86. G.S. 25-9-331 reads as rewritten:

"**§ 25-9-331. Priority of rights of purchasers of ~~instruments,~~ 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 ~~Article 8.~~Articles 8 and 12.**

(a) Rights ~~under Articles 3, 7, and 8 not limited.~~ 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, ~~or~~ a protected purchaser of a ~~security.~~ 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, ~~and 8~~ 8, and 12 of this Chapter.

(b) Protection ~~under Article 8.~~ 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 of this Chapter.

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

SECTION 87. G.S. 25-9-332 reads as rewritten:

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

(a) Transferee of ~~money.~~ Tangible Money. – A transferee of tangible money takes the money free of a security interest ~~unless the transferee acts~~ 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~~ Funds from ~~deposit account.~~ Deposit Account. – A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account ~~unless the transferee acts~~ 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 88. G.S. 25-9-334 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) The security interest ~~is:~~is created

~~a.~~ ~~Created~~ in a manufactured home in a manufactured-home ~~transaction; and~~transaction and perfected

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

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

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

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

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

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

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

SECTION 89. G.S. 25-9-341 reads as rewritten:

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

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

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

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

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

SECTION 90. G.S. 25-9-404 reads as rewritten:

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

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

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

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

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

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

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

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

SECTION 91. G.S. 25-9-406 reads as rewritten:

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

(a) Discharge of ~~account debtor; effect of notification.~~ Account Debtor; Effect of Notification. – Subject to subsections (b) through (i) and (*l*) of this section, 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, ~~authenticated~~ 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~~ shall not discharge the obligation by paying the assignor.

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

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

(2) To the extent that an agreement between an account debtor and a 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~~Article.

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

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

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

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

(c) Proof of ~~assignment.~~ Assignment. – Subject to ~~subsection (h)~~ subsections (h) and (*l*) of this section, 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) of this section.

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

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

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

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

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

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

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

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

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

…

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

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

(k) Reserved for future codification purposes.

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

SECTION 92. G.S. 25-9-408 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

…

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

SECTION 93. G.S. 25-9-509 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 94. G.S. 25-9-513 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 95. G.S. 25-9-601 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 96. G.S. 25-9-605 reads as rewritten:

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

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

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

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

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

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

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

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

b. The identity of the person.

(b) Exception When 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, both of the following apply:

(1) The person is a debtor or obligor.

(2) The secured party knows that the information in sub-subdivision (a)(1)a., b., or c. of this section 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 97. G.S. 25-9-608 reads as rewritten:

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

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

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

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

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

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

…

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

SECTION 98. G.S. 25-9-611 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 99. G.S. 25-9-613 reads as rewritten:

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

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

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

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

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

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

d. States that the debtor is entitled to an accounting of the unpaid indebtedness and states the charge, if any, for an ~~accounting; and~~accounting.

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

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

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

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

b. Minor errors that are not seriously misleading.

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

(5) The following form of notification and the form appearing in ~~G.S. 25-9-614(3), when completed,~~ G.S. 25-9-614(a)(3), when completed in accordance with the instructions in subsection (b) of this section and G.S. 25-9-614(b), each provides sufficient information:

~~NOTIFICATION OF DISPOSITION OF COLLATERAL~~

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

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

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

~~[For a public disposition:]~~

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

~~Day and Date: _____~~

~~Time: _____~~

~~Place: _____~~

~~[For a private disposition:]~~

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

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

"NOTIFICATION OF DISPOSITION OF COLLATERAL

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

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

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

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

(Date)

(Time)

(Place)

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

{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)."

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

(1) The instructions in this subsection refer to the numbers in braces before items in the form of notification in subdivision (a)(5) of this section. 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 100. G.S. 25-9-614 reads as rewritten:

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

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

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

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

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

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

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

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

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

~~[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: [Identification of Transaction]~~

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

~~[For a public disposition:]~~

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

~~Date: _____~~
~~Time: _____~~
~~Place: _____~~
~~You may attend the sale and bring bidders if you want.~~

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

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

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

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

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

~~We are sending this notice to the following other people who have an interest in [describe collateral] or who owe money under your agreement:~~
~~[Names of all other debtors and obligors, if any]~~

"(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)."

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

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

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

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

(1) The instructions in this subsection refer to the numbers in braces before items in the form of notification in subdivision (a)(3) of this section. 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 101. G.S. 25-9-615 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

(2) The obligor is liable for any deficiency.

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

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

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

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

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

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

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

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

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

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

SECTION 102. G.S. 25-9-616 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) The amount of the surplus or deficiency.

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

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

SECTION 103. G.S. 25-9-619 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

SECTION 104. G.S. 25-9-620 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) A debtor consents to an acceptance of collateral in full satisfaction of the obligation it secures only if the debtor agrees to the terms of the acceptance in a record ~~authenticated~~ signed after default or ~~the secured party:~~all of the following apply:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 105. G.S. 25-9-621 reads as rewritten:

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

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

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

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

a. Identified the ~~collateral;~~collateral.

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

c. Was filed in the office or offices in which to file a financing statement against the debtor covering the collateral as of that ~~date; and~~date.

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

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

SECTION 106. G.S. 25-9-624 reads as rewritten:

"**§ 25-9-624. Waiver.**

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

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

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

SECTION 107. G.S. 25-9-628 reads as rewritten:

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

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

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

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

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

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

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

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

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

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

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

b. The identity of the person.

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

(1) A debtor's representation concerning the purpose for which collateral was to be used, acquired, or ~~held; or~~held.

(2) An obligor's representation concerning the purpose for which a secured obligation was incurred.

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

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

(f) Exception to Limitation of Liability Under Subsections (a) and (b). – Subsections (a) and (b) of this section 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, both of the following apply:

(1) The person is a debtor or obligor.

(2) The secured party knows that the information in sub-subdivision (b)(1)a., b., or c. of this section 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."

SUBPART VIII-C. CONFORMING CHANGES AND OTHER AMENDMENTS TO OTHER UCC ARTICLES

SECTION 108. G.S. 25-1-201 reads as rewritten:

"**§ 25-1-201. General definitions.**

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

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

(1) ~~"Action," in~~ Action. – In the sense of a judicial proceeding, includes recoupment, counterclaim, setoff, suit in equity, and any other proceeding in which rights are determined.

(2) ~~"Aggrieved party" means a~~ Aggrieved party. – A party entitled to pursue a remedy.

(3) ~~"Agreement," as~~ Agreement. – As distinguished from "contract," means the bargain of the parties in fact, as found in their language or inferred from other circumstances, including course of performance, course of dealing, or usage of trade as provided in G.S. 25-1-303.

(4) ~~"Bank" means a~~ Bank. – A person engaged in the business of ~~banking and~~ banking. The term includes a savings bank, savings and loan association, credit union, and trust company.

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

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

(7) ~~"Branch" includes~~ Branch. – Includes a separately incorporated foreign branch of a bank.

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

(9) ~~"Buyer in ordinary course of business" means a~~ Buyer in ordinary course of business. – A person that buys goods in good faith, without knowledge that the sale violates the rights of another person in the goods, and in the ordinary course from a person, other than a pawnbroker, in the business of selling goods of that kind. A person buys goods in the ordinary course if the sale to the person comports with the usual or customary practices in the kind of business in which the seller is engaged or with the seller's own usual or customary practices. A person that sells oil, gas, or other minerals at the wellhead or minehead is a person in the business of selling goods of that kind. A buyer in ordinary course of business may buy for cash, by exchange of other property, or on secured or unsecured credit, and may acquire goods or documents of title under a preexisting contract for sale. Only a buyer that takes possession of the goods or has a right to recover the goods from the seller under Article 2 of this Chapter may be a buyer in ordinary course of business. ~~"Buyer in ordinary course of business"~~ The term does not include a person that acquires goods in a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

(10) ~~"Conspicuous," with~~ Conspicuous. – With reference to a term, means so written, displayed, or presented ~~that~~ that, based on the totality of the circumstances, a reasonable person against which it is to operate ought to have noticed it. Whether a term is "conspicuous" or not is a decision for the court. ~~Conspicuous terms include the following:~~

~~a. A heading in capitals equal to or greater in size than the surrounding text, or in contrasting type, font, or color to the surrounding text of the same or lesser size; and~~

~~b. Language in the body of a record or display in larger type than the surrounding text, or in contrasting type, font, or color to the surrounding text of the same size, or set off from surrounding text of the same size by symbols or other marks that call attention to the language.~~

(11) ~~"Consumer" means an~~ Consumer. – An individual who enters into a transaction primarily for personal, family, or household purposes.

(12) ~~"Contract," as~~ Contract. – As distinguished from "agreement," means the total legal obligation that results from the parties' agreement as determined by this Chapter as supplemented by any other applicable laws.

(13) ~~"Creditor" includes~~ Creditor. – Includes a general creditor, a secured creditor, a lien creditor, and any representative of creditors, including an assignee for

the benefit of creditors, a trustee in bankruptcy, a receiver in equity, and an executor or administrator of an insolvent debtor's or assignor's estate.

(14) ~~"Defendant" includes~~ Defendant. – Includes a person in the position of defendant in a counterclaim, cross-claim, or third-party claim.

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

(16) ~~"Document of title" means a~~ Document of title. – A record (i) that in the regular course of business or financing is treated as adequately evidencing that the person in possession or control of the record is entitled to receive, control, hold, and dispose of the record and the goods the record covers and (ii) that purports to be issued by or addressed to a bailee and to cover goods in the bailee's possession ~~which~~ that are either identified or are fungible portions of an identified mass. The term includes a bill of lading, transport document, dock warrant, dock receipt, warehouse receipt, and order for delivery of goods. An electronic document of title means a document of title evidenced by a record consisting of information stored in an electronic medium. A tangible document of title means a document of title evidenced by a record consisting of information that is inscribed on a tangible medium.

(16a) Electronic. – Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(17) ~~"Fault" means a~~ Fault. – A default, breach, or wrongful act or omission.

(18) ~~"Fungible goods" means:~~Fungible goods. – Either of the following:

a. Goods of which any unit, by nature or usage of trade, are the equivalent of any other like ~~unit; or~~unit.

b. Goods that by agreement are treated as equivalent.

(19) ~~"Genuine" means free~~ Genuine. – Free of forgery or counterfeiting.

(20) ~~"Good faith," except~~ Good faith. – Except as otherwise provided in Article 5 of this Chapter, means honesty in fact and the observance of reasonable commercial standards of fair dealing.

(21) ~~"Holder" means:~~Holder. – Any of the following:

a. The person in possession of a negotiable instrument that is payable either to bearer or to an identified person that is the person in ~~possession;~~possession.

b. The person in possession of a negotiable tangible document of title if the goods are deliverable either to bearer or to the order of the person in ~~possession; or~~possession.

c. The person in ~~control~~ control, other than pursuant to G.S. 25-7-106(g), of a negotiable electronic document of title.

(22) ~~"Insolvency proceeding" includes~~ Insolvency proceeding. – Includes an assignment for the benefit of creditors or other proceeding intended to liquidate or rehabilitate the estate of the person involved.

(23) ~~"Insolvent" means:~~Insolvent. – Any of the following:

a. Having generally ceased to pay debts in the ordinary course of business other than as a result of bona fide ~~dispute;~~dispute.

b. Being unable to pay debts as they become ~~due; or~~due.

c. Being insolvent within the meaning of federal bankruptcy law.

(24) ~~"Money" means a~~ Money. – 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 by 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.

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

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

(27) ~~"Person" means an~~ Person. – An individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, ~~public corporation,~~ 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.

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

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

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

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

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

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

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

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

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

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

a. To deposit in the ~~mail or~~ mail, deliver for ~~transmission~~ transmission, or transmit by any other usual means of ~~communication~~ communication, with postage or cost of transmission provided ~~for and properly addressed and, in the case of an instrument, to an address specified thereon or otherwise agreed, or if there be none~~ for, addressed to any address reasonable under the ~~circumstances; or~~circumstances.

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

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

a. Execute or adopt a tangible symbol.

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

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

(38) ~~"State" means a State~~ State. – A state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.

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

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

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

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

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

SECTION 109. G.S. 25-1-204 reads as rewritten:

"**§ 25-1-204. Value.**

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

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

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

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

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

SECTION 110. G.S. 25-1-301 reads as rewritten:

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

(a) Except as otherwise provided in this section, when a transaction bears a reasonable relation to this State and also to another state or nation the parties may agree that the law either

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

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

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

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

SECTION 111. G.S. 25-1-306 reads as rewritten:

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

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

SECTION 112. In all sections of Articles 2 and 2A of Chapter 25 of the General Statutes that are not amended by this act, the Revisor of Statutes shall redesignate subunits in accordance with the General Statutes numbering system and shall make any necessary conforming changes.

SECTION 113. G.S. 25-2-102 reads as rewritten:

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

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

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

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

(1) 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.
(2) 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.

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

(1) 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.
(2) Impair or repeal a statute regulating sales to consumers, farmers, or other specified classes of buyers."

SECTION 114. G.S. 25-2-103 reads as rewritten:

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

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

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

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

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

~~"Confirmed credit."~~	~~G.S. 25-2-325.~~
~~"Conforming to contract."~~	~~G.S. 25-2-106.~~
~~"Contract for sale."~~	~~G.S. 25-2-106.~~
~~"Cover."~~	~~G.S. 25-2-712.~~
~~"Entrusting."~~	~~G.S. 25-2-403.~~
~~"Financing agency."~~	~~G.S. 25-2-104.~~
~~"Future goods."~~	~~G.S. 25-2-105.~~
~~"Goods."~~	~~G.S. 25-2-105.~~
~~"Identification."~~	~~G.S. 25-2-501.~~
~~"Installment contract."~~	~~G.S. 25-2-612.~~
~~"Letter of credit."~~	~~G.S. 25-2-325.~~
~~"Lot."~~	~~G.S. 25-2-105.~~
~~"Merchant."~~	~~G.S. 25-2-104.~~
~~"Overseas."~~	~~G.S. 25-2-323.~~
~~"Person in position of seller."~~	~~G.S. 25-2-707.~~
~~"Present sale."~~	~~G.S. 25-2-106.~~
~~"Sale."~~	~~G.S. 25-2-106.~~
~~"Sale on approval."~~	~~G.S. 25-2-326.~~
~~"Sale or return."~~	~~G.S. 25-2-326.~~
~~"Termination."~~	~~G.S. 25-2-106.~~

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

~~"Check"~~	~~G.S. 25-3-104.~~
~~"Consignee"~~	~~G.S. 25-7-102.~~
~~"Consignor"~~	~~G.S. 25-7-102.~~
~~"Consumer Goods"~~	~~G.S. 25-9-102.~~
~~"Dishonor"~~	~~G.S. 25-3-502.~~
~~"Draft"~~	~~G.S. 25-3-104.~~

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

SECTION 115. G.S. 25-2-106 reads as rewritten:

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

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

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

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

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

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

(1) The provision of services.

(2) A lease of other goods.

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

SECTION 116. G.S. 25-2-201 reads as rewritten:

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

~~(1)~~(a) Except as otherwise provided in this ~~section~~ section, a contract for the sale of goods for the price of five hundred dollars ($500.00) or more is not enforceable by way of action or defense unless there is ~~some writing~~ 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 ~~his~~ the party's authorized agent or broker. A ~~writing~~ record is not insufficient because it omits or incorrectly states a term agreed upon but the contract is not enforceable under this ~~paragraph~~ subsection beyond the quantity of goods shown in ~~such writing.~~the record.

~~(2)~~(b) Between ~~merchants~~ merchants, if within a reasonable time a ~~writing~~ 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~~ the record satisfies the requirements of subsection ~~(1)~~ (a) of this section against ~~such~~ the party unless ~~written~~ notice in a record of objection to its contents is given within ~~ten~~ 10 days after it is received.

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

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

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

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

SECTION 117. G.S. 25-2-202 reads as rewritten:

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

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

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

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

SECTION 118. G.S. 25-2-203 reads as rewritten:

"**§ 25-2-203. Seals inoperative.**

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

SECTION 119. G.S. 25-2-205 reads as rewritten:

"**§ 25-2-205. Firm offers.**

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

SECTION 120. G.S. 25-2-209 reads as rewritten:

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

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

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

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

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

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

SECTION 121. G.S. 25-2A-102 reads as rewritten:

"**§ 25-2A-102. Scope.**

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

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

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

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

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

c. G.S. 25-2A-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.

(2) 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 that do not relate to the lease of goods."

SECTION 122. G.S. 25-2A-103 reads as rewritten:

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

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

(1) Accessions. – Defined in G.S. 25-2A-310.

(2) Account. – Defined in G.S. 25-9-102.

(3) Between merchants. – Defined in G.S. 25-2-104.

(4) Buyer. – Defined in G.S. 25-2-103.

~~(a)~~(5) ~~"Buyer in ordinary course of business" means a~~ Buyer in ordinary course of business. – A person ~~who,~~ that, in good faith and without knowledge that the sale to ~~him~~ the person is in violation of the ownership rights or security interest or leasehold interest of a third party in the goods, buys in ordinary course from a ~~person~~ person, other than a pawnbroker, in the business of selling goods of that ~~kind but does not include a pawnbroker.~~ kind. "Buying" may be for cash or by exchange of other property or on secured or unsecured credit and includes acquiring goods or documents of title under a preexisting contract for sale but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

~~(b)~~(6) ~~"Cancellation" occurs~~ Cancellation. – Occurs when either party puts an end to the lease contract for default by the other party.

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

~~(c)~~(8) ~~"Commercial unit" means such a~~ Commercial unit. – A unit of goods ~~as~~ that by commercial usage is a single whole for purposes of lease and the division of which materially impairs its character or value on the market or in use. A commercial unit may be a single article, as a machine, or a set of articles, as a suite of furniture or a line of machinery, or a quantity, as a gross or carload, or any other unit treated in use or in the relevant market as a single whole.

~~(d)~~(9) ~~"Conforming" goods or performance under a lease contract~~ Conforming. – With respect to goods or performance under a lease contract, means goods or performance that are in accordance with the obligations under the lease contract.

(10) Construction mortgage. – Defined in G.S. 25-2A-309.

(11) Consumer goods. – Defined in G.S. 25-9-102.

~~(e)~~(12) ~~"Consumer lease" means a~~ Consumer lease. – A lease that a lessor regularly engaged in the business of leasing or selling makes to a lessee who is an individual and who takes under the lease primarily for a personal, family, or household purpose, if the total payments to be made under the lease contract, excluding payments for options to renew or buy, do not exceed twenty-five thousand dollars ($25,000).

(13) Document. – Defined in G.S. 25-9-102.

(14) Encumbrance. – Defined in G.S. 25-2A-309.

(15) Entrusting. – Defined in G.S. 25-2-403.

~~(f)~~(16) ~~"Fault" means wrongful~~ Fault. – Wrongful act, omission, breach, or default.

~~(g)~~(17) ~~"Finance lease" means a~~ Finance lease. – A lease with respect to ~~which:~~ which (i) the lessor does not select, manufacture, or supply the goods; (ii) the lessor acquires the goods or the right to possession and use of the goods in connection with the lease; and (iii) one of the following occurs:

~~(A)~~a. ~~the~~ The lessee receives a copy of the contract by which the lessor acquired the goods or the right to possession and use of the goods before signing the lease ~~contract;~~contract.

~~(B)~~b. ~~the~~ The lessee's approval of the contract by which the lessor acquired the goods or the right to possession and use of the goods is a condition to effectiveness of the lease ~~contract;~~contract.

~~(C)~~c. ~~the~~ The lessee, before signing the lease contract, receives an accurate and complete statement designating the promises and warranties, and any disclaimers of warranties, limitations or modifications of remedies, or liquidated damages, including those of a third party, such as the manufacturer of the goods, provided to the lessor by the person

supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the ~~goods; or~~goods.

~~(D)~~d. ~~if~~ If the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs the lessee in writing ~~(a)~~ (i) of the identity of the person supplying the goods to the lessor, unless the lessee has selected that person and directed the lessor to acquire the goods or the right to possession and use of the goods from that person, ~~(b)~~ (ii) that the lessee is entitled under this Article to the promises and warranties, including those of any third party, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods, and ~~(c)~~ (iii) that the lessee may communicate with the person supplying the goods to the lessor and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

(18) Fixture filing. – Defined in G.S. 25-2A-309.

(19) Fixtures. – Defined in G.S. 25-2A-309.

(20) General intangible. – Defined in G.S. 25-9-102.

~~(h)~~(21) ~~"Goods" means all~~ Goods. – All things that are movable at the time of identification to the lease contract, or are fixtures (G.S. 25-2A-309), but the term does not include money, documents, instruments, accounts, chattel paper, general intangibles, or minerals or the like, including oil and gas, before extraction. The term also includes the unborn young of animals.

(22) Hybrid lease. – A single transaction involving a lease of goods and any of the following:

a. The provision of services.

b. A sale of other goods.

c. A sale, lease, or license of property other than goods.

~~(i)~~(23) ~~"Installment lease contract" means a~~ Installment lease contract. – A lease contract that authorizes or requires the delivery of goods in separate lots to be separately accepted, even though the lease contract contains a clause "each delivery is a separate lease" or its equivalent.

(24) Instrument. – Defined in G.S. 25-9-102.

~~(j)~~(25) ~~"Lease" means a~~ Lease. – A transfer of the right to possession and use of goods for a term in return for consideration, but a sale, including a sale on approval or a sale or return, or retention or creation of a security interest is not a lease. Unless the context clearly indicates otherwise, the term includes a sublease. The term includes a motor vehicle operating agreement that is considered a lease under ~~§~~ section 7701(h) of the Internal Revenue Code.

~~(k)~~(26) ~~"Lease agreement" means the~~ Lease agreement. – The bargain, with respect to the lease, of the lessor and the lessee in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance as provided in this Article. Unless the context clearly indicates otherwise, the term includes a sublease agreement.

~~(l)~~(27) ~~"Lease contract" means the~~ Lease contract. – The total legal obligation that results from the lease agreement as affected by this Article and any other applicable rules of law. Unless the context clearly indicates otherwise, the term includes a sublease contract.

~~(m)~~(28) ~~"Leasehold interest" means the~~ Leasehold interest. – The interest of the lessor or the lessee under a lease contract.

~~(n)~~(29) ~~"Lessee" means a~~ Lessee. – A person ~~who~~ that acquires the right to possession and use of goods under a lease. Unless the context clearly indicates otherwise, the term includes a sublessee.

~~(o)~~(30) ~~"Lessee in ordinary course of business" means a~~ Lessee in ordinary course of business. – A person ~~who,~~ that, in good faith and without knowledge that the lease to ~~him~~ the person is in violation of the ownership rights or security interest or leasehold interest of a third party in the goods, leases in ordinary course from a ~~person~~ person, other than a pawnbroker, in the business of selling or leasing goods of that ~~kind but does not include a pawnbroker.~~ kind. "Leasing" may be for cash or by exchange of other property or on secured or unsecured credit and includes acquiring goods or documents of title under a preexisting lease contract but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

~~(p)~~(31) ~~"Lessor" means a~~ Lessor. – A person ~~who~~ that transfers the right to possession and use of goods under a lease. Unless the context clearly indicates otherwise, the term includes a sublessor.

~~(q)~~(32) ~~"Lessor's residual interest" means the~~ Lessor's residual interest. – The lessor's interest in the goods after expiration, termination, or cancellation of the lease contract.

~~(r)~~(33) ~~"Lien" means a~~ Lien. – A charge against or interest in goods to secure payment of a debt or performance of an obligation, but the term does not include a security interest.

~~(s)~~(34) ~~"Lot" means a~~ Lot. – A parcel or a single article that is the subject matter of a separate lease or delivery, whether or not it is sufficient to perform the lease contract.

(35) Merchant. – Defined in G.S. 25-2-104.

~~(t)~~(36) ~~"Merchant lessee" means a~~ Merchant lessee. – A lessee that is a merchant with respect to goods of the kind subject to the lease.

(37) Mortgage. – Defined in G.S. 25-9-102.

~~(u)~~(38) ~~"Present value" means the~~ Present value. – The amount as of a date certain of one or more sums payable in the future, discounted to the date certain. The discount is determined by the interest rate specified by the parties if the rate was not manifestly unreasonable at the time the transaction was entered into; otherwise, the discount is determined by a commercially reasonable rate that takes into account the facts and circumstances of each case at the time the transaction was entered into.

~~(v)~~(39) ~~"Purchase" includes~~ Purchase. – Includes taking by sale, lease, mortgage, security interest, pledge, gift, or any other voluntary transaction creating an interest in goods.

(40) Purchase money lease. – Defined in G.S. 25-2A-309.

(41) Pursuant to commitment. – Defined in G.S. 25-9-102.

(42) Receipt. – Defined in G.S. 25-2-103.

(43) Sale. – Defined in G.S. 25-2-106.

(44) Sale on approval. – Defined in G.S. 25-2-326.

(45) Sale or return. – Defined in G.S. 25-2-326.

(46) Seller. – Defined in G.S. 25-2-103.

~~(w)~~(47) ~~"Sublease" means a~~ Sublease. – A lease of goods the right to possession and use of which was acquired by the lessor as a lessee under an existing lease.

~~(x)~~(48) ~~"Supplier" means a~~ Supplier. – A person from ~~whom~~ which a lessor buys or leases goods to be leased under a finance lease.

~~(y)~~(49) ~~"Supply contract" means a~~ Supply contract. – A contract under which a lessor buys or leases goods to be leased.

~~(z)~~(50) ~~"Termination" occurs~~ Termination. – Occurs when either party pursuant to a power created by agreement or law puts an end to the lease contract otherwise than for default.

~~(2) Other definitions applying to this Article and the sections in which they appear are:~~

~~"Accessions".~~	~~G.S. 25-2A-310(1).~~
~~"Construction mortgage".~~	~~G.S. 25-2A-309(1)(d).~~
~~"Encumbrance".~~	~~G.S. 25-2A-309(1)(e).~~
~~"Fixtures".~~	~~G.S. 25-2A-309(1)(a).~~
~~"Fixture filing".~~	~~G.S. 25-2A-309(1)(b).~~
~~"Purchase money lease".~~	~~G.S. 25-2A-309(1)(c).~~

~~(3) The following definitions in other Articles apply to this Article:~~

~~"Account"~~	~~G.S. 25-9-102(a)(2).~~
~~"Between merchants"~~	~~G.S. 25-2-104(3).~~
~~"Buyer"~~	~~G.S. 25-2-103(1)(a).~~
~~"Chattel paper"~~	~~G.S. 25-9-102(a)(11).~~
~~"Consumer goods"~~	~~G.S. 25-9-102(a)(23).~~
~~"Document"~~	~~G.S. 25-9-102(a)(30).~~
~~"Entrusting"~~	~~G.S. 25-2-403(3).~~
~~"General intangible"~~	~~G.S. 25-9-102(a)(42).~~
~~"Instrument"~~	~~G.S. 25-9-102(a)(47).~~
~~"Merchant"~~	~~G.S. 25-2-104(1).~~
~~"Mortgage"~~	~~G.S. 25-9-102(a)(55).~~
~~"Pursuant to commitment"~~	~~G.S. 25-9-102(a)(68).~~
~~"Receipt"~~	~~G.S. 25-2-103(1)(c).~~
~~"Sale"~~	~~G.S. 25-2-106(1).~~
~~"Sale on approval"~~	~~G.S. 25-2-326.~~
~~"Sale or return"~~	~~G.S. 25-2-326.~~
~~"Seller"~~	~~G.S. 25-2-103(1)(d).~~

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

SECTION 123. G.S. 25-2A-107 reads as rewritten:

"**§ 25-2A-107. Waiver or renunciation of claim or right after default.**

Any claim or right arising out of an alleged default or breach of warranty may be discharged in whole or in part without consideration by a ~~written~~ waiver or renunciation in a signed ~~and~~ record delivered by the aggrieved party."

SECTION 124. G.S. 25-2A-201 reads as rewritten:

"**§ 25-2A-201. Statute of frauds.**

~~(1)~~(a) A lease contract is not enforceable by way of action or defense ~~unless:~~unless either of the following applies:

~~(a)~~(1) ~~the~~ The total payments to be made under the lease contract, excluding payments for options to renew or buy, are less than one thousand dollars ~~($1,000); or~~($1,000).

~~(b)~~(2) ~~there~~ There is a ~~writing,~~ record, signed by the party against ~~whom~~ which enforcement is sought or by that party's authorized agent, sufficient to indicate that a lease contract has been made between the parties and to describe the goods leased and the lease term.

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

~~(3)~~(c) A ~~writing~~ record is not insufficient because it omits or incorrectly states a term agreed upon, but the lease contract is not enforceable under ~~subsection (1)(b)~~ subdivision (a)(2) of this section beyond the lease term and the quantity of goods shown in the ~~writing.~~record.

~~(4)~~(d) ~~A~~ All of the following apply to a lease contract that does not satisfy the requirements of subsection ~~(1)~~ (a) of this section, but ~~which~~ that is valid in other ~~respects, is enforceable:~~respects:

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

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

~~(c)~~(3) The contract is enforceable with respect to goods that have been received and accepted by the lessee.

~~(5)~~(e) The lease term under a lease contract referred to in subsection ~~(4)~~ (d) of this section ~~is:~~is as follows:

~~(a)~~(1) ~~if~~ If there is a ~~writing~~ record signed by the party against ~~whom~~ which enforcement is sought or by that party's authorized agent specifying the lease term, the term so ~~specified;~~specified.

~~(b)~~(2) ~~if~~ If the party against ~~whom~~ which enforcement is sought admits in that party's pleading, testimony, or otherwise in court a lease term, the term so ~~admitted;~~admitted.

~~(c)~~(3) ~~if~~ If there is other evidence of the parties' intent with regard to the lease term, the term so ~~intended; or~~intended.

~~(d)~~(4) ~~in~~ In the absence of evidence of the parties' intent, a reasonable lease term."

SECTION 125. G.S. 25-2A-202 reads as rewritten:

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

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

~~(a)~~(1) ~~by~~ By course of dealing or usage of trade or by course of ~~performance; and~~performance.

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

SECTION 126. G.S. 25-2A-203 reads as rewritten:

"**§ 25-2A-203. Seals inoperative.**

The affixing of a seal to a ~~writing~~ record evidencing a lease contract or an offer to enter into a lease contract does not render the ~~writing~~ record a sealed ~~instrument~~ instrument, and the law with respect to sealed instruments does not apply to the lease contract or offer."

SECTION 127. G.S. 25-2A-205 reads as rewritten:

"**§ 25-2A-205. Firm offers.**

An offer by a merchant to lease goods to or from another person in a signed ~~writing~~ record that by its terms gives assurance it will be held open is not revocable, for lack of consideration, during the time stated or, if no time is stated, for a reasonable time, but in no event ~~may~~ shall the

period of irrevocability exceed three months. ~~Any such~~ The term of assurance on a form supplied by the offeree ~~must~~ shall be separately signed by the offeror."

SECTION 128. G.S. 25-2A-208 reads as rewritten:

"**§ 25-2A-208. Modification, ~~rescission~~ rescission, and waiver.**

~~(1)~~(a) An agreement modifying a lease contract needs no consideration to be binding.

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

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

~~(4)~~(d) A party ~~who~~ that has made a waiver affecting an executory portion of a lease contract may retract the waiver by reasonable notification received by the other party that strict performance will be required of any term waived, unless the retraction would be unjust in view of a material change of position in reliance on the waiver."

SECTION 129. G.S. 25-3-104 reads as rewritten:

"**§ 25-3-104. Negotiable instrument.**

(a) Except as provided in subsections (c) and (d) of this section, "negotiable instrument" means an unconditional promise or order to pay a fixed amount of money, with or without interest or other charges described in the promise or order, if ~~it:~~all of the following apply:

(1) ~~Is~~ The promise or order is payable to bearer or to order at the time it is issued or first comes into possession of a ~~holder;~~holder.

(2) ~~Is~~ The promise or order is payable on demand or at a definite ~~time; and~~time.

(3) ~~Does~~ The promise or order does not state any other undertaking or instruction by the person promising or ordering payment to do any act in addition to the payment of money, but the promise or order may contain (i) an undertaking or power to give, maintain, or protect collateral to secure payment, (ii) an authorization or power to the holder to confess judgment or realize on or dispose of collateral, ~~or~~ (iii) a waiver of the benefit of any law intended for the advantage or protection of an ~~obligor.~~obligor, (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.

(b) "Instrument" means a negotiable instrument.

(c) An order that meets all of the requirements of subsection (a) of this section, except subdivision ~~(1),~~ (1) of that subsection, and otherwise falls within the definition of "check" in subsection (f) of this section is a negotiable instrument and a check.

(d) A promise or order other than a check is not an instrument if, at the time it is issued or first comes into possession of a holder, it contains a conspicuous statement, however expressed, to the effect that the promise or order is not negotiable or is not an instrument governed by this Article.

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

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

…."

SECTION 130. G.S. 25-3-105 reads as rewritten:

"**§ 25-3-105. Issue of instrument.**

(a) "Issue" ~~means the~~ means either of the following:

(1) The first delivery of an instrument by the maker or drawer, whether to a holder or nonholder, for the purpose of giving rights on the instrument to any person.

(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.

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

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

SECTION 131. G.S. 25-3-401 reads as rewritten:

"**§ 25-3-401. ~~Signature.~~Signature necessary for liability on instrument.**

(a) A person is not liable on an instrument unless (i) the person signed the instrument, or (ii) the person is represented by an agent or representative who signed the instrument and the signature is binding on the represented person under G.S. 25-3-402.

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

SECTION 132. G.S. 25-3-604 reads as rewritten:

"**§ 25-3-604. Discharge by cancellation or renunciation.**

(a) A person entitled to enforce an instrument, with or without consideration, may discharge the obligation of a party to pay the instrument (i) by an intentional voluntary act, such as surrender of the instrument to the party, destruction, mutilation, or cancellation of the instrument, cancellation or striking out of the party's signature, or the addition of words to the instrument indicating discharge, or (ii) by agreeing not to sue or otherwise renouncing rights against the party by a signed writing. 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.

(b) Cancellation or striking out of an ~~endorsement~~ indorsement pursuant to subsection (a) of this section does not affect the status and rights of a party derived from the indorsement."

SECTION 133.(a) Subdivision (a)(1) of G.S. 25-4A-103 is recodified as subdivision (a)(3a) of that section.

SECTION 133.(b) G.S. 25-4A-103, as amended by subsection (a) of this section, reads as rewritten:

"**§ 25-4A-103. Payment order – definitions.**

(a) In this ~~Article:~~Article, the following definitions apply:

(1) Recodified.

(2) ~~"Beneficiary" means the~~ Beneficiary. – The person to be paid by the beneficiary's bank.

(3) ~~"Beneficiary's bank" means the~~ Beneficiary's bank. – The bank identified in a payment order in which an account of the beneficiary is to be credited pursuant to the order or ~~which~~ that otherwise is to make payment to the beneficiary if the order does not provide for payment to an account.

(3a) ~~"Payment order" means an~~ Payment order. – An instruction of a sender to a receiving bank, transmitted ~~orally, electronically, or in writing,~~ orally or in a record, to pay, or to cause another bank to pay, a fixed or determinable amount of money to a beneficiary ~~if:~~if all of the following apply:

~~(i)~~a. The instruction does not state a condition of payment to the beneficiary other than time of ~~payment,~~payment.

~~(ii)~~b. The receiving bank is to be reimbursed by debiting an account of, or otherwise receiving payment from, the ~~sender, and~~sender.

~~(iii)~~c. The instruction is transmitted by the sender directly to the receiving bank or to an agent, funds-transfer system, or communication system for transmittal to the receiving bank.

(4) ~~"Receiving bank" means the~~ Receiving bank. – The bank to which the sender's instruction is addressed.

(5) ~~"Sender" means the~~ Sender. – The person giving the instruction to the receiving bank.

(b) If an instruction complying with ~~subsection (a)(1)~~ subdivision (a)(3a) of this section is to make more than one payment to a beneficiary, the instruction is a separate payment order with respect to each payment.

(c) A payment order is issued when it is sent to the receiving bank."

SECTION 134. G.S. 25-4A-201 reads as rewritten:

"**§ 25-4A-201. Security procedure.**

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

SECTION 135. G.S. 25-4A-202 reads as rewritten:

"**§ 25-4A-202. Authorized and verified payment orders.**

(a) A payment order received by the receiving bank is the authorized order of the person identified as sender if that person authorized the order or is otherwise bound by it under the law of agency.

(b) If a bank and its customer have agreed that the authenticity of payment orders issued to the bank in the name of the customer as sender will be verified pursuant to a security procedure, a payment order received by the receiving bank is effective as the order of the customer, whether or not authorized, if (i) the security procedure is a commercially reasonable method of providing security against unauthorized payment orders, and (ii) the bank proves that it accepted the payment order in good faith and in compliance with the bank's obligations under the security procedure and any ~~written~~ agreement or instruction of the ~~customer~~ customer, evidenced by a record, restricting acceptance of payment orders issued in the name of the customer. The bank is not required to follow an instruction that violates ~~a written~~ an agreement with the ~~customer~~ customer, evidenced by a record, or notice of which is not received at a time and in a manner affording the bank a reasonable opportunity to act on it before the payment order is accepted.

(c) Commercial reasonableness of a security procedure is a question of law to be determined by considering the wishes of the customer expressed to the bank, the circumstances of the customer known to the bank, including the size, type, and frequency of payment orders normally issued by the customer to the bank, alternative security procedures offered to the customer, and security procedures in general use by customers and receiving banks similarly situated. A security procedure is deemed to be commercially reasonable if (i) the security procedure was chosen by the customer after the bank offered, and the customer refused, a security procedure that was commercially reasonable for that customer, and (ii) the customer expressly

agreed in ~~writing~~ a record to be bound by any payment order, whether or not authorized, issued in its name and accepted by the bank in compliance with the bank's obligations under the security procedure chosen by the customer.

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

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

(f) Except as provided in this section and in G.S. 25-4A-203(a)(1), rights and obligations arising under this section or G.S. 25-4A-203 ~~may~~ shall not be varied by agreement."

SECTION 136. G.S. 25-4A-203 reads as rewritten:

"**§ 25-4A-203. Unenforceability of certain verified payment orders.**

(a) If an accepted payment order is not, under G.S. 25-4A-202(a), an authorized order of a customer identified as ~~sender,~~ sender but is effective as an order of the customer pursuant to G.S. 25-4A-202(b), the following rules apply:

(1) By express ~~written agreement,~~ agreement evidenced by a record, the receiving bank may limit the extent to which it is entitled to enforce or retain payment of the payment order.

(2) The receiving bank is not entitled to enforce or retain payment of the payment order if the customer proves that the order was not caused, directly or indirectly, by a person (i) entrusted at any time with duties to act for the customer with respect to payment orders or the security procedure, or (ii) ~~who~~ that obtained access to transmitting facilities of the customer or ~~who~~ that obtained, from a source controlled by the customer and without authority of the receiving bank, information facilitating breach of the security procedure, regardless of how the information was obtained or whether the customer was at fault. Information includes any access device, computer software, or the like.

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

SECTION 137. G.S. 25-4A-207 reads as rewritten:

"**§ 25-4A-207. Misdescription of beneficiary.**

(a) Subject to subsection ~~(b),~~ (b) of this section, if, in a payment order received by the beneficiary's bank, the name, bank account number, or other identification of the beneficiary refers to a nonexistent or unidentifiable person or account, no person has rights as a beneficiary of the order and acceptance of the order cannot occur.

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

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

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

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

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

(2) If the originator is not a bank and proves that the person identified by number was not entitled to receive payment from the originator, the originator is not obliged to pay its order unless the originator's bank proves that the originator, before acceptance of the originator's order, had notice that payment of a payment order issued by the originator might be made by the beneficiary's bank on the basis of an identifying or bank account number even if it identifies a person different from the named beneficiary. Proof of notice may be made by any admissible evidence. The originator's bank satisfies the burden of proof if it proves that the originator, before the payment order was accepted, signed a ~~writing~~ record stating the information to which the notice relates.

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

(1) If the originator is obliged to pay its payment order as stated in subsection ~~(c),~~ (c) of this section, the originator has the right to recover.

(2) If the originator is not a bank and is not obliged to pay its payment order, the originator's bank has the right to recover."

SECTION 138. G.S. 25-4A-208 reads as rewritten:

"**§ 25-4A-208. Misdescription of intermediary bank or beneficiary's bank.**

(a) ~~This subsection applies~~ Both of the following apply to a payment order identifying an intermediary bank or the beneficiary's bank only by an identifying ~~number.~~number:

(1) The receiving bank may rely on the number as the proper identification of the intermediary or beneficiary's bank and need not determine whether the number identifies a bank.

(2) The sender is obliged to compensate the receiving bank for any loss and expenses incurred by the receiving bank as a result of its reliance on the number in executing or attempting to execute the order.

(b) ~~This subsection applies~~ All of the following apply to a payment order identifying an intermediary bank or the beneficiary's bank both by name and an identifying number if the name and number identify different ~~persons.~~persons:

(1) If the sender is a bank, the receiving bank may rely on the number as the proper identification of the intermediary or beneficiary's bank if the receiving bank, when it executes the sender's order, does not know that the name and number identify different persons. The receiving bank need not determine whether the name and number refer to the same person or whether the number refers to a bank. The sender is obliged to compensate the receiving bank for any loss and expenses incurred by the receiving bank as a result of its reliance on the number in executing or attempting to execute the order.

(2) If the sender is not a bank and the receiving bank proves that the sender, before the payment order was accepted, had notice that the receiving bank might rely on the number as the proper identification of the intermediary or beneficiary's bank even if it identifies a person different from the bank identified by name, the rights and obligations of the sender and the receiving bank are governed by ~~subsection (b)(1),~~ subdivision (b)(1) of this section, as though the sender were a bank. Proof of notice may be made by any admissible evidence. The

receiving bank satisfies the burden of proof if it proves that the sender, before the payment order was accepted, signed a ~~writing~~ record stating the information to which the notice relates.

(3) Regardless of whether the sender is a bank, the receiving bank may rely on the name as the proper identification of the intermediary or beneficiary's bank if the receiving bank, at the time it executes the sender's order, does not know that the name and number identify different persons. The receiving bank need not determine whether the name and number refer to the same person.

(4) If the receiving bank knows that the name and number identify different persons, reliance on either the name or the number in executing the sender's payment order is a breach of the obligation stated in G.S. 25-4A-302(a)(1)."

SECTION 139. G.S. 25-4A-210 reads as rewritten:

"**§ 25-4A-210. Rejection of payment order.**

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

…."

SECTION 140. G.S. 25-4A-211 reads as rewritten:

"**§ 25-4A-211. Cancellation and amendment of payment order.**

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

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

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

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

(2) With respect to a payment order accepted by the beneficiary's bank, cancellation or amendment is not effective unless the order was issued in execution of an unauthorized payment order, or because of a mistake by a sender in the funds transfer ~~which~~ that resulted in the issuance of a payment order (i) that is a duplicate of a payment order previously issued by the sender, (ii) that orders payment to a beneficiary not entitled to receive payment from the originator, or (iii) that orders payment in an amount greater than the amount the beneficiary was entitled to receive from the originator. If the payment order is cancelled or amended, the beneficiary's bank is entitled to

recover from the beneficiary any amount paid to the beneficiary to the extent allowed by the law governing mistake and restitution.

…

(h) A funds-transfer system rule is not effective to the extent it conflicts with ~~subsection (c)(2).~~subdivision (c)(2) of this section."

SECTION 141. G.S. 25-4A-305 reads as rewritten:

"**§ 25-4A-305. Liability for late or improper execution or failure to execute payment order.**

(a) If a funds transfer is completed but execution of a payment order by the receiving bank in breach of G.S. 25-4A-302 results in delay in payment to the beneficiary, the bank is obliged to pay interest to either the originator or the beneficiary of the funds transfer for the period of delay caused by the improper execution. Except as provided in subsection ~~(c),~~ (c) of this section, additional damages are not recoverable.

(b) If execution of a payment order by a receiving bank in breach of G.S. 25-4A-302 results in (i) noncompletion of the funds transfer, (ii) failure to use an intermediary bank designated by the originator, or (iii) issuance of a payment order that does not comply with the terms of the payment order of the originator, the bank is liable to the originator for its expenses in the funds transfer and for incidental expenses and interest losses, to the extent not covered by subsection ~~(a),~~ (a) of this section, resulting from the improper execution. Except as provided in subsection ~~(c),~~ (c) of this section, additional damages are not recoverable.

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

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

(e) Reasonable attorneys' fees are recoverable if demand for compensation under subsection (a) or (b) of this section is made and refused before an action is brought on the claim. If a claim is made for breach of an agreement under subsection (d) of this section and the agreement does not provide for damages, reasonable attorneys' fees are recoverable if demand for compensation under subsection (d) of this section is made and refused before an action is brought on the claim.

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

SECTION 142. G.S. 25-5-104 reads as rewritten:

"**§ 25-5-104. Formal requirements.**

A letter of credit, confirmation, advice, transfer, amendment, or cancellation may be issued in any form that is a ~~record and is authenticated (i) by a signature or (ii) in accordance with the agreement of the parties or the standard practice referred to in G.S. 25-5-108(e).~~signed record."

SECTION 143. G.S. 25-5-116 reads as rewritten:

"**§ 25-5-116. Choice of law and forum.**

(a) The liability of an issuer, nominated person, or adviser for action or omission is governed by the law of the jurisdiction chosen by an agreement in the form of a record signed ~~or otherwise authenticated~~ by the affected parties ~~in the manner provided in G.S. 25-5-104~~ or by a provision in the person's letter of credit, confirmation, or other undertaking. The jurisdiction whose law is chosen need not bear any relation to the transaction.

(b) Unless subsection (a) of this section applies, the liability of an issuer, nominated person, or adviser for action or omission is governed by the law of the jurisdiction in which the person is located. The person is considered to be located at the address indicated in the person's

undertaking. If more than one address is indicated, the person is considered to be located at the address from which the person's undertaking was issued.

(b1) For the purpose of jurisdiction, choice of law, and recognition of interbranch letters of credit, but not enforcement of a judgment, all branches of a bank are considered separate juridical entities and a bank is considered to be located at the place where its relevant branch is considered to be located under ~~this subsection.~~subsection (b2) of this section.

(b2) 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 144. G.S. 25-7-102 reads as rewritten:

"**§ 25-7-102. Definitions and index of definitions.**

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

(1) ~~"Bailee" means a~~ Bailee. – A person that by a warehouse receipt, bill of lading, or other document of title acknowledges possession of goods and contracts to deliver them.

(2) ~~"Carrier" means a~~ Carrier. – A person that issues a bill of lading.

(3) ~~"Consignee" means a~~ Consignee. – A person named in a bill of lading to ~~whom~~ which or to whose order the bill promises delivery.

(4) ~~"Consignor" means a~~ Consignor. – A person named in a bill of lading as the person from ~~whom~~ which the goods have been received for shipment.

(4a) Contract for sale. – Defined in G.S. 25-2-106.

(5) ~~"Delivery order" means a~~ Delivery order. – A record that contains an order to deliver goods directed to a warehouse, carrier, or other person that in the ordinary course of business issues warehouse receipts or bills of lading.

(6) Reserved for future codification purposes.

(7) ~~"Goods" means all~~ Goods. – All things that are treated as movable for the purposes of a contract for storage or transportation.

(8) ~~"Issuer" means a~~ Issuer. – A bailee that issues a document of title or, in the case of an unaccepted delivery order, the person that orders the possessor of goods to deliver. The term includes a person for ~~whom~~ which an agent or employee purports to act in issuing a document if the agent or employee has real or apparent authority to issue documents, even if the issuer did not receive any goods, the goods were misdescribed, or in any other respect the agent or employee violated the issuer's instructions.

(8a) Lessee in ordinary course of business. – Defined in G.S. 25-2A-103.

(9) ~~"Person entitled under the document" means the~~ Person entitled under the document. – The holder, in the case of a negotiable document of title, or the person to ~~whom~~ which delivery of the goods is to be made by the terms of, or pursuant to instructions in a record under, a nonnegotiable document of title.

(10) "Receipt" of goods. – Defined in G.S. 25-2-103.

~~(11) "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.~~

(12) ~~"Shipper" means a~~ Shipper. – A person that enters into a contract of transportation with a carrier.

(13) ~~"Warehouse" means a~~ Warehouse. – A person engaged in the business of storing goods for hire.

~~(b) Definitions in other Articles applying to this Article and the sections in which they appear are:~~

~~(1) "Contract for sale," G.S. 25-2-106.~~

~~(2) "Lessee in the ordinary course of business," G.S. 25-2A-103.~~

~~(3) "Receipt" of goods, G.S. 25-2-103.~~

(c) In addition, Article 1 of this Chapter contains general definitions and principles of construction and interpretation applicable throughout this Article."

SECTION 145. G.S. 25-7-106 reads as rewritten:

"**§ 25-7-106. Control of electronic document of title.**

(a) A person has control of an electronic document of title if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred.

(b) A system satisfies subsection (a) of this section, and a person ~~is deemed to have~~ has control of an electronic document of title, if the document is created, stored, and ~~assigned~~ transferred in ~~such~~ a manner ~~that:~~where all of the following apply:

(1) A single authoritative copy of the document exists ~~which~~ that is unique, identifiable, and, except as otherwise provided in subdivisions (4), (5), and (6) of this subsection, ~~unalterable;~~unalterable.

(2) The authoritative copy identifies the person asserting control ~~as:~~as either of the following:

a. The person to ~~whom~~ which the document was ~~issued; or~~issued.

b. If the authoritative copy indicates that the document has been transferred, the person to ~~whom~~ which the document was most recently ~~transferred;~~transferred.

(3) The authoritative copy is communicated to and maintained by the person asserting control or its designated ~~custodian;~~custodian.

(4) Copies or amendments that add or change an identified ~~assignee~~ transferee of the authoritative copy can be made only with the consent of the person asserting ~~control;~~control.

(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~~copy.

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

(c) A system satisfies subsection (a) of this section, 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 does all of the following:

(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.

(3) Gives the person exclusive power, subject to subsection (d) of this section, to do both of the following:

a. Prevent others from adding or changing the person to which each authoritative electronic copy has been issued or transferred.

b. Transfer control of each authoritative electronic copy.

(d) Subject to subsection (e) of this section, a power is exclusive under subdivision (c)(3) of this section even if either of the following applies:

(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.

(2) The power is shared with another person.

(e) A power of a person is not shared with another person under subdivision (d)(2) of this section and the person's power is not exclusive if both of the following apply:

(1) The person can exercise the power only if the power also is exercised by the other person.

(2) Either of the following applies to the other person:

a. The other person can exercise the power without exercise of the power by the person.

b. The other person is the transferor to the person of an interest in the document of title.

(f) If a person has the powers specified in subdivision (c)(3) of this section, the powers are presumed to be exclusive.

(g) A person has control of an electronic document of title if either of the following applies to another person, other than the transferor to the person of an interest in the document:

(1) The other person has control of the document and acknowledges that it has control on behalf of the person.

(2) The other person 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 of this Chapter 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 146. G.S. 25-8-102 reads as rewritten:

"**§ 25-8-102. Definitions.**

(a) In this ~~Article:~~Article, the following definitions apply:

(1) ~~"Adverse claim" means a~~ Adverse claim. – A claim that a claimant has a property interest in a financial asset and that it is a violation of the rights of the claimant for another person to hold, transfer, or deal with the financial asset.

(1a) Appropriate person. – Defined in G.S. 25-8-107.

(2) ~~"Bearer form", as~~ Bearer form. – As applied to a certificated security, means a form in which the security is payable to the bearer of the security certificate according to its terms but not by reason of an indorsement.

(3) ~~"Broker" means a~~ Broker. – A person defined as a broker or dealer under the federal securities laws, but without excluding a bank acting in that capacity.

(4) ~~"Certificated security" means a~~ Certificated security. – A security that is represented by a certificate.

(5) ~~"Clearing corporation" means:~~Clearing corporation. – Any of the following:

~~(i)~~a. A person that is registered as a "clearing agency" under the federal securities ~~laws;~~laws.

~~(ii)~~b. A federal reserve ~~bank; or~~bank.

~~(iii)~~c. Any other person that provides clearance or settlement services with respect to financial assets that would require it to register as a clearing agency under the federal securities laws but for an exclusion or exemption from the registration requirement, if its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a federal or state governmental authority.

(6) ~~"Communicate" means to:~~Communicate. – Either of the following:

~~(i)~~a. Send a signed ~~writing; or~~record.

~~(ii)~~b. Transmit information by any mechanism agreed upon by the persons transmitting and receiving the information.

(6a) Control. – Defined in G.S. 25-8-106.

(6b) Controllable account. – Defined in G.S. 25-9-102.

(6c) Controllable electronic record. – Defined in G.S. 25-12-102.

(6d) Controllable payment intangible. – Defined in G.S. 25-9-102.

(6e) Delivery. – Defined in G.S. 25-8-301.

(7) ~~"Entitlement holder" means a~~ Entitlement holder. – A person identified in the records of a securities intermediary as the person having a security entitlement against the securities intermediary. If a person acquires a security entitlement by virtue of G.S. 25-8-501(b)(2) or (3), that person is the entitlement holder.

(8) ~~"Entitlement order" means a~~ Entitlement order. – A notification communicated to a securities intermediary directing transfer or redemption of a financial asset to which the entitlement holder has a security entitlement.

(9) ~~"Financial asset", except~~ Financial asset. – Except as otherwise provided in G.S. 25-8-103, ~~means:~~means any of the following:

~~(i)~~a. A ~~security;~~security.

~~(ii)~~b. An obligation of a person or a share, participation, or other interest in a person or in property or an enterprise of a person, ~~which~~ that is, or is of a type, dealt in or traded on financial markets, or ~~which~~ that is recognized in any area in which it is issued or dealt in as a medium for ~~investment; or~~investment.

~~(iii)~~c. Any property that is held by a securities intermediary for another person in a securities account if the securities intermediary has expressly agreed with the other person that the property is to be treated as a financial asset under this Article.

As context requires, the term means either the interest itself or the means by which a person's claim to it is evidenced, including a certificated or uncertificated security, a security certificate, or a security entitlement.

(10) Repealed by Session Laws 2006-112, s. 20, effective October 1, 2006.

(11) ~~"Indorsement" means a~~ Indorsement. – A signature that alone or accompanied by other words is made on a security certificate in registered form or on a separate document for the purpose of assigning, transferring, or redeeming the security or granting a power to assign, transfer, or redeem it.

(12) ~~"Instruction" means a~~ Instruction. – A notification communicated to the issuer of an uncertificated security ~~which~~ that directs that the transfer of the security be registered or that the security be redeemed.

(12a) Investment company security. – Defined in G.S. 25-8-103.

(12b) Issuer. – Defined in G.S. 25-8-201.

(12c) Overissue. – Defined in G.S. 25-8-210.

(12d) Protected purchaser. – Defined in G.S. 25-8-303.

(13) ~~"Registered form", as~~ Registered form. – As applied to a certificated security, means a form in ~~which:~~which both of the following apply:

~~(i)~~a. The security certificate specifies a person entitled to the ~~security; and~~security.

~~(ii)~~b. A transfer of the security may be registered upon books maintained for that purpose by or on behalf of the issuer, or the security certificate so states.

(13a) Securities account. – Defined in G.S. 25-8-501.

(14) ~~"Securities intermediary" means:~~Securities intermediary. – Either of the following:

~~(i)~~a. A clearing ~~corporation; or~~corporation.

~~(ii)~~b. A person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

(15) ~~"Security", except~~ Security. – Except as otherwise provided in G.S. 25-8-103, means an obligation of an issuer or a share, participation, or other interest in an issuer or in property or an enterprise of an ~~issuer:~~issuer that satisfies all of the following requirements:

~~(i)~~a. ~~Which~~ It is represented by a security certificate in bearer or registered form, or ~~the~~ its transfer ~~of which~~ may be registered upon books maintained for that purpose by or on behalf of the ~~issuer;~~issuer.

~~(ii)~~b. ~~Which~~ It is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or ~~obligations; and~~obligations.

~~(iii)~~c. ~~Which:~~It satisfies either of the following:

~~(A)~~1. ~~Is,~~ It is, or is of a type, dealt in or traded on securities exchanges or securities ~~markets; or~~markets.

~~(B)~~2. ~~Is~~ It is a medium for investment and by its terms expressly provides that it is a security governed by this Article.

(16) ~~"Security certificate" means a~~ Security certificate. – A certificate representing a security.

(17) ~~"Security entitlement" means the~~ Security entitlement. – The rights and property interest of an entitlement holder with respect to a financial asset specified in Part 5 of this Article.

(18) ~~"Uncertificated security" means a~~ Uncertificated security. – A security that is not represented by a certificate.

~~(b) Other definitions applying to this Article and the sections in which they appear are:~~

~~"Appropriate person"~~	~~G.S. 25-8-107.~~
~~"Control"~~	~~G.S. 25-8-106.~~
~~"Delivery"~~	~~G.S. 25-8-301.~~
~~"Investment company security"~~	~~G.S. 25-8-103.~~
~~"Issuer"~~	~~G.S. 25-8-201.~~
~~"Overissue"~~	~~G.S. 25-8-210.~~
~~"Protected purchaser"~~	~~G.S. 25-8-303.~~
~~"Securities account"~~	~~G.S. 25-8-501.~~

(c) In addition, Article 1 of this Chapter contains general definitions and principles of construction and interpretation applicable throughout this Article.

(d) The characterization of a person, business, or transaction for purposes of this Article does not determine the characterization of the person, business, or transaction for purposes of any other ~~law, regulation, or rule.~~law."

SECTION 147. G.S. 25-8-103 reads as rewritten:

"**§ 25-8-103. Rules for determining whether certain obligations and interests are securities or financial assets.**

…

(d) A writing that is a security certificate is governed by this Article and not by Article 3 of this Chapter, even though it also meets the requirements of that Article. However, a negotiable instrument governed by Article 3 of this Chapter is a financial asset if it is held in a securities account.

(e) An option or similar obligation issued by a clearing corporation to its participants is not a ~~security,~~ security but is a financial asset.

(f) A commodity contract, as defined in ~~G.S. 25-9-102(a)(15),~~ G.S. 25-9-102, is not a security or financial asset.

(g) A document of title is not a financial asset unless ~~G.S. 25-8-102(a)(9)(iii)~~ G.S. 25-8-102(a)(9)c. applies.

(h) A controllable account, controllable electronic record, or controllable payment intangible is not a financial asset unless G.S. 25-8-102(a)(9)c. applies."

SECTION 148. G.S. 25-8-106 reads as rewritten:

"**§ 25-8-106. Control.**

(a) A purchaser has "control" of a certificated security in bearer form if the certificated security is delivered to the purchaser.

(b) A purchaser has "control" of a certificated security in registered form if the certificated security is delivered to the purchaser, ~~and:~~and either of the following applies:

(1) The certificate is ~~endorsed~~ indorsed to the purchaser or in blank by an effective ~~endorsement; or~~indorsement.

(2) The certificate is registered in the name of the purchaser, upon original issue or registration of transfer by the issuer.

(c) A purchaser has "control" of an uncertificated security ~~if:~~if either of the following applies:

(1) The uncertificated security is delivered to the ~~purchaser; or~~purchaser.

(2) The issuer has agreed that it will comply with instructions originated by the purchaser without further consent by the registered owner.

(d) A purchaser has "control" of a security entitlement ~~if:~~if any of the following applies:

(1) The purchaser becomes the entitlement ~~holder;~~holder.

(2) The securities intermediary has agreed that it will comply with entitlement orders originated by the purchaser without further consent by the entitlement ~~holder; or~~holder.

(3) ~~Another 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.~~Either of the following applies to another person, other than the transferor to the purchaser of an interest in the security entitlement:

a. The other person has control of the security entitlement and acknowledges that it has control on behalf of the purchaser.

b. The other person obtains control of the security entitlement after having acknowledged that it will obtain control of the security entitlement on behalf of the purchaser.

(e) If an interest in a security entitlement is granted by the entitlement holder to the entitlement holder's own securities intermediary, the securities intermediary has control.

(f) A purchaser ~~who~~ that has satisfied the requirements of subsection (c) or (d) of this section has control, even if the registered owner in the case of subsection (c) of this section or the entitlement holder in the case of subsection (d) of this section retains the right to make substitutions for the uncertificated security or security entitlement, to originate instructions or entitlement orders to the issuer or securities intermediary, or otherwise to deal with the uncertificated security or security entitlement.

(g) An issuer or a securities intermediary ~~may~~ shall not enter into an agreement of the kind described in subdivision (c)(2) or (d)(2) of this section without the consent of the registered owner or entitlement holder, but an issuer or a securities intermediary is not required to enter into ~~such an~~ this kind of agreement even though the registered owner or entitlement holder so directs. An issuer or securities intermediary that has entered into ~~such an~~ this kind of agreement is not

required to confirm the existence of the agreement to another party unless requested to do so by the registered owner or entitlement holder.

(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 of this Chapter 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 149. G.S. 25-8-110 reads as rewritten:

"**§ 25-8-110. Applicability; choice of law.**

(a) The local law of the issuer's jurisdiction, as specified in subsection (d) of this section, ~~governs:~~governs all of the following:

(1) The validity of a ~~security;~~security.

(2) The rights and duties of the issuer with respect to registration of ~~transfer;~~transfer.

(3) The effectiveness of registration of transfer by the ~~issuer;~~issuer.

(4) Whether the issuer owes any duties to an adverse claimant to a ~~security; and~~security.

(5) Whether an adverse claim can be asserted against a person to ~~whom~~ which transfer of a certificated or uncertificated security is registered or a person ~~who~~ that obtains control of an uncertificated security.

(b) The local law of the securities intermediary's jurisdiction, as specified in subsection (e) of this section, ~~governs:~~governs all of the following:

(1) Acquisition of a security entitlement from the securities ~~intermediary;~~intermediary.

(2) The rights and duties of the securities intermediary and entitlement holder arising out of a security ~~entitlement;~~entitlement.

(3) Whether the securities intermediary owes any duties to an adverse claimant to a security ~~entitlement; and~~entitlement.

(4) Whether an adverse claim can be asserted against a person ~~who~~ that acquires a security entitlement from the securities intermediary or a person ~~who~~ that purchases a security entitlement or interest therein from an entitlement holder.

(c) The local law of the jurisdiction in which a security certificate is located at the time of delivery governs whether an adverse claim can be asserted against a person to ~~whom~~ which the security certificate is delivered.

(d) "Issuer's jurisdiction" means the jurisdiction under which the issuer of the security is organized or, if permitted by the law of that jurisdiction, the law of another jurisdiction specified by the issuer. An issuer organized under the law of this State may specify the law of another jurisdiction as the law governing the matters specified in subdivisions (a)(2) through (5) of this section.

(e) The following rules determine a "securities intermediary's jurisdiction" for purposes of this section:

(1) If an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that a particular jurisdiction is the securities intermediary's jurisdiction for purposes of this Part, this Article, or this Chapter, that jurisdiction is the securities intermediary's jurisdiction.

(2) If subdivision (1) of this subsection does not apply and an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that the agreement is governed by the law of a

particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

(3) If neither subdivision (1) nor subdivision (2) of this ~~section~~ subsection applies and an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

(4) If none of the preceding subdivisions of this subsection applies, the securities intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the entitlement holder's account is located.

(5) If none of the preceding subdivisions of this subsection applies, the securities intermediary's jurisdiction is the jurisdiction in which the chief executive office of the securities intermediary is located.

(f) A securities intermediary's jurisdiction is not determined by the physical location of certificates representing financial assets, or by the jurisdiction in which is organized the issuer of the financial asset with respect to which an entitlement holder has a security entitlement, or by the location of facilities for data processing or other record keeping concerning the account.

(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) of this section even if the matter or transaction does not bear any relation to the jurisdiction."

SECTION 150. G.S. 25-8-303 reads as rewritten:

"**§ 25-8-303. Protected purchaser.**

(a) "Protected purchaser" means a purchaser of a certificated or uncertificated security, or of an interest therein, ~~who:~~to which all of the following apply:

(1) ~~Gives value;~~The purchaser gives value.

(2) ~~Does~~ The purchaser does not have notice of any adverse claim to the ~~security; and~~security.

(3) ~~Obtains~~ The purchaser obtains control of the certificated or uncertificated security.

(b) ~~In addition to acquiring the rights of a purchaser, a~~ A protected purchaser ~~also~~ acquires its interest in the security free of any adverse claim."

SUBPART VIII-D. OTHER CONFORMING CHANGES

SECTION 151. G.S. 44A-40 reads as rewritten:

"**§ 44A-40. Definitions.**

As used in this Article, ~~unless the context clearly requires otherwise:~~the following definitions apply:

(1) ~~"E-mail" or "electronic mail" means an~~ Email or electronic mail. – An electronic message or an executable program or computer file that contains an image of a message that is transmitted between two or more computers or electronic terminals. The term includes electronic messages that are transmitted within or between computer networks.

(1a) ~~"Independent bidder" means a~~ Independent bidder. – A person ~~who~~ that is not related to the lienor, within the meaning of ~~G.S. 25-9-102(62), in the case of a lienor who is an individual, or G.S. 25-9-102(63), in the case of a lienor that is an organization.~~G.S. 25-9-102(a)(62).

(1b) ~~"Last known address" means that~~ Last known address. – The mailing address or ~~e-mail~~ email address provided by the occupant in the latest rental agreement or the address provided by the occupant in a subsequent written notice of a change of address.

(2) ~~"Lienor" means any~~ Lienor. – A person entitled to a lien under this Article.

(3) ~~"Occupant" means a~~ Occupant. – A person, ~~his~~ or a person's sublessee, successor, or assign, entitled to the use of the storage space at a self-service storage facility under a rental agreement, to the exclusion of others.

(4) ~~"Owner" means the~~ Owner. – Consists of the following:

a. The owner, operator, lessor, or sublessor of a self-service storage ~~facility,~~facility.

b. ~~his agent, or~~ The agent of a person described in sub-subdivision a. of this subdivision.

c. ~~any other person authorized by him~~ A person authorized by a person described in sub-subdivision a. of this subdivision to manage the facility or to receive rent from an occupant under a rental agreement.

(5) ~~"Personal property" means movable~~ Personal property. – Movable property not affixed to ~~land and~~ land. The term includes, but is not limited to, goods, merchandise, household items, and watercraft.

(6) ~~"Rental agreement" means any~~ Rental agreement. – An agreement or lease, written or oral, that establishes or modifies the terms, conditions, ~~rules~~ rules, or any other provisions concerning the use and occupancy of a self-service storage facility.

(7) ~~"Self-service storage facility" means any real~~ Self-service storage facility. – Real property designed and used for the purpose of renting or leasing individual storage space to occupants ~~who~~ that are to have access ~~to such~~ for the purpose of storing and removing personal property. No occupant shall use a self-service storage facility for residential purposes. A self-service storage facility is not subject to ~~the provisions of Article 7 of General Statutes Chapter 25. Provided, however, if~~ Article 7 of Chapter 25 of the General Statutes. If, however, an owner issues any warehouse receipt, bill of lading, or other document of title for the personal property stored, the owner and the occupant are subject to ~~the provisions of Article 7 of General Statutes Chapter 25 and the provisions of this Article do not apply.~~Article 7 of Chapter 25 of the General Statutes and this Article does not apply.

(8) ~~"Verified electronic mail" means electronic~~ Verified electronic mail. – Electronic mail that is transmitted to an ~~e-mail~~ email address that the sender has verified by any reasonable means as being a working electronic mail address."

SUBPART VIII-E. TRANSITIONAL PROVISIONS

GENERAL PROVISIONS AND DEFINITIONS

SECTION 152. Title. – This Subpart may be cited as Transitional Provisions for Uniform Commercial Code Amendments (2022).

SECTION 153.(a) Part Definitions. – In this Subpart, the following definitions apply:

(1) Adjustment date. – The date that is one year after the effective date of this Part.

(2) Amended Article 9. – Article 9 of Chapter 25 of the General Statutes, as amended by this Part.

(3) Article 12. – Article 12 of Chapter 25 of the General Statutes.

(4) Article 12 property. – A controllable account, controllable electronic record, or controllable payment intangible.

(5) Controllable account. – Defined in G.S. 25-9-102.

(6) Controllable electronic record. – Defined in G.S. 25-12-102.
(7) Controllable payment intangible. – Defined in G.S. 25-9-102.
(8) Electronic money. – Defined in G.S. 25-9-102.
(9) Financing statement. – Defined in G.S. 25-9-102.

SECTION 153.(b) Article 1 Definitions and Principles. – Article 1 of Chapter 25 of the General Statutes contains general definitions and principles of construction and interpretation applicable throughout this Subpart.

GENERAL TRANSITIONAL PROVISION

SECTION 154. General Applicability; Saving Clause. – This Part applies to a transaction, lien, or other interest in property that is entered into, created, or acquired on or after the effective date of this act. Except as otherwise provided in this Subpart, a transaction validly entered into before the effective date of this Part 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 Chapter 25 of the General Statutes or, if applicable, Chapter 25 of the General Statutes, as though this Part had not taken effect.

TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12

SECTION 155.(a) Pre-Effective-Date Transaction, Lien, or Interest. – Except as provided in this section, amended Article 9 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 the effective date of this Part.

SECTION 155.(b) Continuing Validity. – Except as provided in subsections (c) through (j) of this section, both of the following apply:

(1) A transaction, lien, or interest in property that was validly entered into, created, or transferred before the effective date of this Part and was not governed by Chapter 25 of the General Statutes, but would be subject to amended Article 9 or Article 12 if it had been entered into, created, or transferred on or after the effective date of this Part, including the rights, duties, and interests flowing from the transaction, lien, or interest, remains valid on and after the effective date of this Part.
(2) A transaction, lien, or interest described in subdivision (1) of this subsection may be terminated, completed, consummated, and enforced as required or permitted by this Part or by the law that would apply if this Part had not taken effect.

SECTION 155.(c) Pre-Effective-Date Proceeding. – This Part does not affect an action, case, or proceeding commenced before the effective date of this Part.

SECTION 155.(d) Security Interest Perfected Before Effective Date. – Both of the following apply to a security interest perfected before the effective date of this Part:

(1) A security interest that is enforceable and perfected immediately before the effective date of this Part is a perfected security interest under this Part if, on the effective date of this Part, the requirements for enforceability and perfection under this Part are satisfied without further action.
(2) If a security interest is enforceable and perfected immediately before the effective date of this Part, but the requirements for enforceability or perfection under this Part are not satisfied on the effective date of this Part, all of the following apply to the security interest:
    a. The security interest is a perfected security interest until the earlier of the time perfection would have ceased under the law in effect immediately before the effective date of this Part or the adjustment date.

b. The security interest remains enforceable thereafter only if the security interest satisfies the requirements for enforceability under G.S. 25-9-203, as amended by this Part, before the adjustment date.

c. The security interest remains perfected thereafter only if the requirements for perfection under this Part are satisfied before the time specified in sub-subdivision a. of this subdivision.

SECTION 155.(e) Security Interest Unperfected Before Effective Date. – All of the following apply to a security interest that is enforceable immediately before the effective date of this Part but is unperfected at that time:

(1) The security interest remains an enforceable security interest until the adjustment date.

(2) The security interest remains enforceable thereafter if the security interest becomes enforceable under G.S. 25-9-203, as amended by this Part, on the effective date of this Part or before the adjustment date.

(3) The security interest becomes perfected at either of the following times:

a. Without further action, on the effective date of this Part if the requirements for perfection under this Part are satisfied before or at that time.

b. When the requirements for perfection are satisfied if the requirements are satisfied after the effective date of this Part.

SECTION 155.(f) Pre-Effective-Date Action; Attachment and Perfection Before Adjustment Date. – If action, other than the filing of a financing statement, is taken before the effective date of this Part and the action would have resulted in perfection of the security interest had the security interest become enforceable before the effective date of this Part, the action is effective to perfect a security interest that attaches under this Part 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 Part before the adjustment date.

SECTION 155.(g) Pre-Effective-Date Filing. – The filing of a financing statement before the effective date of this Part is effective to perfect a security interest on the effective date of this Part to the extent the filing would satisfy the requirements for perfection under this Part.

SECTION 155.(h) Pre-Effective-Date Enforceability Action. – The taking of an action before the effective date of this Part is sufficient for the enforceability of a security interest on the effective date of this Part if the action would satisfy the requirements for enforceability under this Part.

SECTION 155.(i) Priority. –

(1) Determination of priority. – Subject to subdivisions (2) and (3) of this subsection, this Part determines the priority of conflicting claims to collateral.

(2) Established priorities. – Subject to subdivision (3) of this subsection, if the priorities of claims to collateral were established before the effective date of this Part, Article 9 of Chapter 25 of the General Statutes as in effect before the effective date of this Part determines priority.

(3) Determination of certain priorities on adjustment date. – On the adjustment date, to the extent the priorities determined by amended Article 9 modify the priorities established before the effective date of this Part, the priorities of claims to Article 12 property and electronic money established before the effective date of this Part cease to apply.

SECTION 155.(j) Priority of Claims When Priority Rules of Article 9 Do Not Apply. –

(1) Determination of priority. – Subject to subdivisions (1) and (2) of this subsection, Article 12 determines the priority of conflicting claims to Article 12 property when the priority rules of amended Article 9 do not apply.

(2) Established priorities. – Subject to subdivision (3) of this subsection, when the priority rules of amended Article 9 do not apply and the priorities of claims to Article 12 property were established before the effective date of this Part, law other than Article 12 determines priority.

(3) Determination of certain priorities on adjustment date. – When the priority rules of amended Article 9 do not apply, to the extent the priorities determined by this Part modify the priorities established before the effective date of this Part, the priorities of claims to Article 12 property established before the effective date of this Part cease to apply on the adjustment date.

SUBPART VIII-F. COMMENTS AND EFFECTIVE DATE

SECTION 156. The Revisor of Statutes shall cause to be printed as annotations to the published General Statutes all relevant portions of the Official Comments to the Uniform Commercial Code and all explanatory comments of the drafters of this Part as the Revisor deems appropriate.

SECTION 157. This Part becomes effective October 1, 2025.

PART IX. UNIFORM SPECIAL DEPOSITS ACT

SECTION 158. The General Statutes is amended by adding a new Chapter to read:

"**Chapter 54D.**

"**Uniform Special Deposits Act.**

"**§ 54D-1. Title.**

This Chapter may be cited as the Uniform Special Deposits Act.

"**§ 54D-2. Definitions.**

In this Chapter, the following definitions apply:

(1) Account agreement. – An agreement to which all of the following apply:

a. The agreement is in a record between a bank and one or more depositors.

b. The agreement may have one or more beneficiaries as additional parties.

c. The agreement states the intention of the parties to establish a special deposit governed by this Chapter.

(2) Bank. – A person engaged in the business of banking and includes a bank as defined in G.S. 53C-1-4, savings bank, savings and loan association, and credit union. Each branch or separate office of a bank is a separate bank for the purpose of this Chapter.

(3) Beneficiary. – A person that satisfies either of the following:

a. The person is identified as a beneficiary in an account agreement.

b. If not identified as a beneficiary in an account agreement, the person is entitled to payment from a special deposit under the account agreement or on termination of the special deposit.

(4) Contingency. – An event or circumstance stated in an account agreement that is not certain to occur but must occur before the bank is obligated to pay a beneficiary.

(5) Creditor process. – Attachment, garnishment, levy, notice of lien, sequestration, or similar process issued by or on behalf of a creditor or other claimant.

(6) Depositor. – A person that establishes or funds a special deposit.

(7) Good faith. – Honesty in fact and observance of reasonable commercial standards of fair dealing.

(8) "Knowledge" of a fact. – Either of the following:

a. With respect to a beneficiary, actual knowledge of the fact.
b. With respect to a bank holding a special deposit, either of the following:
1. If the bank has established a reasonable routine for communicating material information to an individual to whom the bank has assigned responsibility for the special deposit and maintains reasonable compliance with the routine, actual knowledge of the fact by that individual.
2. If the bank has not established and maintained reasonable compliance with a routine described in sub-sub-subdivision 1. of this sub-subdivision, implied knowledge of the fact that would have come to the attention of an individual to whom the bank has assigned responsibility for the special deposit.

(9) Obligated to pay a beneficiary. – A beneficiary is entitled under the account agreement to receive from the bank a payment when a contingency has occurred and the bank has knowledge the contingency has occurred. "Obligation to pay a beneficiary" has a corresponding meaning.

(10) Permissible purpose. – A governmental, regulatory, commercial, charitable, or testamentary objective of the parties stated in an account agreement. The term includes an objective to do any of the following:
a. Hold funds in any of the following circumstances:
1. In escrow, including for a purchase and sale, lease, buyback, or other transaction.
2. As a security deposit of a tenant.
3. That may be distributed to a person as remuneration, retirement or other benefit, or compensation under a judgment, consent decree, court order, or other decision of a tribunal.
4. For distribution to a defined class of persons after identification of the class members and their interest in the funds.
b. Provide assurance with respect to an obligation created by contract, such as earnest money to ensure a transaction closes.
c. Settle an obligation that arises in the operation of a payment system, securities settlement system, or other financial market infrastructure.
d. Provide assurance with respect to an obligation that arises in the operation of a payment system, securities settlement system, or other financial market infrastructure.
e. Hold margin, other cash collateral, or funds that support the orderly functioning of financial market infrastructure or the performance of an obligation with respect to the infrastructure.

(11) Person. – An individual, estate, business or nonprofit entity, government or governmental subdivision, agency, or instrumentality, or other legal entity. The term includes a protected series, however denominated, of an entity if the protected series is established under law that limits, or limits if conditions specified under 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.

(12) Record. – Information inscribed on a tangible medium or stored in an electronic or other medium and retrievable in perceivable form.

(13) Special deposit. – A deposit that satisfies G.S. 54D-5.

(14) State. – A state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any other territory or possession subject to the jurisdiction of the United States. The term includes an agency or instrumentality of these entities.

"**§ 54D-3. Scope; choice of law; forum.**

(a) This Chapter applies to a special deposit under an account agreement that states the intention of the parties to establish a special deposit governed by this Chapter, regardless of whether a party to the account agreement or a transaction related to the special deposit, or the special deposit itself, has a reasonable relation to this State.

(b) The parties to an account agreement may choose a forum in this State for settling a dispute arising out of the special deposit, regardless of whether a party to the account agreement or a transaction related to the special deposit, or the special deposit itself, has a reasonable relation to this State.

(c) This Chapter does not affect either of the following:

(1) A right or obligation relating to a deposit other than a special deposit under this Chapter.

(2) The voidability of a deposit or transfer that is fraudulent or voidable under other law.

"**§ 54D-4. Variation by agreement or amendment.**

(a) The effect of G.S. 54D-2 through G.S. 54D-6, G.S. 54D-8 through G.S. 54D-11, and G.S. 54D-14 shall not be varied by agreement, except as provided in those sections. Subject to subsection (b) of this section, the effect of G.S. 54D-7, 54D-12, and 54D-13 may be varied by agreement.

(b) A provision in an account agreement or other record that substantially excuses liability or substantially limits remedies for failure to perform an obligation under this Chapter is not sufficient to vary the effect of a provision of this Chapter.

(c) If a beneficiary is a party to an account agreement, the bank and the depositor may amend the agreement without the consent of the beneficiary only if the agreement expressly permits the amendment.

(d) If a beneficiary is not a party to an account agreement and the bank and the depositor know the beneficiary has knowledge of the agreement's terms, the bank and the depositor may amend the agreement without the consent of the beneficiary only if the amendment does not adversely and materially affect a payment right of the beneficiary.

(e) If a beneficiary is not a party to an account agreement and the bank and the depositor do not know whether the beneficiary has knowledge of the agreement's terms, the bank and the depositor may amend the agreement without the consent of the beneficiary only if the amendment is made in good faith.

"**§ 54D-5. Requirements for special deposit.**

A deposit is a special deposit if all of the following apply:

(1) The deposit is a deposit of funds in a bank under an account agreement.

(2) The deposit is for the benefit of at least two beneficiaries, one or more of which may be a depositor.

(3) The deposit is denominated in a medium of exchange that is currently authorized or adopted by a domestic or foreign government.

(4) The deposit is for a permissible purpose stated in the account agreement.

(5) The deposit is subject to a contingency.

"**§ 54D-6. Permissible purpose.**

(a) A special deposit must serve at least one permissible purpose stated in the account agreement from the time the special deposit is created in the account agreement until termination of the special deposit.

(b) If, before termination of the special deposit, the bank or a court determines the special deposit no longer satisfies subsection (a) of this section, G.S. 54D-8 through G.S. 54D-11 cease to apply to any funds deposited in the special deposit after the special deposit ceases to satisfy subsection (a) of this section.

(c) If, before termination of a special deposit, the bank determines the special deposit no longer satisfies subsection (a) of this section, the bank may take action it believes is necessary under the circumstances, including terminating the special deposit.

"**§ 54D-7. Payment to beneficiary by bank.**

(a) Unless the account agreement provides otherwise, the bank shall discharge its obligation to a beneficiary when it is obligated to pay the beneficiary and there are sufficient actually and finally collected funds in the balance of the special deposit.

(b) Except as provided in subsection (c) of this section, the obligation to pay the beneficiary is excused if the funds available in the special deposit are insufficient to cover the payment.

(c) Unless the account agreement provides otherwise, if the funds available in the special deposit are insufficient to cover an obligation to pay a beneficiary, a beneficiary may elect to be paid the funds that are available or, if there is more than one beneficiary, a pro rata share of the funds available. Payment to the beneficiary making the election under this subsection discharges the bank's obligation to pay a beneficiary and does not constitute an accord and satisfaction with respect to another person obligated to the beneficiary.

(d) Unless the account agreement provides otherwise, the obligation of the bank obligated to pay a beneficiary is immediately due and payable.

(e) The bank may discharge its obligation under this section by doing either of the following:

(1) Crediting another transaction account of the beneficiary.

(2) Taking other action that either is permitted under the account agreement for the bank to obtain a discharge or otherwise would constitute a discharge under law.

(f) If the bank obligated to pay a beneficiary has incurred an obligation to discharge the obligation of another person, the obligation of the other person is discharged if action by the bank under subsection (e) of this section would constitute a discharge of the obligation of the other person under law that determines whether an obligation is satisfied.

"**§ 54D-8. Property interest of depositor or beneficiary.**

(a) Neither a depositor nor a beneficiary has a property interest in a special deposit.

(b) Any property interest with respect to a special deposit is only in the right to receive payment if the bank is obligated to pay a beneficiary and not in the special deposit itself. Any property interest under this subsection is determined under other law.

"**§ 54D-9. When creditor process enforceable against bank.**

(a) Subject to subsection (b) of this section, creditor process with respect to a special deposit is not enforceable against the bank holding the special deposit.

(b) Creditor process is enforceable against the bank holding a special deposit with respect to an amount the bank is obligated to pay a beneficiary or a depositor if all of the following apply:

(1) The process is served on the bank.

(2) The process provides sufficient information to permit the bank to identify the depositor or the beneficiary from the bank's books and records.

(3) The process gives the bank a reasonable opportunity to act on the process.

(c) Creditor process served on a bank before it is enforceable against the bank under subsection (b) of this section does not create a right of the creditor against the bank or a duty of the bank to the creditor. Other law determines whether creditor process creates a lien enforceable against the beneficiary on a contingent interest of a beneficiary, including a depositor as a beneficiary, even if not enforceable against the bank.

"**§ 54D-10. Injunction or similar relief.**

A court may enjoin, or grant similar relief that would have the effect of enjoining, a bank from paying a depositor or beneficiary only if payment would constitute a material fraud or facilitate a material fraud with respect to a special deposit.

"**§ 54D-11. Recoupment or set off.**

(a) Except as provided in subsection (b) or (c) of this section, a bank shall not exercise a right of recoupment or set off against a special deposit.

(b) An account agreement may authorize the bank to debit the special deposit in any of the following circumstances:

(1) When the bank becomes obligated to pay a beneficiary, in an amount that does not exceed the amount necessary to discharge the obligation.

(2) For a fee assessed by the bank that relates to an overdraft in the special deposit account.

(3) For costs incurred by the bank that relate directly to the special deposit.

(4) To reverse an earlier credit posted by the bank to the balance of the special deposit account, if the reversal occurs under an event or circumstance warranted under other law of this State governing mistake and restitution.

(c) The bank holding a special deposit may exercise a right of recoupment or set off against an obligation to pay a beneficiary, even if the bank funds payment from the special deposit.

"**§ 54D-12. Duties and liability of bank.**

(a) A bank does not have a fiduciary duty to any person with respect to a special deposit.

(b) When the bank holding a special deposit becomes obligated to pay a beneficiary, a debtor-creditor relationship arises between the bank and beneficiary.

(c) The bank holding a special deposit has a duty to a beneficiary to comply with the account agreement and this Chapter.

(d) If the bank holding a special deposit does not comply with the account agreement or this Chapter, the bank is liable to a depositor or beneficiary only for damages proximately caused by the noncompliance. Except as provided by other law of this State, the bank is not liable for consequential, special, or punitive damages.

(e) The bank holding a special deposit may rely on records presented in compliance with the account agreement to determine whether the bank is obligated to pay a beneficiary.

(f) If the account agreement requires payment on presentation of a record, the bank shall determine within a reasonable time whether the record is sufficient to require payment. If the agreement requires action by the bank on presentation of a record, the bank is not liable for relying in good faith on the genuineness of the record if the record appears on its face to be genuine.

(g) Unless the account agreement provides otherwise, the bank is not required to determine whether a permissible purpose stated in the agreement continues to exist.

"**§ 54D-13. Term and termination.**

(a) Unless otherwise provided in the account agreement, a special deposit terminates five years after the date the special deposit was first funded.

(b) Unless otherwise provided in the account agreement, if the bank cannot identify or locate a beneficiary entitled to payment when the special deposit is terminated, and a balance remains in the special deposit, the bank shall pay the balance to the depositor or depositors as a beneficiary or beneficiaries.

(c) A bank that pays the remaining balance as provided under subsection (b) of this section has no further obligation with respect to the special deposit.

"**§ 54D-14. Principles of law and equity.**

Chapter 25 ("Uniform Commercial Code") of the General Statutes, G.S. 1A-1, Rule 22 ("Interpleader"), consumer protection law, law governing deposits generally, law related to

escheat and abandoned or unclaimed property, and the principles of law and equity, including law related to capacity to contract, principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake, and bankruptcy, supplement this Chapter except to the extent inconsistent with this Chapter.

"**§ 54D-15. Uniformity of application and construction.**

In applying and construing this Chapter, a court shall consider the promotion of uniformity of the law among jurisdictions that enact the Uniform Special Deposits Act."

SECTION 159. The Revisor of Statutes shall cause to be printed, as annotations to the published General Statutes, all relevant portions of the Official Comments to the Uniform Special Deposits Act and all explanatory comments of the drafters of this Part as the Revisor may deem appropriate.

SECTION 160. This Part becomes effective October 1, 2025, and applies to a special deposit made under an account agreement executed on or after that date.

PART X. EFFECTIVE DATE

SECTION 161. Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 19th day of June, 2025.

s/ Rachel Hunt
President of the Senate

s/ Timothy Reeder, MD
Presiding Officer of the House of Representatives

_____
Josh Stein
Governor

Approved _____.m. this _____ day of _____, 2025