

HOUSE No. 1112

The Commonwealth of Massachusetts

PRESENTED BY:

Alice Hanlon Peisch

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

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

An Act relative to the Massachusetts Uniform Commercial Code.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Alice Hanlon Peisch</i>	<i>14th Norfolk</i>	<i>1/11/2023</i>

HOUSE No. 1112

By Representative Peisch of Wellesley, a petition (accompanied by bill, House, No. 1112) of Alice Hanlon Peisch relative to the Massachusetts Uniform Commercial Code. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Third General Court
(2023-2024)**

An Act relative to the Massachusetts Uniform Commercial Code.

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

1 SECTION 1. Section 1-201(b)(10) of said chapter 106 is hereby amended by (i) inserting,
2 after the word “that”, the following words:-- “, based on the totality of the circumstances,” (ii)
3 striking out the words “Conspicuous terms include the following:” in that Section, and (iii)
4 striking out subsections (A) and (B).

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

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

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

12 (16A) “Electronic” means relating to technology having electrical, digital, magnetic,
13 wireless, optical, electromagnetic, or similar capabilities.

14 SECTION 4. Section 1-201(b)(21) of said chapter 106 is hereby amended by inserting in
15 subsection C, after the word “control”, the following words:-- “, other than pursuant to Section 7-
16 106(g)”.

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

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

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

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

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

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

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

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

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

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

45 (A) execute or adopt a tangible symbol; or

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

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

49 SECTION 9. Section 1-204 of said chapter 106 is hereby amended by (i) striking out the
50 word “[and]” after the word “4,” and (ii) striking out “[and 6],” after the word “5,” and inserting
51 in place thereof the following words:-- “[6,] and 12,”.

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

55 (9) Section 12-107.

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

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

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

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

66 (2) In a hybrid transaction:

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

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

73 (3) This Article does not:

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

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

78 SECTION 13. Section 2-106 of said chapter 106 is hereby amended by inserting a
79 reference to a definition for “hybrid transaction” which appears therein, and by inserting the
80 following new section:--

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

82 (a) the provision of services;

83 (b) a lease of other goods; or

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

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

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

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

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

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

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

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

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

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

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

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

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

120 Section 2A-102. Scope.

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

123 (2) In a hybrid lease:

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

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

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

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

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

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

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

137 (i) the provision of services;

138 (ii) a sale of other goods; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

180 SECTION 32. Section 3-104(a)(3) of said chapter 106 is hereby amended by striking the
181 word “or” following “collateral,” in subsection (ii), by inserting a comma after the word
182 “obligor” in subsection (iii) and by inserting the following new sections at the end of Section 3-
183 104(a):--

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

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

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

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

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

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

198 SECTION 36. Section 3-116(b) of said chapter 106 is hereby amended by striking out the
199 words “3-419(e)” in that Section and by inserting in place thereof the following words:-- “3-
200 419(f)”.

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

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

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

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

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

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

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

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

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

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

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

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

224 (1) the person seeking to enforce the instrument:

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

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

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

229 and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

280 SECTION 3-602. PAYMENT.

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

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

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

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

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

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

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

311 (f) In this section, "signed," with respect to a record that is not a writing, includes the
312 attachment to or logical association with the record of an electronic symbol, sound, or process
313 with the present intent to adopt or accept the record.

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

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

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

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

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

326 SECTION 3-605. DISCHARGE OF SECONDARY OBLIGORS.

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

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

334 (2) Unless the terms of the release provide that the person entitled to enforce the
335 instrument retains the right to enforce the instrument against the secondary obligor, the
336 secondary obligor is discharged to the same extent as the principal obligor from any unperformed
337 portion of its obligation on the instrument. If the instrument is a check and the obligation of the
338 secondary obligor is based on an indorsement of the check, the secondary obligor is discharged
339 without regard to the language or circumstances of the discharge or other release.

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

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

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

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

354 (3) To the extent that the secondary obligor is not discharged under paragraph (2), the
355 secondary obligor may perform its obligations to a person entitled to enforce the instrument as if

356 the time for payment had not been extended or, unless the terms of the extension provide that the
357 person entitled to enforce the instrument retains the right to enforce the instrument against the
358 secondary obligor as if the time for payment had not been extended, treat the time for
359 performance of its obligations as having been extended correspondingly.

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

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

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

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

373 (d) If the obligation of a principal obligor is secured by an interest in collateral, another
374 party to the instrument is a secondary obligor with respect to that obligation, and a person
375 entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of
376 the secondary obligor is discharged to the extent of the impairment. The value of an interest in
377 collateral is impaired to the extent the value of the interest is reduced to an amount less than the

378 amount of the recourse of the secondary obligor or the reduction in value of the interest causes
379 an increase in the amount by which the amount of the recourse exceeds the value of the interest.
380 For purposes of this subsection, impairing the value of an interest in collateral includes failure to
381 obtain or maintain perfection or recordation of the interest in collateral; release of collateral
382 without substitution of collateral of equal value or equivalent reduction of the underlying
383 obligation; failure to perform a duty to preserve the value of collateral owed, under Article 9 or
384 other law, to a debtor or other person secondarily liable; and failure to comply with applicable
385 law in disposing of or otherwise enforcing the interest in collateral.

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

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

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

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

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

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

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

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

415 SECTION 55. Section 4-104(c) of said chapter 106 is hereby amended by inserting a
416 reference to a definition for “record” which appears in “Section 3-103”, and by inserting a
417 reference to a definition for “remotely-created consumer item” which appears in “Section 3-
418 103”.

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

421 writing” following the word “orally”, and inserting in place thereof the following:-- “or in a
422 record”

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

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

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

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

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

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

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

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

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

456 SECTION 64. Section 4A-207(c)(2) of said chapter 106 is hereby amended by (i) striking
457 out the word “writing” in that subsection and inserting in place thereof the word “record”.

458 SECTION 65. Section 4A-208(b)(2) of said chapter 106 is hereby amended by striking
459 out the word “writing” in that Section and by inserting in place thereof the word “record”.

460 SECTION 66. Section 4A-210(a) of said chapter 106 is hereby amended by striking out
461 the word “, electronically,” in that Section, and by striking out the word “writing” in that Section
462 and inserting in place thereof the following words:-- “a record”

463 SECTION 67. Section 4A-211(a) of said chapter 106 is hereby amended by striking out
464 the word “, electronically,” in that Section, and by striking out the word “writing” in that Section
465 and inserting in place thereof the following words:-- “a record”

466 SECTION 68. Section 4A-305(c) of said chapter 106 is hereby amended by striking out
467 the word “written”, and by inserting, following the word “bank”, the following words:--“,
468 evidenced by a record”

469 SECTION 69. Section 4A-305(d) of said chapter 106 is hereby amended by striking out
470 the word “written”, and by inserting, following the words “of the receiving bank,”, the following
471 words:-- “evidenced by a record,”

472 SECTION 70. Section 4-208(a) of said chapter 106 is hereby amended by (i) striking out
473 the word “and” after the word “altered;” in subsection (2), (ii) striking out the period at the end
474 of subsection (3), and inserting in place thereof the following:-- “; and” and (iii) inserting the
475 following new section:--

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

478 SECTION 71. Section 4-208 of said chapter 106 is hereby further amended by inserting
479 the following new section at the end of Section 4-208:--

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

484 SECTION 72. Section 4-212(a) of said chapter 106 is hereby amended by striking out the
485 word “written” in that Section and by inserting in place thereof the following words:-- “record
486 providing”.

487 SECTION 73. Section 4-301(a) of said chapter 106 is hereby amended by striking out the
488 word “or” in subsection (1), by striking out subsection (2) and by inserting the following new
489 sections at the end of Section 4-301(a):--

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

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

495 SECTION 74. Section 4-403(b) of said chapter 106 is hereby amended by striking out the
496 word “writing” wherever it appears in that Section and by inserting in each place thereof the
497 following word:-- “a record”.

498 SECTION 75. Section 5-104 of said chapter 106 is hereby amended by inserting the word
499 “signed” before the word “record”, and by striking out the words “and is authenticated (i) by a

500 signature or (ii) in accordance with the agreement of the parties or the standard practice referred
501 to in Section 5-108(e)".

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

505 SECTION 77. Section 5-116 of said chapter 106 is hereby amended by inserting the word
506 "(c)" following the words "undertaking was issued." in that Section, by striking out the word
507 "this" following the words "located under", and by inserting the word "(d)" at the end of the
508 newly created subsection (c)

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

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

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

518 SECTION 80. Section 7-102(a)(10) of said chapter 106 is hereby amended by striking
519 out the words "'Record' means information that is inscribed on a tangible medium or that is

520 stored in an electronic or other medium and is retrievable in perceivable form.” and by inserting
521 in place thereof the word “[Reserved.]”

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

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

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

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

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

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

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

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

545 (B) transfer control of each authoritative electronic copy.

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

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

552 (2) the power is shared with another person.

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

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

557 (2) the other person:

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

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

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

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

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

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

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

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

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

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

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

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

581 “Controllable account”. Section 9-102.

582 “Controllable electronic record”. Section 12-102.

583 “Controllable payment intangible”. Section 9-102.

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

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

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

593 “person, other than the transferor to the purchaser of an interest in the security
594 entitlement:

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

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

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

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

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

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

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

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

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

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

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

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

630 SECTION 96. Section 0-102(7) of said chapter 106 is hereby amended by striking out the
631 words “”Authenticate” means: (A) to sign; or (B) with present intent to adopt or accept a record,
632 to attach to or logically associate with the record and electronic sound, symbol, or process.” and
633 by inserting in place thereof the word “[Reserved.]”

634 SECTION 97. Said chapter 106 is hereby amended by inserting at the end of Section 9-
635 102(a)(7), the following new sections:

636 (7A) “Assignee”, except as used in “assignee for benefit of creditors”, means a person (i)
637 in whose favor a security interest that secures an obligation is created or provided for under a
638 security agreement, whether or not the obligation is outstanding or (ii) to which an account,
639 chattel paper, payment intangible, or promissory note has been sold. The term includes a person
640 to which a security interest has been transferred by a secured party.

641 (7B) “Assignor” means a person that (i) under a security agreement creates or provides
642 for a security interest that secures an obligation or (ii) sells an account, chattel paper, payment
643 intangible, or promissory note. The term includes a secured party that has transferred a security
644 interest to another person.

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

647 (11) “Chattel paper” means:

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

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

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

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

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

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

661 (27A) “Controllable account” means an account evidenced by a controllable electronic
662 record that provides that the account debtor undertakes to pay the person that has control under
663 Section 12-105 of the controllable electronic record.

664 (27B) “Controllable payment intangible” means a payment intangible evidenced by a
665 controllable electronic record that provides that the account debtor undertakes to pay the person
666 that has control under Section 12-105 of the controllable electronic record.

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

669 (31) [Reserved.]

670 (31A) “Electronic money” means money in an electronic form.

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

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

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

678 (54A) “Money” has the meaning in Section 1-201(b)(24), but does not include (i) a
679 deposit account or (ii) money in an electronic form that cannot be subjected to control under
680 Section 9-105A.

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

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

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

688 (75) [Reserved.]

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

691 (79) [Reserved.]

692 (79A) “Tangible money” means money in a tangible form.

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

695 “Controllable electronic record”. Section 12-102.

696 “Protected purchaser”. Section 8-303.

697 “Qualifying purchaser”. Section 12-102.

698 SECTION 109. Section 9-104(a) of said chapter 106 is hereby amended by (i) striking
699 out the words “an authenticated”, after the word “in” and inserting in place thereof the words “a

700 signed”, (ii) striking the word “or”, after the word “debtor;” (iii) striking the period after the
701 word “account”, and (iv) inserting the word “; or” after the word “account”.

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

704 (4) another person, other than the debtor:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

741 (B) transfer control of the authoritative electronic copy.

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

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

748 (2) the power is shared with another person.

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

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

753 (2) the other person:

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

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

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

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

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

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

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

767 Section 9-105A. Control of Electronic Money.

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

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

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

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

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

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

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

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

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

787 (2) the power is shared with another person.

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

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

792 (2) the other person:

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

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

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

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

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

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

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

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

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

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

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

814 (a) No requirement to acknowledge. A person that has control under Section 9-104, 9-
815 105, or 9-105A is not required to acknowledge that it has control on behalf of another person.

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

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

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

825 (D) the collateral is controllable accounts, controllable electronic records, controllable
826 payment intangibles, deposit accounts, electronic documents, electronic money, investment
827 property, or letter-of-credit rights, and the secured party has control under Section 7-106, 9-104,
828 9-105A, 9-106, or 9-107A pursuant to the debtor’s security agreement; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

864 (8) a secured party having control under Section 12-105 of a controllable electronic
865 record, other than a buyer of a controllable account or controllable payment intangible evidenced
866 by the controllable electronic record, shall transfer control of the controllable electronic record to
867 the debtor or a person designated by the debtor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

906 SECTION 132. Section 9-306 of said chapter 106 is hereby amended by inserting the
907 following new sections:

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

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

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

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

922 (2) If paragraph (1) does not apply and the rules of the system in which the authoritative
923 electronic copy is recorded are readily available for review and expressly provide that a
924 particular jurisdiction is the chattel paper's jurisdiction for purposes of this part, this article, or
925 this chapter, that jurisdiction is the chattel paper's jurisdiction.

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

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

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

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

940 (1) perfection of a security interest in the chattel paper by possession under Section 9-
941 314A; and

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

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

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

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

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

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

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

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

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

965 (8.1) in chattel paper which is perfected by possession and control under Section 9-314A;

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

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

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

976 (b) Control or possession of certain collateral. Except as otherwise provided in Section 9-
977 315(c) and (d) for proceeds:

978 (1) a security interest in a deposit account may be perfected only by control under Section
979 9-314;

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

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

984 (4) a security interest in electronic money may be perfected only by control under Section
985 9-314.

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

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

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

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

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

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

997 (3) filing as to the goods.

998 (e) Temporary perfection: new value. A security interest in certificated securities,
999 negotiable documents, or instruments is perfected without filing or the taking of possession or

1000 control for a period of 20 days from the time it attaches to the extent that it arises for new value
1001 given under a signed security agreement.

1002 SECTION 135. Section 9-313 of said chapter 106 is hereby amended by striking out
1003 subsection (a) and inserting in place thereof the following new section:--

1004 (a) Perfection by possession or delivery. Except as otherwise provided in subsection (b),
1005 a secured party may perfect a security interest in goods, instruments, negotiable tangible
1006 documents, or tangible money by taking possession of the collateral. A secured party may perfect
1007 a security interest in certificated securities by taking delivery of the certificated securities under
1008 Section 8-301.

1009 SECTION 136. Section 9-313(a) of said chapter 106 is hereby amended by striking out
1010 the words “tangible negotiable documents,” and “, or tangible chattel paper” and by inserting
1011 after the word “instruments”, the following:--“negotiable tangible documents, or tangible
1012 money”.

1013 SECTION 137. Section 9-313(c) of said chapter 106 is hereby amended by striking out
1014 subsections (1) and (2) and by inserting in place thereof the following new sections:--

1015 (1) the person in possession signs a record acknowledging that it holds possession of the
1016 collateral for the secured party’s benefit; or

1017 (2) the person takes possession of the collateral after having signed a record
1018 acknowledging that it will hold possession of the collateral for the secured party’s benefit.

1019 SECTION 138. Section 9-313(d) of said chapter 106 is hereby amended by striking out
1020 the word “no” and by inserting in place thereof the word “not”.

1021 SECTION 139. Section 9-314 of said chapter 106 is hereby amended by striking out
1022 subsections (a) and (b) and inserting in place thereof the following new sections:--

1023 Section 9-314. Perfection by Control.

1024 (a) Perfection by control. A security interest in controllable accounts, controllable
1025 electronic records, controllable payment intangibles, deposit accounts, electronic documents,
1026 electronic money, investment property, or letter-of-credit rights may be perfected by control of
1027 the collateral under Section 7-106, 9-104, 9-105A, 9-106, 9-107, or 9-107A.

1028 (b) Specified collateral: time of perfection by control; continuation of perfection. A
1029 security interest in controllable accounts, controllable electronic records, controllable payment
1030 intangibles, deposit accounts, electronic documents, electronic money, or letter-of-credit rights is
1031 perfected by control under Section 7-106, 9-104, 9-105A, 9-107, or 9-107A not earlier than the
1032 time the secured party obtains control and remains perfected by control only while the secured
1033 party retains control.

1034 SECTION 140. Section 9-314(c) of said chapter 106 is hereby amended by striking out
1035 the word “from” after the word “9-106”, and by inserting in place thereof the following:--“not
1036 earlier than”.

1037 SECTION 141. Said chapter 106 is hereby amended by striking out Section 9-314A and
1038 inserting in place thereof the following new sections:--

1039 Section 9-314A. Perfection by Possession and Control of Chattel Paper.

1040 (a) Perfection by possession and control. A secured party may perfect a security interest
1041 in chattel paper by taking possession of each authoritative tangible copy of the record evidencing

1042 the chattel paper and obtaining control of each authoritative electronic copy of the electronic
1043 record evidencing the chattel paper.

1044 (b) Time of perfection; continuation of perfection. A security interest is perfected under
1045 subsection (a) not earlier than the time the secured party takes possession and obtains control and
1046 remains perfected under subsection (a) only while the secured party retains possession and
1047 control.

1048 (c) Application of Section 9-313 to perfection by possession of chattel paper. Section 9-
1049 313(c) and (f) through (i) applies to perfection by possession of an authoritative tangible copy of
1050 a record evidencing chattel paper.

1051 SECTION 142. Section 9-316 of said chapter 106 is hereby amended by striking out
1052 subsection (a) and inserting in place thereof the following new section:--

1053 (a) General rule: effect on perfection of change in governing law. A security interest
1054 perfected pursuant to the law of the jurisdiction designated in Section 9-301(1), 9-305(c), 9-
1055 306A(d), or 9-306B(b) remains perfected until the earliest of:

1056 SECTION 143. Section 9-316 of said chapter 106 is hereby further amended by striking
1057 out subsection (f) and inserting in place thereof the following new section:--

1058 (f) Change in jurisdiction of chattel paper, controllable electronic record, bank, issuer,
1059 nominated person, securities intermediary, or commodity intermediary. A security interest in
1060 chattel paper, controllable accounts, controllable electronic records, controllable payment
1061 intangibles, deposit accounts, letter-of-credit rights, or investment property which is perfected
1062 under the law of the chattel paper's jurisdiction, the controllable electronic record's jurisdiction,

1063 the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities
1064 intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable, remains
1065 perfected until the earlier of:

1066 SECTION 144. Section 9-317 of said chapter 106 is hereby amended by striking out
1067 subsections (b) through (d) and inserting in place thereof the following new sections:--

1068 (b) Buyers that receive delivery. Except as otherwise provided in subsection (e), a buyer,
1069 other than a secured party, of goods, instruments, tangible documents, or a security certificate
1070 takes free of a security interest or agricultural lien if the buyer gives value and receives delivery
1071 of the collateral without knowledge of the security interest or agricultural lien and before it is
1072 perfected.

1073 (c) Lessees that receive delivery. Except as otherwise provided in subsection (e), a
1074 lessee of goods takes free of a security interest or agricultural lien if the lessee gives value and
1075 receives delivery of the collateral without knowledge of the security interest or agricultural lien
1076 and before it is perfected.

1077 (d) Licensees and buyers of certain collateral. Subject to subsections (f) through (i), a
1078 licensee of a general intangible or a buyer, other than a secured party, of collateral other than
1079 electronic money, goods, instruments, tangible documents or a certificated security takes free of
1080 a security interest if the licensee or buyer gives value without knowledge of the security interest
1081 and before it is perfected.

1082 SECTION 145. Section 9-317 of said chapter 106 is hereby further amended by inserting
1083 at the end of subsection (e) the following new sections:

1084 (f) Buyers of chattel paper. A buyer, other than a secured party, of chattel paper takes free
1085 of a security interest if, without knowledge of the security interest and before it is perfected, the
1086 buyer gives value and:

1087 (1) receives delivery of each authoritative tangible copy of the record evidencing the
1088 chattel paper; and

1089 (2) if each authoritative electronic copy of the record evidencing the chattel paper can be
1090 subjected to control under Section 9-105, obtains control of each authoritative electronic copy.

1091 (g) Buyers of electronic documents. A buyer of an electronic document takes free of a
1092 security interest if, without knowledge of the security interest and before it is perfected, the
1093 buyer gives value and, if each authoritative electronic copy of the document can be subjected to
1094 control under Section 7-106, obtains control of each authoritative electronic copy.

1095 (h) Buyers of controllable electronic records. A buyer of a controllable electronic record
1096 takes free of a security interest if, without knowledge of the security interest and before it is
1097 perfected, the buyer gives value and obtains control of the controllable electronic record.

1098 (i) Buyers of controllable accounts and controllable payment intangibles. A buyer, other
1099 than a secured party, of a controllable account or a controllable payment intangible takes free of
1100 a security interest if, without knowledge of the security interest and before it is perfected, the
1101 buyer gives value and obtains control of the controllable account or controllable payment
1102 intangible.

1103 SECTION 146. Section 9-323(d) of said chapter 106 is hereby amended by striking out
1104 the words “other than a buyer in ordinary course of business”, after the word “goods”.

1105 SECTION 147. Section 9-323(f) of said chapter 106 is hereby amended by striking out
1106 the words “other than a lessee in ordinary course of business”, after the word “goods”.

1107 SECTION 148. Section 9-324 of said chapter 106 is hereby amended by striking out the
1108 words “an authenticated” wherever it appears in that Section and by inserting in each place
1109 thereof the following:-- “a signed”.

1110 SECTION 149. Section 9-326A of said chapter 106 is hereby amended by inserting the
1111 following new section:

1112 Section 9-326A. Priority of Security Interest in Controllable Account, Controllable
1113 Electronic Record, and Controllable Payment Intangible. A security interest in a controllable
1114 account, controllable electronic record, or controllable payment intangible held by a secured
1115 party having control of the account, electronic record, or payment intangible has priority over a
1116 conflicting security interest held by a secured party that does not have control.

1117 SECTION 150. Section 9-330 of said chapter 106 is hereby amended by striking out
1118 subsections (a) and (b) and by inserting in place thereof the following new sections:--

1119 (a) Purchaser’s priority: security interest claimed merely as proceeds. A purchaser of
1120 chattel paper has priority over a security interest in the chattel paper which is claimed merely as
1121 proceeds of inventory subject to a security interest if:

1122 (1) in good faith and in the ordinary course of the purchaser’s business, the purchaser
1123 gives new value, takes possession of each authoritative tangible copy of the record evidencing
1124 the chattel paper, and obtains control under Section 9-105 of each authoritative electronic copy
1125 of the record evidencing the chattel paper; and

1126 (2) the authoritative copies of the record evidencing the chattel paper do not indicate that
1127 the chattel paper has been assigned to an identified assignee other than the purchaser.

1128 (b) Purchaser's priority: other security interests. A purchaser of chattel paper has priority
1129 over a security interest in the chattel paper which is claimed other than merely as proceeds of
1130 inventory subject to a security interest if the purchaser gives new value, takes possession of each
1131 authoritative tangible copy of the record evidencing the chattel paper, and obtains control under
1132 Section 9-105 of each authoritative electronic copy of the record evidencing the chattel paper in
1133 good faith, in the ordinary course of the purchaser's business, and without knowledge that the
1134 purchase violates the rights of the secured party.

1135 SECTION 151. Section 9-330 of said chapter 106 is hereby further amended by striking
1136 out subsection (f) and by inserting in place thereof the following new section:--

1137 (f) Indication of assignment gives knowledge. For purposes of subsections (b) and (d), if
1138 the authoritative copies of the record evidencing chattel paper or an instrument indicate that the
1139 chattel paper or instrument has been assigned to an identified secured party other than the
1140 purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase
1141 violates the rights of the secured party.

1142 SECTION 152. Said chapter 106 is hereby amended by striking out Section 9-331 and by
1143 inserting in place thereof the following new Section:--

1144 Section 9-331. Priority of Rights of Purchasers of Controllable Accounts, Controllable
1145 Electronic Records, Controllable Payment Intangibles, Documents, Instruments, and Securities
1146 Under Other Articles; Priority of Interests in Financial Assets and Security Entitlements and
1147 Protection Against Assertion of Claim Under Articles 8 and 12.

1148 (a) Rights under Articles 3, 7, 8, and 12 not limited. This article does not limit the rights
1149 of a holder in due course of a negotiable instrument, a holder to which a negotiable document of
1150 title has been duly negotiated, a protected purchaser of a security, or a qualifying purchaser of a
1151 controllable account, controllable electronic record, or controllable payment intangible. These
1152 holders or purchasers take priority over an earlier security interest, even if perfected, to the
1153 extent provided in Articles 3, 7, 8, and 12.

1154 (b) Protection under Articles 8 and 12. This article does not limit the rights of or impose
1155 liability on a person to the extent that the person is protected against the assertion of a claim
1156 under Article 8 or 12.

1157 (c) Filing not notice. Filing under this article does not constitute notice of a claim or
1158 defense to the holders, purchasers, or persons described in subsections (a) and (b).

1159 SECTION 153. Said chapter 106 is hereby amended by striking out Section 9-332 and by
1160 inserting in place thereof the following new Section:--

1161 Section 9-332. Transfer of Money; Transfer of Funds from Deposit Account.

1162 (a) Transferee of tangible money. A transferee of tangible money takes the money free of
1163 a security interest if the transferee receives possession of the money without acting in collusion
1164 with the debtor in violating the rights of the secured party.

1165 (b) Transferee of funds from deposit account. A transferee of funds from a deposit
1166 account takes the funds free of a security interest in the deposit account if the transferee receives
1167 the funds without acting in collusion with the debtor in violating the rights of the secured party.

1168 (c) Transferee of electronic money. A transferee of electronic money takes the money
1169 free of a security interest if the transferee obtains control of the money without acting in
1170 collusion with the debtor in violating the rights of the secured party.

1171 SECTION 154. Section 9-334(f) of said chapter 106 is hereby amended by striking out
1172 the words “an authenticated” in that subsection (1) and by inserting in place thereof the
1173 following:-- “a signed”.

1174 SECTION 155. Section 9-341 of said chapter 106 is hereby amended by striking out the
1175 words “an authenticated”, after the words “agrees in”, and by inserting in place thereof the
1176 following:-- “a signed”.

1177 SECTION 156. Section 9-404 of said chapter 106 is hereby amended by striking out the
1178 words “authenticated” in that subsection (2) and by inserting in place thereof the following
1179 word:-- “signed”.

1180 SECTION 157. Section 9-406 of said chapter 106 is hereby amended by striking out
1181 subsections (a) through (c) and by inserting in place thereof the following new sections:--

1182 (a) Discharge of account debtor; effect of notification. Subject to subsections (b) through
1183 (i) and (l), an account debtor on an account, chattel paper, or a payment intangible may discharge
1184 its obligation by paying the assignor until, but not after, the account debtor receives a
1185 notification, signed by the assignor or the assignee, that the amount due or to become due has
1186 been assigned and that payment is to be made to the assignee. After receipt of the notification,
1187 the account debtor may discharge its obligation by paying the assignee and may not discharge
1188 the obligation by paying the assignor.

1189 (b) When notification ineffective. Subject to subsections (h) and (l), notification is
1190 ineffective under subsection (a):

1191 (A) only a portion of the account, chattel paper, or payment intangible has been assigned
1192 to that assignee;

1193 (B) a portion has been assigned to another assignee; or

1194 (C) the account debtor knows that the assignment to that assignee is limited.

1195 (c) Proof of assignment. Subject to subsections (h) and (l), if requested by the account
1196 debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made.
1197 Unless the assignee complies, the account debtor may discharge its obligation by paying the
1198 assignor, even if the account debtor has received a notification under subsection (a).

1199 (d) Term restricting assignment generally ineffective. In this subsection, “promissory
1200 note” includes a negotiable instrument that evidences chattel paper. Except as otherwise
1201 provided in subsections (e) and (k) and Sections 2A-303 and 9-407, and subject to subsection
1202 (h), a term in an agreement between an account debtor and an assignor or in a promissory note is
1203 ineffective to the extent that it:

1204 SECTION 158. Section 9-406 of said chapter 106 is further amended by striking out the
1205 words “subsection (h)”, after the word “to” in subsection (g), and by inserting in place thereof
1206 the following:-- “subsections (h) and (l)”.

1207 SECTION 159. Section 9-406 of said chapter 106 is hereby amended by inserting at the
1208 end of subsection (j) the following new sections: --

1209 (k) Inapplicability to interests in certain entities. Subsections (d), (f), and (j) do not apply
1210 to a security interest in an ownership interest in a general partnership, limited partnership, or
1211 limited liability company.

1212 (l) Inapplicability of certain subsections. Subsections (a), (b), (c), and (g) do not apply to
1213 a controllable account or controllable payment intangible.

1214 SECTION 160. Section 9-408 of said chapter 106 is hereby amended by inserting at the
1215 end of subsection (f) the following new section: --

1216 (g) "Promissory note." In this section, "promissory note" includes a negotiable
1217 instrument that evidences chattel paper.

1218 SECTION 161. Section 9-509 of said chapter 106 is hereby amended by striking out the
1219 words "an authenticated" wherever they appear in that Section and by inserting in each place
1220 thereof the following words:-- "a signed".

1221 SECTION 162. Section 9-509(b) of said chapter 106 is hereby amended by striking out
1222 the word "authenticating" in that Section and by inserting in place thereof the following word:--
1223 "signing".

1224 SECTION 163. Section 9-513 of said chapter 106 is hereby amended by striking out the
1225 words "an authenticated" wherever they appear in that Section and by inserting in each place
1226 thereof the following words:-- "a signed"

1227 SECTION 164. Section 9-601(b) of said chapter 106 is hereby amended by inserting the
1228 word "9-105A," after the word "9-105," in that Section, by striking out the word "or" following

1229 the word “9-106,” in that Section, and by inserting the words “, or 9-107A” following the word
1230 “9-107” in that Section

1231 SECTION 165. Section 9-605 of said chapter 106 is hereby amended by striking out the
1232 word “A” at the beginning of that Section and by inserting in place thereof the following words:-
1233 -“(a) In general: No duty owed by secured party. Except as provided in subsection (b), a”

1234 SECTION 166. Section 9-605 of said chapter 106 is further hereby amended by inserting,
1235 at the end of subsection (a), the following new section:--

1236 (b) Exception: Secured party owes duty to debtor or obligor. A secured party owes a duty
1237 based on its status as a secured party to a person if, at the time the secured party obtains control
1238 of collateral that is a controllable account, controllable electronic record, or controllable payment
1239 intangible or at the time the security interest attaches to the collateral, whichever is later:

1240 (1) the person is a debtor or obligor; and

1241 (2) the secured party knows that the information in subsection (a)(1)(A), (B), or (C)
1242 relating to the person is not provided by the collateral, a record attached to or logically associated
1243 with the collateral, or the system in which the collateral is recorded.

1244 SECTION 167. Section 9-608 of said chapter 106 is hereby amended by striking out the
1245 words “an authenticated” in that Section and by inserting in place thereof the following words:--
1246 “a signed”

1247 SECTION 168. Section 9-611 of said chapter 106 is hereby amended by striking out the
1248 words “an authenticated” wherever they appear in that Section and by inserting in each place
1249 thereof the following words:-- “a signed”

1250 SECTION 169. Section 9-611(b) of said chapter 106 is hereby amended by striking out
1251 the word “authenticated” in that Section and by inserting in place thereof the following word:--
1252 “signed”

1253 SECTION 170. Section 9-613 of said chapter 106 is hereby amended by inserting before
1254 the word “Except” in the beginning of that section the following:-- “(a) Contents and form of
1255 notification.”

1256 SECTION 171. Section 9-613 of said chapter 106 is hereby amended by striking
1257 subsection (5) and by inserting in its place the following new subsection:

1258 (5) The following form of notification and the form appearing in Section 9-614(a)(3),
1259 when completed in accordance with the instructions in subsection (b) and Section 9-614(b), each
1260 provides sufficient information:

1261 SECTION 172. Section 9-613 of said chapter 106 is hereby amended by striking out the
1262 NOTIFICATION OF DISPOSITION OF COLLATERAL form in that Section and by inserting
1263 in place thereof the following form:--

1264 NOTIFICATION OF DISPOSITION OF COLLATERAL

1265 To: (Name of debtor, obligor, or other person to which the notification is sent)

1266 From: (Name, address, and telephone number of secured party)

1267 {1} Name of any debtor that is not an addressee:

1268 (Name of each debtor)

1269 {2} We will sell (describe collateral) (to the highest qualified bidder) at public sale. A
1270 sale could include a lease or license. The sale will be held as follows:

1271 (Date)

1272 (Time)

1273 (Place)

1274 {3} We will sell (describe collateral) at private sale sometime after (date). A sale could
1275 include a lease or license.

1276 {4} You are entitled to an accounting of the unpaid indebtedness secured by the property
1277 that we intend to sell or, as applicable, lease or license.

1278 {5} If you request an accounting you must pay a charge of \$ (amount)

1279 {6} You may request an accounting by calling us at (telephone number).

1280 [End of Form]

1281 (b) Instructions for form of notification. The following instructions apply to the form of
1282 notification in subsection (a)(5):

1283 (1) The instructions in this subsection refer to the numbers in braces before items in the
1284 form of notification in subsection (a)(5). Do not include the numbers or braces in the
1285 notification. The numbers and braces are used only for the purpose of these instructions.

1286 (2) Include and complete item {1} only if there is a debtor that is not an addressee of the
1287 notification and list the name or names.

1288 (3) Include and complete either item {2}, if the notification relates to a public disposition
1289 of the collateral, or item {3}, if the notification relates to a private disposition of the collateral. If
1290 item {2} is included, include the words “to the highest qualified bidder” only if applicable.

1291 (4) Include and complete items {4} and {6}.

1292 (5) Include and complete item {5} only if the sender will charge the recipient for an
1293 accounting.

1294 SECTION 173. Section 9-614 of said chapter 106 is hereby amended by inserting before
1295 the word “In” in the beginning of that section the following:-- “(a) Contents and form of
1296 notification.”

1297 SECTION 174. Section 9-614(1) of said chapter 106 is hereby amended by striking out
1298 the word “9-613(1)” in that Section and by inserting in place thereof the word “9-613(a)(1)”

1299 SECTION 175. Section 9-614(3) of said chapter 106 is hereby amended by striking the
1300 comma after the word “completed”, by inserting after the word “completed” the words “in
1301 accordance with the instructions in subsection (b),” and by striking out the words” [Name and
1302 address of secured party] [Date] “ in that Section.

1303 SECTION 176. Section 9-614(3) of said chapter 106 is hereby amended by striking out
1304 the NOTICE OF OUR PLAN TO SELL PROPERTY form in that Section and by inserting in
1305 place thereof the following form:--

1306 (Name and address of secured party)

1307 (Date)

1308 NOTICE OF OUR PLAN TO SELL PROPERTY

1309 (Name and address of any obligor who is also a debtor)

1310 Subject: (Identify transaction)

1311 We have your (describe collateral), because you broke promises in our agreement.

1312 {1} We will sell (describe collateral) at public sale. A sale could include a lease or
1313 license. The sale will be held as follows:

1314 (Date)

1315 (Time)

1316 (Place)

1317 You may attend the sale and bring bidders if you want.

1318 {2} We will sell (describe collateral) at private sale sometime after (date). A sale could
1319 include a lease or license.

1320 {3} The money that we get from the sale, after paying our costs, will reduce the amount
1321 you owe. If we get less money than you owe, you (will or will not, as applicable) still owe us the
1322 difference. If we get more money than you owe, you will get the extra money, unless we must
1323 pay it to someone else.

1324 {4} You can get the property back at any time before we sell it by paying us the full
1325 amount you owe, not just the past due payments, including our expenses. To learn the exact
1326 amount you must pay, call us at (telephone number).

1327 {5} If you want us to explain to you in (writing) (writing or in (description of electronic
1328 record)) (description of electronic record) how we have figured the amount that you owe us, {6}
1329 call us at (telephone number) (or) (write us at (secured party's address)) (or contact us by
1330 (description of electronic communication method)) {7} and request (a written explanation) (a
1331 written explanation or an explanation in (description of electronic record)) (an explanation in
1332 (description of electronic record)).

1333 {8} We will charge you \$ (amount) for the explanation if we sent you another written
1334 explanation of the amount you owe us within the last six months.

1335 {9} If you need more information about the sale (call us at (telephone number)) (or)
1336 (write us at (secured party's address)) (or contact us by (description of electronic communication
1337 method)).

1338 {10} We are sending this notice to the following other people who have an interest in
1339 (describe collateral) or who owe money under your agreement:

1340 (Names of all other debtors and obligors, if any)

1341 [End of Form]

1342 SECTION 177. Section 9-614 of said chapter 106 is hereby amended by inserting after
1343 Section 6.14(a), the following new subsection:--

1344 (b) Instructions for form of notification. The following instructions apply to the form of
1345 notification in subsection (a)(3):

1346 (1) The instructions in this subsection refer to the numbers in braces before items in the
1347 form of notification in subsection (a)(3). Do not include the numbers or braces in the
1348 notification. The numbers and braces are used only for the purpose of these instructions.

1349 (2) Include and complete either item {1}, if the notification relates to a public disposition
1350 of the collateral, or item {2}, if the notification relates to a private disposition of the collateral.

1351 (3) Include and complete items {3}, {4}, {5}, {6}, and {7}.

1352 (4) In item {5}, include and complete any one of the three alternative methods for the
1353 explanation—writing, writing or electronic record, or electronic record.

1354 (5) In item {6}, include the telephone number. In addition, the sender may include and
1355 complete either or both of the two additional alternative methods of communication—writing or
1356 electronic communication—for the recipient of the notification to communicate with the sender.
1357 Neither of the two additional methods of communication is required to be included.

1358 (6) In item {7}, include and complete the method or methods for the explanation—
1359 writing, writing or electronic record, or electronic record—included in item {5}.

1360 (7) Include and complete item {8} only if a written explanation is included in item {5} as
1361 a method for communicating the explanation and the sender will charge the recipient for another
1362 written explanation.

1363 (8) In item {9}, include either the telephone number or the address or both the telephone
1364 number and the address. In addition, the sender may include and complete the additional method
1365 of communication—electronic communication—for the recipient of the notification to

1366 communicate with the sender. The additional method of electronic communication is not
1367 required to be included.

1368 (9) If item {10} does not apply, insert “None” after “agreement:”.

1369 SECTION 178. Section 9-614 of said chapter 106 is hereby amended by striking Section
1370 9-614(4), 9-614(5), and 9-614(6), and by inserting after Section 6.14(b), the following new
1371 subsection:--

1372 (c) Sufficiency of notification.

1373 (1) A notification in the form of paragraph (3) is sufficient, even if additional information
1374 appears at the end of the form.

1375 (2) A notification in the form of paragraph (3) is sufficient, even if it includes errors in
1376 information not required by paragraph (1), unless the error is misleading with respect to rights
1377 arising under this article.

1378 (3) If a notification under this section is not in the form of paragraph (3), law other than
1379 this article determines the effect of including information not required by paragraph (1).

1380 SECTION 179. Section 9-615 of said chapter 106 is hereby amended by striking out the
1381 words “an authenticated” wherever they appear in that Section and by inserting in each place
1382 thereof the following words:-- “a signed”

1383 SECTION 180. Section 9-616(a)(1) of said chapter 106 is hereby amended by striking
1384 out the word “writing” in that Section and by inserting in place thereof the following word:--
1385 “record”

1386 SECTION 181. Section 9-616(a)(2) of said chapter 106 is hereby amended by striking
1387 out the word “authenticated” in that Section and by inserting in place thereof the following
1388 word:-- “signed”

1389 SECTION 182. Section 9-616(b)(1)(A) of said chapter 106 is hereby amended by striking
1390 out the word “written” in that Section and by inserting, following the word “demand”, the
1391 following words:-- “in a record”

1392 SECTION 183. Section 9-616(c) of said chapter 106 is hereby amended by striking out
1393 the words “a writing” in that Section and by inserting in place thereof the following words:-- “an
1394 explanation”

1395 SECTION 184. Section 9-619(a) of said chapter 106 is hereby amended by striking out
1396 the word “authenticated” in that Section and by inserting in place thereof the following word:--
1397 “signed”

1398 SECTION 185. Section 9-620(a) of said chapter 106 is hereby amended by striking out
1399 the word “authenticated” wherever it appears in that Section and by inserting in each place
1400 thereof the following word:-- “signed”

1401 SECTION 186. Section 9-620(b) of said chapter 106 is hereby amended by striking out
1402 the word “an authenticated” in that Section and by inserting in each place thereof the following
1403 words:-- “a signed”

1404 SECTION 187. Section 9-620(c) of said chapter 106 is hereby amended by striking out
1405 the word “authenticated” wherever it appears in that Section and by inserting in each place
1406 thereof the following word:-- “signed”

1407 SECTION 188. Section 9-620(f) of said chapter 106 is hereby amended by striking out
1408 the word “authenticated” wherever it appears in that Section and by inserting in each place
1409 thereof the following word:-- “signed”

1410 SECTION 189. Section 9-621(a)(1) of said chapter 106 is hereby amended by striking
1411 out the words “an authenticated” in that Section and by inserting in place thereof the following
1412 words:-- “a signed”

1413 SECTION 190. Section 9-624 of said chapter 106 is hereby amended by striking out the
1414 word “authenticated” wherever it appears in that Section and by inserting in each place thereof
1415 the following word:-- “signed”

1416 SECTION 191. Section 9-628(a) of said chapter 106 is hereby amended by striking out
1417 the word “Unless” in that Section and by inserting in place thereof the following words:--
1418 “Subject to subsection (f), unless”

1419 SECTION 192. Section 9-628(b) of said chapter 106 is hereby amended by striking out
1420 the word “A”, following the words “Limitation of liability based on status as secured party.” in
1421 that Section and by inserting in place thereof the following words:-- “Subject to subsection (f), a”

1422 SECTION 193. Section 9-628 of said chapter 106 is further hereby amended by inserting,
1423 at the end of subsection (e), the following new section:--

1424 (f) Exception: Limitation of liability under subsections (a) and (b) does not apply.
1425 Subsections (a) and (b) do not apply to limit the liability of a secured party to a person if, at the
1426 time the secured party obtains control of collateral that is a controllable account, controllable

1427 electronic record, or controllable payment intangible or at the time the security interest attaches
1428 to the collateral, whichever is later:

1429 (1) the person is a debtor or obligor; and

1430 (2) the secured party knows that the information in subsection (b)(1)(A), (B), or (C)

1431 relating to the person is not provided by the collateral, a record attached to or logically associated

1432 with the collateral, or the system in which the collateral is recorded.

1433 SECTION 194. Chapter 106 is further amended by adding the following new article:--

1434 ARTICLE 12

1435 CONTROLLABLE ELECTRONIC RECORDS

1436 Section 12-101. Title.

1437 This article may be cited as Uniform Commercial Code—Controllable Electronic

1438 Records.

1439 Section 12-102. Definitions.

1440 (a) Article 12 definitions.

1441 In this article:

1442 (1) “Controllable electronic record” means a record stored in an electronic medium that

1443 can be subjected to control under Section 12-105. The term does not include a controllable

1444 account, a controllable payment intangible, a deposit account, an electronic copy of a record

1445 evidencing chattel paper, an electronic document of title, electronic money, investment property,
1446 or a transferable record.

1447 (2) “Qualifying purchaser” means a purchaser of a controllable electronic record or an
1448 interest in a controllable electronic record that obtains control of the controllable electronic
1449 record for value, in good faith, and without notice of a claim of a property right in the
1450 controllable electronic record.

1451 (3) “Transferable record” has the meaning provided for that term in:

1452 (A) Section 201(a)(1) of the Electronic Signatures in Global and National Commerce
1453 Act, 15 U.S.C. Section 7021(a)(1) [, as amended]; or

1454 (B) [cite to Uniform Electronic Transactions Act Section 16(a)].

1455 (4) “Value” has the meaning provided in Section 3-303(a), as if references in that
1456 subsection to an “instrument” were references to a controllable account, controllable electronic
1457 record, or controllable payment intangible.

1458 (b) Definitions in Article 9. The definitions in Article 9 of “account debtor”, “controllable
1459 account”, “controllable payment intangible”, “chattel paper”, “deposit account”, “electronic
1460 money”, and “investment property” apply to this article.

1461 (c) Article 1 definitions and principles. Article 1 contains general definitions and
1462 principles of construction and interpretation applicable throughout this article.

1463 Section 12-103. Relation to Article 9 and Consumer Laws.

1464 (a) Article 9 governs in case of conflict. If there is conflict between this article and
1465 Article 9, Article 9 governs.

1466 (b) Applicable consumer law and other laws. A transaction subject to this article is
1467 subject to any applicable rule of law that establishes a different rule for consumers and [insert
1468 reference to (i) any other statute or regulation that regulates the rates, charges, agreements, and
1469 practices for loans, credit sales, or other extensions of credit and (ii) any consumer-protection
1470 statute or regulation].

1471 Section 12-104. Rights in Controllable Account, Controllable Electronic Record, and
1472 Controllable Payment Intangible.

1473 (a) Applicability of section to controllable account and controllable payment intangible.
1474 This section applies to the acquisition and purchase of rights in a controllable account or
1475 controllable payment intangible, including the rights and benefits under subsections (c), (d), (e),
1476 (g), and (h) of a purchaser and qualifying purchaser, in the same manner this section applies to a
1477 controllable electronic record.

1478 (b) Control of controllable account and controllable payment intangible. To determine
1479 whether a purchaser of a controllable account or a controllable payment intangible is a qualifying
1480 purchaser, the purchaser obtains control of the account or payment intangible if it obtains control
1481 of the controllable electronic record that evidences the account or payment intangible.

1482 (c) Applicability of other law to acquisition of rights. Except as provided in this section,
1483 law other than this article determines whether a person acquires a right in a controllable
1484 electronic record and the right the person acquires.

1485 (d) Shelter principle and purchase of limited interest. A purchaser of a controllable
1486 electronic record acquires all rights in the controllable electronic record that the transferor had or
1487 had power to transfer, except that a purchaser of a limited interest in a controllable electronic
1488 record acquires rights only to the extent of the interest purchased.

1489 (e) Rights of qualifying purchaser. A qualifying purchaser acquires its rights in the
1490 controllable electronic record free of a claim of a property right in the controllable electronic
1491 record.

1492 (f) Limitation of rights of qualifying purchaser in other property. Except as provided in
1493 subsections (a) and (e) for a controllable account and a controllable payment intangible or law
1494 other than this article, a qualifying purchaser takes a right to payment, right to performance, or
1495 other interest in property evidenced by the controllable electronic record subject to a claim of a
1496 property right in the right to payment, right to performance, or other interest in property.

1497 (g) No-action protection for qualifying purchaser. An action may not be asserted against a
1498 qualifying purchaser based on both a purchase by the qualifying purchaser of a controllable
1499 electronic record and a claim of a property right in another controllable electronic record,
1500 whether the action is framed in conversion, replevin, constructive trust, equitable lien, or other
1501 theory.

1502 (h) Filing not notice. Filing of a financing statement under Article 9 is not notice of a
1503 claim of a property right in a controllable electronic record.

1504 Section 12-105. Control of Controllable Electronic Record.

1505 (a) General rule: control of controllable electronic record. A person has control of a
1506 controllable electronic record if the electronic record, a record attached to or logically associated
1507 with the electronic record, or a system in which the electronic record is recorded:

1508 (1) gives the person:

1509 (A) power to avail itself of substantially all the benefit from the electronic record; and

1510 (B) exclusive power, subject to subsection (b), to:

1511 (i) prevent others from availing themselves of substantially all the benefit from the
1512 electronic record; and

1513 (ii) transfer control of the electronic record to another person or cause another person to
1514 obtain control of another controllable electronic record as a result of the transfer of the electronic
1515 record; and

1516 (2) enables the person readily to identify itself in any way, including by name, identifying
1517 number, cryptographic key, office, or account number, as having the powers specified in
1518 paragraph (1).

1519 (b) Meaning of exclusive. Subject to subsection (c), a power is exclusive under
1520 subsection (a)(1)(B)(i) and (ii) even if:

1521 (1) the controllable electronic record, a record attached to or logically associated with the
1522 electronic record, or a system in which the electronic record is recorded limits the use of the
1523 electronic record or has a protocol programmed to cause a change, including a transfer or loss of
1524 control or a modification of benefits afforded by the electronic record; or

1525 (2) the power is shared with another person.

1526 (c) When power not shared with another person. A power of a person is not shared with
1527 another person under subsection (b)(2) and the person's power is not exclusive if:

1528 (1) the person can exercise the power only if the power also is exercised by the other
1529 person; and

1530 (2) the other person:

1531 (A) can exercise the power without exercise of the power by the person; or

1532 (B) is the transferor to the person of an interest in the controllable electronic record or a
1533 controllable account or controllable payment intangible evidenced by the controllable electronic
1534 record.

1535 (d) Presumption of exclusivity of certain powers. If a person has the powers specified in
1536 subsection (a)(1)(B)(i) and (ii), the powers are presumed to be exclusive.

1537 (e) Control through another person. A person has control of a controllable electronic
1538 record if another person, other than the transferor to the person of an interest in the controllable
1539 electronic record or a controllable account or controllable payment intangible evidenced by the
1540 controllable electronic record:

1541 (1) has control of the electronic record and acknowledges that it has control on behalf of
1542 the person; or

1543 (2) obtains control of the electronic record after having acknowledged that it will obtain
1544 control of the electronic record on behalf of the person.

1545 (f) No requirement to acknowledge. A person that has control under this section is not
1546 required to acknowledge that it has control on behalf of another person.

1547 (g) No duties or confirmation. If a person acknowledges that it has or will obtain control
1548 on behalf of another person, unless the person otherwise agrees or law other than this article or
1549 Article 9 otherwise provides, the person does not owe any duty to the other person and is not
1550 required to confirm the acknowledgment to any other person.

1551 Section 12-106. Discharge of Account Debtor on Controllable Account or Controllable
1552 Payment Intangible.

1553 (a) Discharge of account debtor. An account debtor on a controllable account or
1554 controllable payment intangible may discharge its obligation by paying:

1555 (1) the person having control of the controllable electronic record that evidences the
1556 controllable account or controllable payment intangible; or

1557 (2) except as provided in subsection (b), a person that formerly had control of the
1558 controllable electronic record.

1559 (b) Content and effect of notification. Subject to subsection (d), the account debtor may
1560 not discharge its obligation by paying a person that formerly had control of the controllable
1561 electronic record if the account debtor receives a notification that:

1562 (1) is signed by a person that formerly had control or the person to which control was
1563 transferred;

1564 (2) reasonably identifies the controllable account or controllable payment intangible;

1565 (3) notifies the account debtor that control of the controllable electronic record that
1566 evidences the controllable account or controllable payment intangible was transferred;

1567 (4) identifies the transferee, in any reasonable way, including by name, identifying
1568 number, cryptographic key, office, or account number; and

1569 (5) provides a commercially reasonable method by which the account debtor is to pay the
1570 transferee.

1571 (c) Discharge following effective notification. After receipt of a notification that complies
1572 with subsection (b), the account debtor may discharge its obligation by paying in accordance
1573 with the notification and may not discharge the obligation by paying a person that formerly had
1574 control.

1575 (d) When notification ineffective. Subject to subsection (h), notification is ineffective
1576 under subsection (b):

1577 (1) unless, before the notification is sent, the account debtor and the person that, at that
1578 time, had control of the controllable electronic record that evidences the controllable account or
1579 controllable payment intangible agree in a signed record to a commercially reasonable method
1580 by which a person may furnish reasonable proof that control has been transferred;

1581 (2) to the extent an agreement between the account debtor and seller of a payment
1582 intangible limits the account debtor's duty to pay a person other than the seller and the limitation
1583 is effective under law other than this article; or

1584 (3) at the option of the account debtor, if the notification notifies the account debtor to:

1585 (A) divide a payment;

1586 (B) make less than the full amount of an installment or other periodic payment; or

1587 (C) pay any part of a payment by more than one method or to more than one person.

1588 (e) Proof of transfer of control. Subject to subsection (h), if requested by the account

1589 debtor, the person giving the notification under subsection (b) seasonably shall furnish

1590 reasonable proof, using the method in the agreement referred to in subsection (d)(1), that control

1591 of the controllable electronic record has been transferred. Unless the person complies with the

1592 request, the account debtor may discharge its obligation by paying a person that formerly had

1593 control, even if the account debtor has received a notification under subsection (b).

1594 (f) What constitutes reasonable proof. A person furnishes reasonable proof under

1595 subsection (e) that control has been transferred if the person demonstrates, using the method in

1596 the agreement referred to in subsection (d)(1), that the transferee has the power to:

1597 (1) avail itself of substantially all the benefit from the controllable electronic record;

1598 (2) prevent others from availing themselves of substantially all the benefit from the

1599 controllable electronic record; and

1600 (3) transfer the powers specified in paragraphs (1) and (2) to another person.

1601 (g) Rights not waivable. Subject to subsection (h), an account debtor may not waive or

1602 vary its rights under subsections (d)(1) and (e) or its option under subsection (d)(3).

1603 (h) Rule for individual under other law. This section is subject to law other than this

1604 article which establishes a different rule for an account debtor who is an individual and who

1605 incurred the obligation primarily for personal, family, or household purposes.

1606 Section 12-107. Governing Law.

1607 (a) Governing law: general rule. Except as provided in subsection (b), the local law of a
1608 controllable electronic record's jurisdiction governs a matter covered by this article.

1609 (b) Governing law: Section 12-106. For a controllable electronic record that evidences a
1610 controllable account or controllable payment intangible, the local law of the controllable
1611 electronic record's jurisdiction governs a matter covered by Section 12-106 unless an effective
1612 agreement determines that the local law of another jurisdiction governs.

1613 (c) Controllable electronic record's jurisdiction. The following rules determine a
1614 controllable electronic record's jurisdiction under this section:

1615 (1) If the controllable electronic record, or a record attached to or logically associated
1616 with the controllable electronic record and readily available for review, expressly provides that a
1617 particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this
1618 article or this chapter, that jurisdiction is the controllable electronic record's jurisdiction.

1619 (2) If paragraph (1) does not apply and the rules of the system in which the controllable
1620 electronic record is recorded are readily available for review and expressly provide that a
1621 particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this
1622 article or this chapter, that jurisdiction is the controllable electronic record's jurisdiction.

1623 (3) If paragraphs (1) and (2) do not apply and the controllable electronic record, or a
1624 record attached to or logically associated with the controllable electronic record and readily
1625 available for review, expressly provides that the controllable electronic record is governed by the

1626 law of a particular jurisdiction, that jurisdiction is the controllable electronic record's
1627 jurisdiction.

1628 (4) If paragraphs (1), (2), and (3) do not apply and the rules of the system in which the
1629 controllable electronic record is recorded are readily available for review and expressly provide
1630 that the controllable electronic record or the system is governed by the law of a particular
1631 jurisdiction, that jurisdiction is the controllable electronic record's jurisdiction.

1632 (5) If paragraphs (1) through (4) do not apply, the controllable electronic record's
1633 jurisdiction is the District of Columbia.

1634 (d) Applicability of Article 12. If subsection (c)(5) applies and Article 12 is not in effect
1635 in the District of Columbia without material modification, the governing law for a matter
1636 covered by this article is the law of the District of Columbia as though Article 12 were in effect
1637 in the District of Columbia without material modification. In this subsection, "Article 12" means
1638 Article 12 of Uniform Commercial Code Amendments (2022).

1639 (e) Relation of matter or transaction to controllable electronic record's jurisdiction not
1640 necessary. To the extent subsections (a) and (b) provide that the local law of the controllable
1641 electronic record's jurisdiction governs a matter covered by this article, that law governs even if
1642 the matter or a transaction to which the matter relates does not bear any relation to the
1643 controllable electronic record's jurisdiction.

1644 (f) Rights of purchasers determined at time of purchase. The rights acquired under
1645 Section 12-104 by a purchaser or qualifying purchaser are governed by the law applicable under
1646 this section at the time of purchase.

1647 SECTION 195. Chapter 106 is further amended by adding the following new article
1648 below:--

1649 ARTICLE A

1650 TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL CODE
1651 AMENDMENTS (2022)

1652 PART 1

1653 GENERAL PROVISIONS AND DEFINITIONS

1654 Section A-101. Title.

1655 This article may be cited as Transitional Provisions for Uniform Commercial Code
1656 Amendments (2022).

1657 Section A-102. Definitions.

1658 (a) Article A Definitions. In this article:

1659 (1) "Adjustment date" means July 1, 2025, or the date that is one year after [the effective
1660 date of this act], whichever is later.

1661 (2) "Article 12" means Article 12 of this chapter.

1662 (3) "Article 12 property" means a controllable account, controllable electronic record, or
1663 controllable payment intangible.

1664 (b) Definitions in other articles. The following definitions in other articles of this chapter
1665 apply to this article.

1666 “Controllable account”. Section 9-102.

1667 “Controllable electronic record”. Section 12-102.

1668 “Controllable payment intangible”. Section 9-102.

1669 “Electronic money”. Section 9-102.

1670 “Financing statement”. Section 9-102.

1671 (c) Article 1 definitions and principles. Article 1 contains general definitions and
1672 principles of construction and interpretation applicable throughout this article. References in this
1673 article to "this act" refer to the legislative enactment by which chapter 106 of the General Laws is
1674 amended effective on the date provided in Section A-401.

1675 PART 2

1676 GENERAL TRANSITIONAL PROVISION

1677 Section A-201. Saving Clause.

1678 Except as provided in Part 3, a transaction validly entered into before [the effective date
1679 of this act] and the rights, duties, and interests flowing from the transaction remain valid
1680 thereafter and may be terminated, completed, consummated, or enforced as required or permitted
1681 by law other than this chapter or, if applicable, this chapter as though this act had not taken
1682 effect.

1683 PART 3

1684 TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12

1685 Section A-301. Saving Clause.

1686 (a) Pre-effective-date transaction, lien, or interest. Except as provided in this part, Article
1687 9 as amended by this act and Article 12 apply to a transaction, lien, or other interest in property,
1688 even if the transaction, lien, or interest was entered into, created, or acquired before [the effective
1689 date of this act].

1690 (b) Continuing validity. Except as provided in subsection (c) and Sections A-302 through
1691 A-306:

1692 (1) a transaction, lien, or interest in property that was validly entered into, created, or
1693 transferred before [the effective date of this act] and was not governed by this chapter, but would
1694 be subject to Article 9 as amended by this act or Article 12 if it had been entered into, created, or
1695 transferred on or after [the effective date of this act], including the rights, duties, and interests
1696 flowing from the transaction, lien, or interest, remains valid on and after [the effective date of
1697 this act]; and

1698 (2) the transaction, lien, or interest may be terminated, completed, consummated, and
1699 enforced as required or permitted by this act or by the law that would apply if this act had not
1700 taken effect.

1701 (c) Pre-effective-date proceeding. This act does not affect an action, case, or proceeding
1702 commenced before [the effective date of this act].

1703 Section A-302. Security Interest Perfected Before Effective Date.

1704 (a) Continuing perfection: perfection requirements satisfied. A security interest that is
1705 enforceable and perfected immediately before [the effective date of this act] is a perfected

1706 security interest under this chapter as amended by this act if, on [the effective date of this act],
1707 the requirements for enforceability and perfection under this chapter as amended by this act are
1708 satisfied without further action.

1709 (b) Continuing perfection: enforceability or perfection requirements not satisfied. If a
1710 security interest is enforceable and perfected immediately before [the effective date of this act],
1711 but the requirements for enforceability or perfection under this chapter as amended by this act,
1712 are not satisfied on [the effective date of this act], the security interest:

1713 (1) is a perfected security interest until the earlier of the time perfection would have
1714 ceased under the law in effect immediately before [the effective date of this act] or the
1715 adjustment date;

1716 (2) remains enforceable thereafter only if the security interest satisfies the requirements
1717 for enforceability under Section 9-203, as amended by this act before the adjustment date; and

1718 (3) remains perfected thereafter only if the requirements for perfection under this chapter
1719 as amended by this act are satisfied before the time specified in paragraph (1).

1720 Section A-303. Security Interest Unperfected Before Effective Date.

1721 A security interest that is enforceable immediately before [the effective date of this act]
1722 but is unperfected at that time:

1723 (1) remains an enforceable security interest until the adjustment date;

1724 (2) remains enforceable thereafter if the security interest becomes enforceable under
1725 Section 9-203, as amended by this act, on [the effective date of this act] or before the adjustment
1726 date; and

1727 (3) becomes perfected:

1728 (A) without further action, on [the effective date of this act] if the requirements for
1729 perfection under this chapter as amended by this act are satisfied before or at that time; or

1730 (B) when the requirements for perfection are satisfied if the requirements are satisfied
1731 after that time.

1732 Section A-304. Effectiveness of Actions Taken Before Effective Date.

1733 (a) Pre-effective-date action; attachment and perfection before adjustment date. If action,
1734 other than the filing of a financing statement, is taken before [the effective date of this act] and
1735 the action would have resulted in perfection of the security interest had the security interest
1736 become enforceable before [the effective date of this act], the action is effective to perfect a
1737 security interest that attaches under this chapter as amended by this act before the adjustment
1738 date. An attached security interest becomes unperfected on the adjustment date unless the
1739 security interest becomes a perfected security interest under this chapter as amended by this act
1740 before the adjustment date.

1741 (b) Pre-effective-date filing. The filing of a financing statement before [the effective date
1742 of this chapter as amended by this act] is effective to perfect a security interest on [the effective
1743 date of this act] to the extent the filing would satisfy the requirements for perfection under this
1744 chapter as amended by this act.

1745 (c) Pre-effective-date enforceability action. The taking of an action before [the effective
1746 date of this act] is sufficient for the enforceability of a security interest on [the effective date of
1747 this act] if the action would satisfy the requirements for enforceability under this act.

1748 Section A-305. Priority.

1749 (a) Determination of priority. Subject to subsections (b) and (c), this act determines the
1750 priority of conflicting claims to collateral.

1751 (b) Established priorities. Subject to subsection (c), if the priorities of claims to collateral
1752 were established before [the effective date of this act], Article 9 as in effect before [the effective
1753 date of this act] determines priority.

1754 (c) Determination of certain priorities on adjustment date. On the adjustment date, to the
1755 extent the priorities determined by Article 9 as amended by this act modify the priorities
1756 established before [the effective date of this act], the priorities of claims to Article 12 property
1757 and electronic money established before [the effective date of this act] cease to apply.

1758 Section A-306. Priority of Claims When Priority Rules of Article 9 Do Not Apply.

1759 (a) Determination of priority. Subject to subsections (b) and (c), Article 12 determines the
1760 priority of conflicting claims to Article 12 property when the priority rules of Article 9 as
1761 amended by this act do not apply.

1762 (b) Established priorities. Subject to subsection (c), when the priority rules of Article 9 as
1763 amended by this act do not apply and the priorities of claims to Article 12 property were
1764 established before [the effective date of this act], law other than Article 12 determines priority.

1765 (c) Determination of certain priorities on adjustment date. When the priority rules of
1766 Article 9 as amended by this act do not apply, to the extent the priorities determined by this act
1767 modify the priorities established before [the effective date of this act], the priorities of claims to

1768 Article 12 property established before [the effective date of this act] cease to apply on the
1769 adjustment date.

1770 PART 4

1771 EFFECTIVE DATE

1772 Section A-401. Effective Date.

1773 This act takes effect on [insert effective date of this act].