
A BILL FOR AN ACT

RELATING TO THE UNIFORM COMMERCIAL CODE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 490, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By adding three new sections to part 1, subpart 1, of
4 article 9 to be appropriately designated and to read:

5 "§490:9-A Control of electronic money. (a) A person
6 shall have control of electronic money if:

7 (1) The electronic money; a record attached to, or
8 logically associated with, the electronic money; or a
9 system in which the electronic money is recorded gives
10 the person:

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

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

14 (i) Prevent others from availing themselves of
15 substantially all the benefit from the
16 electronic money; and



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- 1 (ii) Transfer control of the electronic money to
2 another person or cause another person to
3 obtain control of other electronic money as
4 a result of the transfer of the electronic
5 money; and
- 6 (2) The electronic money; a record attached to, or
7 logically associated with, the electronic money; or a
8 system in which the electronic money is recorded
9 enables the person to readily identify itself in any
10 way, including by name, identifying number,
11 cryptographic key, office, or account number, as
12 having the powers under paragraph (1).
- 13 (b) Subject to subsection (c), a power is exclusive under
14 clauses (a) (1) (B) (i) and (ii) regardless of whether:
- 15 (1) The electronic money; a record attached to, or
16 logically associated with, the electronic money; or a
17 system in which the electronic money is recorded
18 limits the use of the electronic money or has a
19 protocol programmed to cause a change, including a
20 transfer or loss of control; or
- 21 (2) The power is shared with another person.



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1 (c) A power of a person shall not be shared with another
2 person under subsection (b) (2) and the person's power shall not
3 be exclusive if:

4 (1) The person may exercise the power only if the power is
5 also exercised by the other person; and

6 (2) The other person:

7 (A) May exercise the power without exercise of the
8 power by the person; or

9 (B) Is the transferor to the person of an interest in
10 the electronic money.

11 (d) If a person has the powers specified in clauses
12 (a) (1) (B) (i) and (ii), the powers shall be presumed to be
13 exclusive.

14 (e) A person shall have control of electronic money if
15 another person, other than the transferor to the person of an
16 interest in the electronic money:

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

19 (2) Obtains control of the electronic money after having
20 acknowledged that it will obtain control of the
21 electronic money on behalf of the person.



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1 §490:9-B Control of controllable electronic record,
2 controllable account, or controllable payment intangible. (a)
3 A secured party shall have control of a controllable electronic
4 record as provided in section 490:A-105.

5 (b) A secured party shall have control of a controllable
6 account or controllable payment intangible if the secured party
7 has control of the controllable electronic record that evidences
8 the controllable account or controllable payment intangible.

9 §490:9-C No requirement to acknowledge or confirm; no
10 duties. (a) A person having control under sections 490:9-104,
11 490:9-105, or 490:9-A shall not be required to acknowledge that
12 it has control on behalf of another person.

13 (b) If a person acknowledges that it has or will obtain
14 control on behalf of another person, unless the person otherwise
15 agrees or law other than this article otherwise provides, the
16 person shall not owe any duty to the other person and shall not
17 be required to confirm the acknowledgment to any other person."

18 2. By adding two new sections to part 3, subpart 1, of
19 article 9 to be appropriately designated and to read:

20 "§490:9-D Law governing perfection and priority of
21 security interests in chattel paper. (a) Except as provided in



1 subsection (d), if chattel paper is evidenced only by an
2 authoritative electronic copy of the chattel paper or is
3 evidenced by an authoritative electronic copy and an
4 authoritative tangible copy, the local law of the chattel
5 paper's jurisdiction shall govern perfection, the effect of
6 perfection or nonperfection, and the priority of a security
7 interest in the chattel paper, regardless of whether the
8 transaction bears any relation to the chattel paper's
9 jurisdiction.

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

12 (1) If the authoritative electronic copy of the record
13 evidencing chattel paper, or a record attached to, or
14 logically associated with, the electronic copy and
15 readily available for review, expressly provides that
16 a particular jurisdiction shall be the chattel paper's
17 jurisdiction for purposes of this part, article, or
18 chapter, that jurisdiction shall be the chattel
19 paper's jurisdiction;

20 (2) If paragraph (1) does not apply and the rules of the
21 system in which the authoritative electronic copy is



1 recorded are readily available for review and
2 expressly provide that a particular jurisdiction shall
3 be the chattel paper's jurisdiction for purposes of
4 this part, article, or chapter, that jurisdiction
5 shall be the chattel paper's jurisdiction;

6 (3) If paragraphs (1) and (2) do not apply and the
7 authoritative electronic copy, or a record attached
8 to, or logically associated with, the electronic copy
9 and readily available for review, expressly provides
10 that the chattel paper shall be governed by the law of
11 a particular jurisdiction, that jurisdiction shall be
12 the chattel paper's jurisdiction;

13 (4) If paragraphs (1), (2), and (3) do not apply and the
14 rules of the system in which the authoritative
15 electronic copy is recorded are readily available for
16 review and expressly provide that the chattel paper or
17 the system shall be governed by the law of a
18 particular jurisdiction, that jurisdiction shall be
19 the chattel paper's jurisdiction; and



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

4 (c) If an authoritative tangible copy of a record
5 evidences chattel paper and the chattel paper is not evidenced
6 by an authoritative electronic copy, while the authoritative
7 tangible copy of the record evidencing chattel paper is located
8 in a jurisdiction, the local law of that jurisdiction shall
9 govern:

10 (1) Perfection of a security interest in the chattel paper
11 by possession under section 490:9-F; and

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

14 (d) The local law of the jurisdiction in which the debtor
15 is located shall govern perfection of a security interest in
16 chattel paper by filing.

17 §490:9-E Law governing perfection and priority of security
18 interests in controllable accounts, controllable electronic
19 records, and controllable payment intangibles. (a) Except as
20 provided in subsection (b), the local law of the controllable
21 electronic record's jurisdiction specified in sections



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1 490:A-107(c) and (d) shall govern perfection, the effect of
2 perfection or nonperfection, and the priority of a security
3 interest in a controllable electronic record and a security
4 interest in a controllable account or controllable payment
5 intangible evidenced by the controllable electronic record.

6 (b) The local law of the jurisdiction in which the debtor
7 is located shall govern:

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

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

14 3. By adding a new section to part 3, subpart 2, of
15 article 9 to be appropriately designated and to read:

16 "§490:9-F Perfection by possession and control of chattel
17 paper. (a) A secured party may perfect a security interest in
18 chattel paper by taking possession of each authoritative
19 tangible copy of the record evidencing the chattel paper and
20 obtaining control of each authoritative electronic copy of the
21 electronic record evidencing the chattel paper.



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

5 (c) Sections 490:9-313(c) and 490:9-313(f) through (i)
6 shall apply to perfection by possession of an authoritative
7 tangible copy of a record evidencing chattel paper."

8 4. By adding a new section to part 3, subpart 3, of
9 article 9 to be appropriately designated and to read:

10 **"§490:9-G Priority of security interest in controllable**
11 **account, controllable electronic record, and controllable**
12 **payment intangible.** A security interest in a controllable
13 account, controllable electronic record, or controllable payment
14 intangible held by a secured party having control of the
15 account, electronic record, or payment intangible shall have
16 priority over a conflicting security interest held by a secured
17 party that does not have control."

18 5. By adding two new articles to be appropriately
19 designated and to read:



1 "ARTICLE A.

2 CONTROLLABLE ELECTRONIC RECORDS

3 §490:A-101 Short title. This article may be cited as
4 Uniform Commercial Code--Controllable Electronic Records.

5 §490:A-102 Definitions. (a) As used in this article:

6 "Account debtor" shall have the same meaning as in section
7 490:9-102(a).

8 "Chattel paper" shall have the same meaning as in section
9 490:9-102(a).

10 "Controllable account" shall have the same meaning as in
11 section 490:9-102(a).

12 "Controllable electronic record" means a record stored in
13 an electronic medium that may be subjected to control under
14 section 490:A-105. The term does not include a controllable
15 account, a controllable payment intangible, a deposit account,
16 an electronic copy of a record evidencing chattel paper, an
17 electronic document of title, electronic money, investment
18 property, or a transferable record.

19 "Controllable payment intangible" shall have the same
20 meaning as in section 490:9-102(a).



1 "Deposit account" shall have the same meaning as in section
2 490:9-102(a).

3 "Electronic money" shall have the same meaning as in
4 section 490:9-102(a).

5 "Investment property" shall have the same meaning as in
6 section 490:9-102(a).

7 "Qualifying purchaser" means a purchaser of a controllable
8 electronic record or an interest in a controllable electronic
9 record that obtains control of the controllable electronic
10 record for value, in good faith, and without notice of a claim
11 of a property right in the controllable electronic record.

12 "Transferable record" shall have the same meaning as in:

13 (1) Section 201(a)(1) of the Electronic Signatures in
14 Global and National Commerce Act, Title 15 United
15 States Code section 7021(a)(1), as amended; or

16 (2) Section 489E-16(a).

17 "Value" shall have the same meaning as in section
18 490:3-303(a), as if references in that subsection to an
19 "instrument" were references to a controllable account,
20 controllable electronic record, or controllable payment
21 intangible.



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

4 **§490:A-103 Relation to article 9 and consumer laws.** (a)
5 If there is conflict between this article and article 9,
6 article 9 shall govern.

7 (b) A transaction subject to this article shall be subject
8 to any applicable rule of law that establishes a different rule
9 for consumers, including any other statute or regulation that
10 regulates the rates, charges, agreements, and practices for
11 loans, credit sales, or other extensions of credit and any
12 consumer protection statutes or regulations.

13 **§490:A-104 Rights in controllable account, controllable**
14 **electronic record, and controllable payment intangible.** (a)
15 This section shall apply to the acquisition and purchase of
16 rights in a controllable account or controllable payment
17 intangible, including the rights and benefits under subsections
18 (c), (d), (e), (g), and (h) of a purchaser and qualifying
19 purchaser, in the same manner this section applies to a
20 controllable electronic record.



1 (b) To determine whether a purchaser of a controllable
2 account or a controllable payment intangible is a qualifying
3 purchaser, the purchaser shall obtain control of the account or
4 payment intangible if it obtains control of the controllable
5 electronic record that evidences the account or payment
6 intangible.

7 (c) Except as provided in this section, laws other than
8 this article shall determine whether a person acquires a right
9 in a controllable electronic record and the right the person
10 acquires.

11 (d) A purchaser of a controllable electronic record shall
12 acquire all rights in the controllable electronic record that
13 the transferor had or had power to transfer, except that a
14 purchaser of a limited interest in a controllable electronic
15 record shall acquire rights only to the extent of the interest
16 purchased.

17 (e) A qualifying purchaser shall acquire its rights in the
18 controllable electronic record free of a claim of a property
19 right in the controllable electronic record.

20 (f) Except as provided in subsections (a) and (e) for a
21 controllable account and a controllable payment intangible or



1 law other than this article, a qualifying purchaser shall take a
2 right to payment, right to performance, or other interest in
3 property evidenced by the controllable electronic record subject
4 to a claim of a property right in the right to payment, right to
5 performance, or other interest in property.

6 (g) An action shall not be asserted against a qualifying
7 purchaser based on both a purchase by the qualifying purchaser
8 of a controllable electronic record and a claim of a property
9 right in another controllable electronic record, whether the
10 action is framed in conversion, replevin, constructive trust,
11 equitable lien, or other theory.

12 (h) Filing of a financing statement under article 9 shall
13 not be deemed to be a notice of a claim of a property right in a
14 controllable electronic record.

15 **§490:A-105 Control of controllable electronic record. (a)**

16 A person shall control a controllable electronic record if the
17 electronic record; a record attached to, or logically associated
18 with, the electronic record; or a system in which the electronic
19 record is recorded:

20 (1) Gives the person:



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- 1 (A) Power to avail itself of substantially all the
- 2 benefit from the electronic record; and
- 3 (B) Exclusive power, subject to subsection (b), to:
- 4 (i) Prevent others from availing themselves of
- 5 substantially all the benefit from the
- 6 electronic record; and
- 7 (ii) Transfer control of the electronic record to
- 8 another person or cause another person to
- 9 obtain control of another controllable
- 10 electronic record as a result of the
- 11 transfer of the electronic record; and
- 12 (2) Enables the person to readily identify itself in any
- 13 way, including by name, identifying number,
- 14 cryptographic key, office, or account number, as
- 15 having the powers specified in paragraph (1).
- 16 (b) Subject to subsection (c), a power shall be exclusive
- 17 under clauses (a)(1)(B)(i) and (ii) regardless of whether:
- 18 (1) The controllable electronic record; a record attached
- 19 to, or logically associated with, the electronic
- 20 record; or a system in which the electronic record is
- 21 recorded limits the use of the electronic record or



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

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

5 (c) A power of a person shall not be shared with another
6 person under subsection (b)(2) and the person's power shall not
7 be exclusive if:

8 (1) The person may exercise the power only if the power
9 also is exercised by the other person; and

10 (2) The other person:

11 (A) May exercise the power without exercise of the
12 power by the person; or

13 (B) Is the transferor to the person of an interest in
14 the controllable electronic record or a
15 controllable account or controllable payment
16 intangible evidenced by the controllable
17 electronic record.

18 (d) If a person has the powers specified in clauses
19 (a)(1)(B)(i) and (ii), the powers shall be presumed to be
20 exclusive.



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1 (e) A person shall control a controllable electronic
2 record if another person, other than the transferor to the
3 person of an interest in the controllable electronic record or a
4 controllable account or controllable payment intangible
5 evidenced by the controllable electronic record:

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

8 (2) Obtains control of the electronic record after having
9 acknowledged that it will obtain control of the
10 electronic record on behalf of the person.

11 (f) A person having control under this section shall not
12 be required to acknowledge that it has control on behalf of
13 another person.

14 (g) If a person acknowledges that it has or will obtain
15 control on behalf of another person, unless the person otherwise
16 agrees or law other than this article or article 9 otherwise
17 provides, the person shall not owe any duty to the other person
18 and shall not be required to confirm the acknowledgment to any
19 other person.

20 **§490:A-106 Discharge of account debtor on controllable**
21 **account or controllable payment intangible.** (a) An account



1 debtor on a controllable account or controllable payment
2 intangible may discharge its obligation by paying:

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

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

9 (b) Subject to subsection (d), the account debtor shall
10 not discharge its obligation by paying a person that formerly
11 had control of the controllable electronic record if the account
12 debtor receives a notification that:

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

15 (2) Reasonably identifies the controllable account or
16 controllable payment intangible;

17 (3) Notifies the account debtor that control of the
18 controllable electronic record that evidences the
19 controllable account or controllable payment
20 intangible was transferred;



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

4 (5) Provides a commercially reasonable method by which the
5 account debtor shall pay the transferee.

6 (c) After receipt of a notification that complies with
7 subsection (b), the account debtor may discharge its obligation
8 by paying in accordance with the notification and shall not
9 discharge the obligation by paying a person that formerly had
10 control.

11 (d) Subject to subsection (h), notification is ineffective
12 under subsection (b):

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

20 (2) To the extent an agreement between the account debtor
21 and seller of a payment intangible limits the account



1 debtor's duty to pay a person other than the seller
2 and the limitation is effective under law other than
3 this article; or

4 (3) At the option of the account debtor if the
5 notification notifies the account debtor to:

6 (A) Divide a payment;

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

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

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

20 (f) A person furnishes reasonable proof under subsection

21 (e) that control has been transferred if the person



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1 demonstrates, using the method in the agreement referred to in
2 subsection (d)(1), that the transferee has the power to:

3 (1) Avail itself of substantially all the benefit from the
4 controllable electronic record;

5 (2) Prevent others from availing themselves of
6 substantially all the benefit from the controllable
7 electronic record; and

8 (3) Transfer the powers specified in paragraphs (1) and
9 (2) to another person.

10 (g) Subject to subsection (h), an account debtor shall not
11 waive or vary its rights under subsections (d)(1) and (e) or its
12 option under paragraph (d)(3).

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

17 **§490:A-107 Governing law.** (a) Except as provided in
18 subsection (b), the local law of a controllable electronic
19 record's jurisdiction shall govern a matter covered by this
20 article.



1 (b) For a controllable electronic record that evidences a
2 controllable account or controllable payment intangible, the
3 local law of the controllable electronic record's jurisdiction
4 shall govern a matter covered by section 490:A-106 unless an
5 effective agreement determines that the local law of another
6 jurisdiction shall govern.

7 (c) The following rules shall determine a controllable
8 electronic record's jurisdiction under this section:

9 (1) If the controllable electronic record, or a record
10 attached to, or logically associated with, the
11 controllable electronic record and readily available
12 for review, expressly provides that a particular
13 jurisdiction shall be the controllable electronic
14 record's jurisdiction for purposes of this article or
15 chapter, that jurisdiction shall be the controllable
16 electronic record's jurisdiction;

17 (2) If paragraph (1) does not apply and the rules of the
18 system in which the controllable electronic record is
19 recorded are readily available for review and
20 expressly provide that a particular jurisdiction shall
21 be the controllable electronic record's jurisdiction



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1 for purposes of this article or chapter, that
2 jurisdiction shall be the controllable electronic
3 record's jurisdiction;

4 (3) If paragraphs (1) and (2) do not apply and the
5 controllable electronic record, or a record attached
6 to, or logically associated with, the controllable
7 electronic record and readily available for review,
8 expressly provides that the controllable electronic
9 record shall be governed by the law of a particular
10 jurisdiction, that jurisdiction shall be the
11 controllable electronic record's jurisdiction;

12 (4) If paragraphs (1), (2), and (3) do not apply and the
13 rules of the system in which the controllable
14 electronic record is recorded are readily available
15 for review and expressly provide that the controllable
16 electronic record or the system shall be governed by
17 the law of a particular jurisdiction, that
18 jurisdiction shall be the controllable electronic
19 record's jurisdiction; and



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

4 (d) If subsection (c)(5) applies and article 12 of the
5 Uniform Commercial Code Amendments (2022) is not in effect in
6 the District of Columbia without material modification, the
7 governing law for a matter covered by this article shall be the
8 law of the District of Columbia as though article 12 of the
9 Uniform Commercial Code Amendments (2022) were in effect in the
10 District of Columbia without material modification.

11 (e) To the extent subsections (a) and (b) provide that the
12 local law of the controllable electronic record's jurisdiction
13 governs a matter covered by this article, that law shall govern
14 regardless of whether the matter or a transaction to which the
15 matter relates does not bear any relation to the controllable
16 electronic record's jurisdiction.

17 (f) The rights acquired under section 490:A-104 by a
18 purchaser or qualifying purchaser shall be governed by the law
19 applicable under this section at the time of purchase.



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

4 **PART 2. GENERAL TRANSITIONAL PROVISION**

5 **§490:B-201 Saving clause.** Except as provided in part 3, a
6 transaction validly entered into before the effective date of
7 this Act and the rights, duties, and interests flowing from the
8 transaction shall remain valid thereafter and may be terminated,
9 completed, consummated, or enforced as required or permitted by
10 law other than this chapter or, if applicable, this chapter, as
11 though this Act had not taken effect.

12 **PART 3. TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND A**

13 **§490:B-301 Saving clause.** (a) Except as provided in this
14 part; article 9, as amended by this Act; and article A shall
15 apply to a transaction, lien, or other interest in property,
16 regardless of whether the transaction, lien, or interest was
17 entered into, created, or acquired before the effective date of
18 this Act.

19 (b) Except as provided in subsection (c) and sections
20 490:A-302 through 490:A-306:



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- 1 (1) A transaction, lien, or interest in property that was
2 validly entered into, created, or transferred before
3 the effective date of this Act and was not governed by
4 this chapter, but would be subject to article 9, as
5 amended by this Act, or article A if it had been
6 entered into, created, or transferred on or after the
7 effective date of this Act, including the rights,
8 duties, and interests flowing from the transaction,
9 lien, or interest, shall remain valid on and after the
10 effective date of this Act; and
- 11 (2) The transaction, lien, or interest may be terminated,
12 completed, consummated, and enforced as required or
13 permitted by this chapter or by the law that would
14 apply if this Act had not taken effect.
- 15 (c) This Act shall not affect an action, case, or
16 proceeding commenced before the effective date of this Act.

17 **§490:B-302 Security interest perfected before the**
18 **effective date of this Act.** (a) A security interest that is
19 enforceable and perfected immediately before the effective date
20 of this Act shall be a perfected security interest under this
21 chapter if, on the effective date of this Act, the requirements



1 for enforceability and perfection under this chapter are
2 satisfied without further action.

3 (b) If a security interest is enforceable and perfected
4 immediately before the effective date of this Act, but the
5 requirements for enforceability or perfection under this chapter
6 are not satisfied on the effective date of this Act, the
7 security interest:

8 (1) Shall be a perfected security interest until the
9 earlier of the time perfection would have ceased under
10 the law in effect immediately before the effective
11 date of this Act or the adjustment date;

12 (2) Shall remain enforceable thereafter only if the
13 security interest satisfies the requirements for
14 enforceability under section 490:9-203, as amended by
15 this Act, before the adjustment date; and

16 (3) Shall remain perfected thereafter only if the
17 requirements for perfection under this chapter are
18 satisfied before the time specified in paragraph (1).

19 **§490:B-303 Security interest unperfected before the**
20 **effective date of this Act.** A security interest that is



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1 enforceable immediately before the effective date of this Act
2 but is unperfected at that time:

3 (1) Shall remain an enforceable security interest until
4 the adjustment date;

5 (2) Shall remain enforceable thereafter if the security
6 interest becomes enforceable under section 490:9-203,
7 as amended by this Act, on the effective date of this
8 Act or before the adjustment date; and

9 (3) Shall become perfected:

10 (A) Without further action, on the effective date of
11 this Act if the requirements for perfection under
12 this chapter are satisfied before or at that
13 time; or

14 (B) When the requirements for perfection are
15 satisfied if the requirements are satisfied after
16 that time.

17 **§490:B-304 Effectiveness of actions taken before the**
18 **effective date of this Act.** (a) If action, other than the
19 filing of a financing statement, is taken before the effective
20 date of this Act and the action would have resulted in
21 perfection of the security interest had the security interest



1 become enforceable before the effective date of this Act, the
2 action shall be effective to perfect a security interest that
3 attaches under this chapter before the adjustment date. An
4 attached security interest shall become unperfected on the
5 adjustment date unless the security interest becomes a perfected
6 security interest under this chapter before the adjustment date.

7 (b) The filing of a financing statement before the
8 effective date of this Act shall be effective to perfect a
9 security interest on the effective date of this Act to the
10 extent that the filing would satisfy the requirements for
11 perfection under this chapter.

12 (c) The taking of an action before the effective date of
13 this Act shall be sufficient for the enforceability of a
14 security interest on the effective date of this Act if the
15 action would satisfy the requirements for enforceability under
16 this chapter.

17 **§490:B-305 Priority.** (a) Subject to subsections (b) and
18 (c), this chapter shall determine the priority of conflicting
19 claims to collateral.

20 (b) Subject to subsection (c), if the priorities of claims
21 to collateral were established before the effective date of this



1 Act, article 9, as in effect before the effective date of this
2 Act, shall determine priority.

3 (c) On the adjustment date, to the extent the priorities
4 determined by article 9, as amended by this Act, modify the
5 priorities established before the effective date of this Act,
6 the priorities of claims to article A property and electronic
7 money established before the effective date of this Act shall
8 cease to apply.

9 **§490:B-306 Priority of claims when priority rules of**
10 **article 9 do not apply.** (a) Subject to subsections (b) and
11 (c), article A shall determine the priority of conflicting
12 claims to article A property when the priority rules of article
13 9, as amended by this Act, do not apply.

14 (b) Subject to subsection (c), when the priority rules of
15 article 9, as amended by this Act, do not apply and the
16 priorities of claims to article A property were established
17 before the effective date of this Act, law other than article A
18 shall determine priority.

19 (c) When the priority rules of article 9, as amended by
20 this Act, do not apply, to the extent the priorities determined
21 by this Act modify the priorities established before the



1 effective date of this Act, the priorities of claims to article
2 A property established before the effective date of this Act
3 shall cease to apply on the adjustment date.

4 **PART 4. EFFECTIVE DATE**

5 **§490:B-401 Effective date.** This article shall take effect
6 on the effective date of this Act."

7 SECTION 2. Section 490:1-201(b), Hawaii Revised Statutes,
8 is amended as follows:

9 1. By adding a new definition to be appropriately inserted
10 and to read:

11 "Electronic" means relating to technology having
12 electrical, digital, magnetic, wireless, optical,
13 electromagnetic, or similar capabilities."

14 2. By amending the definition of "conspicuous" to read:

15 "Conspicuous", with reference to a term, means so written,
16 displayed, or presented that, based on the totality of the
17 circumstances, a reasonable person against which it is to
18 operate ought to have noticed it. Whether a term is
19 "conspicuous" or not is a decision for the court. [~~Conspicuous~~
20 ~~terms include the following:~~



1 ~~(1) A heading in capitals equal to or greater in size than~~
2 ~~the surrounding text, or in contrasting type, font, or~~
3 ~~color to the surrounding text of the same or lesser~~
4 ~~size; and~~

5 ~~(2) Language in the body of a record or display in larger~~
6 ~~type than the surrounding text, or in contrasting~~
7 ~~type, font, or color to the surrounding text of the~~
8 ~~same size, or set off from surrounding text of the~~
9 ~~same size by symbols or other marks that call~~
10 ~~attention to the language.]"~~

11 3. By amending the definition of "delivery" to read:

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

17 4. By amending the definition of "holder" to read:

18 "Holder" means:

19 (1) The person in possession of a negotiable instrument
20 that is payable either to bearer or to an identified
21 person that is the person in possession;



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1 (2) The person in possession of a negotiable tangible
 2 document of title if the goods are deliverable either
 3 to bearer or to the order of the person in possession;
 4 or

5 (3) The person in control, other than pursuant to section
 6 490:7-106(g), of a negotiable electronic document of
 7 title."

8 5. By amending the definition of "money" to read:

9 "Money" means a medium of exchange that is currently
 10 authorized or adopted by a domestic or foreign government. The
 11 term includes a monetary unit of account established by an
 12 intergovernmental organization or by agreement between two or
 13 more countries. The term does not include an electronic record
 14 that is a medium of exchange recorded and transferable in a
 15 system that existed and operated for the medium of exchange
 16 before the medium of exchange was authorized or adopted by the
 17 government."

18 6. By amending the definition of "person" to read:

19 "Person" means an individual, corporation, business trust,
 20 estate, trust, partnership, limited liability company,
 21 association, joint venture, government, governmental



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1 subdivision, agency, or instrumentality, [~~public corporation,~~
 2 or any other legal or commercial entity. The term includes a
 3 protected series, however denominated, of an entity if the
 4 protected series is established under any law other than this
 5 chapter that limits, or limits if conditions specified under the
 6 law are satisfied, the ability of a creditor of the entity or of
 7 any other protected series of the entity to satisfy a claim from
 8 assets of the protected series."

9 7. By amending the definition of "send" to read:

10 "Send", in connection with a [~~writing,~~] record[~~,~~] or
 11 [~~notice~~] notification, means:

12 (1) To deposit in the mail [~~or,~~] deliver for transmission,
 13 or transmit by any other usual means of communication,
 14 with postage or cost of transmission provided for [~~and~~
 15 ~~properly addressed and, in the case of an instrument,~~
 16 ~~to an address specified thereon or otherwise agreed,~~
 17 ~~or if there be none], addressed to any address
 18 reasonable under the circumstances; or~~

19 (2) [~~In any other way to cause to be received any record~~
 20 ~~or notice within the time it would have arrived if~~
 21 ~~properly sent.] To cause the record or notification to~~



1 be received within the time it would have been
2 received if properly sent under paragraph (1)."

3 8. By amending the definition of "signed" to read:

4 "Signed" [~~includes any symbol executed or adopted with~~
5 ~~present intention to adopt or accept a writing.~~], "sign",
6 "signing", or "signature" means, with present intent to
7 authenticate or adopt a record:

8 (1) Execute or adopt a tangible symbol; or

9 (2) Attach to, or logically associate with, the record an
10 electronic symbol, sound, or process."

11 SECTION 3. Section 490:1-204, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§490:1-204 Value.** Except as otherwise provided in
14 articles 3, 4, [~~and~~] 5, 6, and A, a person gives value for
15 rights if the person acquires them:

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



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- 1 (2) As security for, or in total or partial satisfaction
- 2 of, a preexisting claim;
- 3 (3) By accepting delivery under a preexisting contract for
- 4 purchase; or
- 5 (4) In return for any consideration sufficient to support
- 6 a simple contract."

7 SECTION 4. Section 490:1-301, Hawaii Revised Statutes, is
8 amended by amending subsection (c) to read as follows:

9 "(c) If one of the following provisions of the Uniform
10 Commercial Code specifies the applicable law, that provision
11 governs and a contrary agreement is effective only to the extent
12 permitted by the law so specified:

- 13 (1) Section 490:2-402;
- 14 (2) Sections 490:2A-105 and 490:2A-106;
- 15 (3) Section 490:4-102;
- 16 (4) Section 490:4A-507;
- 17 (5) Section 490:5-116;
- 18 (6) Section 490:8-110; [and]
- 19 (7) Sections 490:9-301 through 490:9-307 [~~-~~]; and
- 20 (8) Section 490:A-107."



1 SECTION 5. Section 490:1-306, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§490:1-306 Waiver or renunciation of claim or right after
4 breach. A claim or right arising out of an alleged breach may
5 be discharged in whole or in part without consideration by
6 agreement of the aggrieved party in [~~an authenticated~~] a signed
7 record."

8 SECTION 6. Section 490:2-102, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "§490:2-102 Scope; certain security and other transactions
11 excluded from this article. (a) Unless the context otherwise
12 requires, and except as provided in subsection (c), this article
13 applies to transactions in goods [~~; it does not apply to any~~
14 ~~transaction which although in the form of an unconditional~~
15 ~~contract to sell or present sale is intended to operate only as~~
16 ~~a security transaction nor does this article impair or repeal~~
17 ~~any statute regulating sales to consumers, farmers or other~~
18 ~~specified classes of buyers.] and, in the case of a hybrid
19 transaction, to the extent provided in subsection (b).~~

20 (b) In a hybrid transaction:



1 (1) If the sale-of-goods aspects do not predominate, only
 2 the provisions of this article that relate primarily
 3 to the sale-of-goods aspects of the transaction shall
 4 apply, and the provisions that relate primarily to the
 5 transaction as a whole shall not apply; and

6 (2) If the sale-of-goods aspects predominate, this article
 7 shall apply to the transaction but shall not preclude
 8 application in appropriate circumstances of other law
 9 to aspects of the transaction that do not relate to
 10 the sale of goods.

11 (c) This article shall not:

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

15 (2) Impair or repeal any statute regulating sales to
 16 consumers, farmers, or other specified classes of
 17 buyers."

18 SECTION 7. Section 490:2-106, Hawaii Revised Statutes, is
 19 amended to read as follows:

20 "**§490:2-106 Definitions:** "contract"; "agreement";
 21 "contract for sale"; "sale"; "present sale"; "conforming" to



1 contract; "termination"; "cancellation" [-]; "hybrid
2 transaction". (1) In this article unless the context otherwise
3 requires "contract" and "agreement" are limited to those
4 relating to the present or future sale of goods. "Contract for
5 sale" includes both a present sale of goods and a contract to
6 sell goods at a future time. A "sale" consists in the passing
7 of title from the seller to the buyer for a price (section
8 490:2-401). A "present sale" means a sale which is accomplished
9 by the making of the contract.

10 (2) Goods or conduct including any part of a performance
11 are "conforming" or conform to the contract when they are in
12 accordance with the obligations under the contract.

13 (3) "Termination" occurs when either party pursuant to a
14 power created by agreement or law puts an end to the contract
15 otherwise than for its breach. On "termination" all obligations
16 which are still executory on both sides are discharged but any
17 right based on prior breach or performance survives.

18 (4) "Cancellation" occurs when either party puts an end to
19 the contract for breach by the other and its effect is the same
20 as that of "termination" except that the cancelling party also



1 retains any remedy for breach of the whole contract or any
2 unperformed balance.

3 (5) "Hybrid transaction" means a single transaction
4 involving the sale of goods and:

5 (a) The provision of services;

6 (b) The lease of other goods; or

7 (c) The sale, lease, or license of property other than
8 goods."

9 SECTION 8. Section 490:2-201, Hawaii Revised Statutes, is
10 amended to read as follows:

11 **"§490:2-201 Formal requirements; statute of frauds. (1)**
12 Except as otherwise provided in this section a contract for the
13 sale of goods for the price of \$500 or more is not enforceable
14 by way of action or defense unless there is [~~some writing~~] a
15 record sufficient to indicate that a contract for sale has been
16 made between the parties and signed by the party against whom
17 enforcement is sought or by [~~his~~] the party's authorized agent
18 or broker. A [~~writing~~] record is not insufficient because it
19 omits or incorrectly states a term agreed upon but the contract
20 is not enforceable under this [~~paragraph~~] subsection beyond the
21 quantity of goods shown in [~~such writing.~~] the record.



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

8 (3) A contract [~~which~~] that does not satisfy the
9 requirements of subsection (1) but [~~which~~] that is valid in
10 other respects is enforceable:

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

19 (b) If the party against whom enforcement is sought admits
20 in his pleading, testimony or otherwise in court that
21 a contract for sale was made, but the contract is not



1 enforceable under this provision beyond the quantity
2 of goods admitted; or

3 (c) With respect to goods for which payment has been made
4 and accepted or [~~which~~] that have been received and
5 accepted (section 490:2-606)."

6 SECTION 9. Section 490:2-202, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§490:2-202 Final [~~written~~] expression: parol or**
9 **extrinsic evidence.** Terms with respect to which the
10 confirmatory memoranda of the parties agree or that are
11 otherwise set forth in a [~~writing~~] record intended by the
12 parties as a final expression of their agreement with respect to
13 such terms as are included therein may not be contradicted by
14 evidence of any prior agreement or of a contemporaneous oral
15 agreement but may be explained or supplemented by:

16 (a) Course of performance, course of dealing, or usage of
17 trade (section 490:1-303); and

18 (b) Evidence of consistent additional terms unless the
19 court finds the [~~writing~~] record to have been intended
20 also as a complete and exclusive statement of the
21 terms of the agreement."



1 SECTION 10. Section 490:2-209, Hawaii Revised Statutes, is
2 amended by amending subsection (2) to read as follows:

3 "(2) A signed agreement which excludes modification or
4 rescission except by a signed writing or other signed record
5 cannot be otherwise modified or rescinded, but except as between
6 merchants [~~such a~~] this type of requirement on a form supplied
7 by the merchant must be separately signed by the other party."

8 SECTION 11. Section 490:2A-102, Hawaii Revised Statutes,
9 is amended to read as follows:

10 "**§490:2A-102 Scope.** (a) This article applies to any
11 transaction, regardless of form, that creates a lease[-] and, in
12 the case of a hybrid lease, this article shall apply to the
13 extent provided in subsection (b).

14 (b) In a hybrid lease:

15 (1) If the lease-of-goods aspects do not predominate:

16 (A) Only the provisions of this article that relate
17 primarily to the lease-of-goods aspects of the
18 transaction shall apply, and the provisions that
19 relate primarily to the transaction as a whole
20 shall not apply;



- 1 (B) Section 490:2A-209 shall apply if the lease is a
2 finance lease; and
- 3 (C) Section 490:2A-407 shall apply to the promises of
4 the lessee in a finance lease to the extent that
5 the promises are consideration for the right to
6 possession and use of the leased goods; and
- 7 (2) If the lease-of-goods aspects predominate, this
8 article shall apply to the transaction, but shall not
9 preclude the application, in appropriate
10 circumstances, of other law to aspects of the lease
11 that do not relate to the lease of goods."

12 SECTION 12. Section 490:2A-103, Hawaii Revised Statutes,
13 is amended by amending subsection (a) to read as follows:

14 "(a) In this article unless the context otherwise
15 requires:

16 ~~[-(1)]~~ "Buyer in ordinary course of business" means a person
17 who in good faith and without knowledge that the sale to that
18 person is in violation of the ownership rights or security
19 interest or leasehold interest of a third party in the goods,
20 buys in ordinary course from a person in the business of selling
21 goods of that kind but does not include a pawnbroker. "Buying"



1 may be for cash or by exchange of other property or on secured
2 or unsecured credit and includes acquiring goods or documents of
3 title under a preexisting contract for sale but does not include
4 a transfer in bulk or as security for or in total or partial
5 satisfaction of a money debt.

6 [~~2~~] "Cancellation" occurs when either party puts an end
7 to the lease contract for default by the other party.

8 [~~3~~] "Commercial unit" means [~~such~~] a unit of goods that
9 as by commercial usage is a single whole for purposes of lease
10 and division of which materially impairs its character or value
11 on the market or in use. A commercial unit may be a single
12 article, as a machine, or a set of articles, as a suite of
13 furniture or a line of machinery, or a quantity, as a gross or
14 carload, or any other unit treated in use or in the relevant
15 market as a single whole.

16 [~~4~~] "Conforming" goods or performance under a lease
17 contract means goods or performance that are in accordance with
18 the obligations under the lease contract.

19 [~~5~~] "Consumer lease" means a lease that a lessor
20 regularly engaged in the business of leasing or selling makes to
21 a lessee who is an individual and who takes under the lease



1 primarily for a personal, family, or household purpose, if the
2 total payments to be made under the lease contract, excluding
3 payments for options to renew or buy, do not exceed \$25,000.

4 ~~[(6)]~~ "Fault" means wrongful act, omission, breach, or
5 default.

6 ~~[(7)]~~ "Finance lease" means a lease with respect to which:

7 ~~[(i)]~~ (1) The lessor does not select, manufacture, or
8 supply the goods;

9 ~~[(ii)]~~ (2) The lessor acquires the goods or the right to
10 possession and use of the goods in connection with the
11 lease; and

12 ~~[(iii)]~~ (3) One of the following occurs:

13 (A) The lessee receives a copy of the contract by
14 which the lessor acquired the goods or the right
15 to possession and use of the goods before signing
16 the lease contract;

17 (B) The lessee's approval of the contract by which
18 the lessor acquired the goods or the right to
19 possession and use of the goods is a condition to
20 effectiveness of the lease contract;



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- 1 (C) The lessee, before signing the lease contract,
2 receives an accurate and complete statement
3 designating the promises and warranties, and any
4 disclaimers of warranties, limitations or
5 modifications of remedies, or liquidated damages,
6 including those of a third party, [~~such as~~]
7 including the manufacturer of the goods, provided
8 to the lessor by the person supplying the goods
9 in connection with or as part of the contract by
10 which the lessor acquired the goods or the right
11 to possession and use of the goods; or
- 12 (D) If the lease is not a consumer lease, the lessor,
13 before the lessee signs the lease contract,
14 informs the lessee in writing (a) of the identity
15 of the person supplying the goods to the lessor,
16 unless the lessee has selected that person and
17 directed the lessor to acquire the goods or the
18 right to possession and use of the goods from
19 that person, (b) that the lessee is entitled
20 under this article to the promises and
21 warranties, including those of any third party,



1 provided to the lessor by the person supplying
2 the goods in connection with or as part of the
3 contract by which the lessor acquired the goods
4 or the right to possession and use of the goods,
5 and (c) that the lessee may communicate with the
6 person supplying the goods to the lessor and
7 receive an accurate and complete statement of
8 those promises and warranties, including any
9 disclaimers and limitations of them or of
10 remedies.

11 [~~8~~] "Goods" means all things that are movable at the time
12 of identification to the lease contract, or are fixtures
13 (section 490:2A-309), but the term does not include money,
14 documents, instruments, accounts, chattel paper, general
15 intangibles, or minerals or the like, including oil and gas,
16 before extraction. The term also includes the unborn young of
17 animals.

18 [~~9~~] "Hybrid lease" means a single transaction involving a
19 lease of goods and:

20 (1) The provision of services;

21 (2) A sale of other goods; or



1 (3) A sale, lease, or license of property other than
2 goods.

3 "Installment lease contract" means a lease contract that
4 authorizes or requires the delivery of goods in separate lots to
5 be separately accepted, even though the lease contract contains
6 a clause "each delivery is a separate lease" or its equivalent.

7 ~~[(10)]~~ "Lease" means a transfer of the right to possession
8 and use of goods for a term in return for consideration, but a
9 sale, including a sale on approval or a sale or return, or
10 retention or creation of a security interest is not a lease.
11 Unless the context clearly indicates otherwise, the term
12 includes a sublease.

13 ~~[(11)]~~ "Lease agreement" means the bargain, with respect to
14 the lease, of the lessor and the lessee in fact as found in
15 their language or by implication from other circumstances
16 including course of dealing or usage of trade or course of
17 performance as provided in this article. Unless the context
18 clearly indicates otherwise, the term includes a sublease
19 agreement.

20 ~~[(12)]~~ "Lease contract" means the total legal obligation
21 that results from the lease agreement as affected by this



1 article and any other applicable rules of law. Unless the
2 context clearly indicates otherwise, the term includes a
3 sublease contract.

4 ~~[(13)]~~ "Leasehold interest" means the interest of the
5 lessor or the lessee under a lease contract.

6 ~~[(14)]~~ "Lessee" means a person who acquires the right to
7 possession and use of goods under a lease. Unless the context
8 clearly indicates otherwise, the term includes a sublessee.

9 ~~[(15)]~~ "Lessee in ordinary course of business" means a
10 person who in good faith and without knowledge that the lease to
11 that person is in violation of the ownership rights or security
12 interest or leasehold interest of a third party in the goods
13 leases in ordinary course from a person in the business of
14 selling or leasing goods of that kind but does not include a
15 pawnbroker. "Leasing" may be for cash or by exchange of other
16 property or on secured or unsecured credit and includes
17 acquiring goods or documents of title under a preexisting lease
18 contract but does not include a transfer in bulk or as security
19 for or in total or partial satisfaction of a money debt.



1 [~~16~~] "Lessor" means a person who transfers the right to
2 possession and use of goods under a lease. Unless the context
3 clearly indicates otherwise, the term includes a sublessor.

4 [~~17~~] "Lessor's residual interest" means the lessor's
5 interest in the goods after expiration, termination, or
6 cancellation of the lease contract.

7 [~~18~~] "Lien" means a charge against or interest in goods
8 to secure payment of a debt or performance of an obligation, but
9 the term does not include a security interest.

10 [~~19~~] "Lot" means a parcel or a single article that is the
11 subject matter of a separate lease or delivery, whether or not
12 it is sufficient to perform the lease contract.

13 [~~20~~] "Merchant lessee" means a lessee that is a merchant
14 with respect to goods of the kind subject to the lease.

15 [~~21~~] "Present value" means the amount as of a date
16 certain of one or more sums payable in the future, discounted to
17 the date certain. The discount is determined by the interest
18 rate specified by the parties if the rate was not manifestly
19 unreasonable at the time the transaction was entered into;
20 otherwise, the discount is determined by a commercially
21 reasonable rate that takes into account the facts and



1 circumstances of each case at the time the transaction was
2 entered into.

3 ~~[-(22)]~~ "Purchase" includes taking by sale, lease, mortgage,
4 security interest, pledge, gift, or any other voluntary
5 transaction creating an interest in goods.

6 ~~[-(23)]~~ "Sublease" means a lease of goods the right to
7 possession and use of which was acquired by the lessor as a
8 lessee under an existing lease.

9 ~~[-(24)]~~ "Supplier" means a person from whom a lessor buys or
10 leases goods to be leased under a finance lease.

11 ~~[-(25)]~~ "Supply contract" means a contract under which a
12 lessor buys or leases goods to be leased.

13 ~~[-(26)]~~ "Termination" occurs when either party pursuant to a
14 power created by agreement or law puts an end to the lease
15 contract otherwise than for default."

16 SECTION 13. Section 490:2A-107, Hawaii Revised Statutes,
17 is amended to read as follows:

18 **"§490:2A-107 Waiver or renunciation of claim or right**
19 **after default.** Any claim or right arising out of an alleged
20 default or breach of warranty may be discharged in whole or in



1 part without consideration by a [~~written~~] waiver or renunciation
2 in a signed [~~and~~] record delivered by the aggrieved party."

3 SECTION 14. Section 490:2A-202, Hawaii Revised Statutes,
4 is amended to read as follows:

5 "§490:2A-202 Final [~~written~~] expression: parol or
6 extrinsic evidence. Terms with respect to which the
7 confirmatory memoranda of the parties agree or which are
8 otherwise set forth in a [~~writing~~] record intended by the
9 parties as a final expression of their agreement with respect to
10 such terms as are included therein may not be contradicted by
11 evidence of any prior agreement or of a contemporaneous oral
12 agreement but may be explained or supplemented:

13 (1) By course of dealing or usage of trade or by course of
14 performance; and

15 (2) By evidence of consistent additional terms unless the
16 court finds the [~~writing~~] record to have been intended
17 also as a complete and exclusive statement of the
18 terms of the agreement."

19 SECTION 15. Section 490:2A-208, Hawaii Revised Statutes,
20 is amended by amending subsection (b) to read as follows:



1 "(b) A signed lease agreement that excludes modification
2 or rescission except by a signed [~~writing~~] record may not be
3 otherwise modified or rescinded, but, except as between
4 merchants, such a requirement on a form supplied by a merchant
5 must be separately signed by the other party."

6 SECTION 16. Section 490:3-104, Hawaii Revised Statutes, is
7 amended by amending subsection (a) to read as follows:

8 "(a) Except as provided in subsections (c) and (d),
9 "negotiable instrument" means an unconditional promise or order
10 to pay a fixed amount of money, with or without interest or
11 other charges described in the promise or order, if it:

- 12 (1) Is payable to bearer or to order at the time it is
13 issued or first comes into possession of a holder;
14 (2) Is payable on demand or at a definite time; and
15 (3) Does not state any other undertaking or instruction by
16 the person promising or ordering payment to do any act
17 in addition to the payment of money, but the promise
18 or order may contain:
19 (A) An undertaking or power to give, maintain, or
20 protect collateral to secure payment;



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- 1 (B) An authorization or power to the holder to
2 confess judgment or realize on or dispose of
3 collateral; [~~or~~]
- 4 (C) A waiver of the benefit of any law intended for
5 the advantage or protection of an obligor[-];i
- 6 (D) A term that specifies the law that governs the
7 promise or order; or
- 8 (E) An undertaking to resolve in a specified forum a
9 dispute concerning the promise or order."

10 SECTION 17. Section 490:3-105, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

- 12 "(a) "Issue" means [~~the~~]:
- 13 (1) The first delivery of an instrument by the maker or
14 drawer, whether to a holder or nonholder, for the
15 purpose of giving rights on the instrument to any
16 person[-]; or
- 17 (2) If agreed by the payee, the first transmission by the
18 drawer to the payee of an image of an item and
19 information derived from the item that enables the
20 depository bank to collect the item by transferring or
21 presenting under federal law an electronic check."



1 SECTION 18. Section 490:3-401, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§490:3-401 Signature~~[-]~~ necessary for liability on
4 instrument. [~~a)~~] A person is not liable on an instrument
5 unless (i) the person signed the instrument, or (ii) the person
6 is represented by an agent or representative who signed the
7 instrument and the signature is binding on the represented
8 person under section 490:3-402.

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

14 SECTION 19. Section 490:3-604, Hawaii Revised Statutes, is
15 amended by amending subsection (a) to read as follows:

16 "(a) A person entitled to enforce an instrument, with or
17 without consideration, may discharge the obligation of a party
18 to pay the instrument (i) by an intentional voluntary act, [~~such~~
19 ~~as]~~ including surrender of the instrument to the party,
20 destruction, mutilation, or cancellation of the instrument,
21 cancellation or striking out of the party's signature, or the



1 addition of words to the instrument indicating discharge, or
2 (ii) by agreeing not to sue or otherwise renouncing rights
3 against the party by a signed writing. The obligation of a
4 party to pay a check shall not be discharged solely by
5 destruction of the check in connection with a process in which
6 information is extracted from the check and an image of the
7 check is made and, subsequently, the information and image are
8 transmitted for payment."

9 SECTION 20. Section 490:4A-103, Hawaii Revised Statutes,
10 is amended by amending subsections (a) and (b) to read as
11 follows:

12 "(a) In this article:

13 [~~1~~] "Payment order" means an instruction of a sender to a
14 receiving bank, transmitted orally~~[, electronically, or in~~
15 ~~writing,~~ or in a record, to pay, or to cause another bank to
16 pay, a fixed or determinable amount of money to a beneficiary
17 if:

18 [~~i~~] (1) The instruction does not state a condition to
19 payment to the beneficiary other than time of payment;



1 [~~(i)~~] (2) The receiving bank is to be reimbursed by
 2 debiting an account of, or otherwise receiving payment
 3 from, the sender; and

4 [~~(ii)~~] (3) The instruction is transmitted by the sender
 5 directly to the receiving bank or to an agent, funds-
 6 transfer system, or communication system for
 7 transmittal to the receiving bank.

8 [~~(2)~~] "Beneficiary" means the person to be paid by the
 9 beneficiary's bank.

10 [~~(3)~~] "Beneficiary's bank" means the bank identified in a
 11 payment order in which an account of the beneficiary is to be
 12 credited pursuant to the order or [~~which~~] that otherwise is to
 13 make payment to the beneficiary if the order does not provide
 14 for payment to an account.

15 [~~(4)~~] "Receiving bank" means the bank to which the sender's
 16 instruction is addressed.

17 [~~(5)~~] "Sender" means the person giving the instruction to
 18 the receiving bank.

19 (b) If an instruction complying with subsection [~~(a)(1)~~]
 20 (a) is to make more than one payment to a beneficiary, the



1 instruction is a separate payment order with respect to each
2 payment."

3 SECTION 21. Section 490:4A-201, Hawaii Revised Statutes,
4 is amended to read as follows:

5 "**§490:4A-201 Security procedure.** "Security procedure"
6 means a procedure established by agreement of a customer and a
7 receiving bank for the purpose of (i) verifying that a payment
8 order or communication amending or canceling a payment order is
9 that of the customer, or (ii) detecting error in the
10 transmission or the content of the payment order or
11 communication. A security procedure may impose an obligation on
12 the receiving bank or the customer and require the use of
13 algorithms or other codes, identifying words [œ], numbers,
14 symbols, sounds, biometrics, encryption, callback procedures, or
15 similar security devices. Comparison of a signature on a
16 payment order or communication with an authorized specimen
17 signature of the customer or requiring a payment order to be
18 sent from a known email address, internet protocol address, or
19 telephone number is not by itself a security procedure."



1 SECTION 22. Section 490:4A-202, Hawaii Revised Statutes,
2 is amended by amending subsections (b) and (c) to read as
3 follows:

4 "(b) If a bank and its customer have agreed that the
5 authenticity of payment orders issued to the bank in the name of
6 the customer as sender will be verified pursuant to a security
7 procedure, a payment order received by the receiving bank is
8 effective as the order of the customer, whether or not
9 authorized, if (i) the security procedure is a commercially
10 reasonable method of providing security against unauthorized
11 payment orders, and (ii) the bank proves that it accepted the
12 payment order in good faith and in compliance with the bank's
13 obligations under the security procedure and any [written]
14 agreement or instruction of the customer, evidenced by a record,
15 restricting acceptance of payment orders issued in the name of
16 the customer. The bank is not required to follow an instruction
17 that violates [a-written] an agreement with the customer,
18 evidenced by a record, or notice of which is not received at a
19 time and in a manner affording the bank a reasonable opportunity
20 to act on it before the payment order is accepted.



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

17 SECTION 23. Section 490:4A-203, Hawaii Revised Statutes,
18 is amended by amending subsection (a) to read as follows:

19 "(a) If an accepted payment order is not, under section
20 490:4A-202(a), an authorized order of a customer identified as



1 sender, but is effective as an order of the customer pursuant to
2 section 490:4A-202(b), the following rules apply:

3 (1) By express [~~written~~] agreement, evidenced by a record,
4 the receiving bank may limit the extent to which it is
5 entitled to enforce or retain payment of the payment
6 order.

7 (2) The receiving bank is not entitled to enforce or
8 retain payment of the payment order if the customer
9 proves that the order was not caused, directly or
10 indirectly, by a person (i) entrusted at any time with
11 duties to act for the customer with respect to payment
12 orders or the security procedure, or (ii) who obtained
13 access to transmitting facilities of the customer or
14 who obtained, from a source controlled by the customer
15 and without authority of the receiving bank,
16 information facilitating breach of the security
17 procedure, regardless of how the information was
18 obtained or whether the customer was at fault.
19 Information includes any access device, computer
20 software, or the like."



1 SECTION 24. Section 490:4A-210, Hawaii Revised Statutes,
2 is amended by amending subsection (a) to read as follows:

3 "(a) A payment order is rejected by the receiving bank by
4 a notice of rejection transmitted to the sender orally[~~7~~
5 ~~electronically,~~] or in [~~writing,~~] a record. A notice of
6 rejection need not use any particular words and is sufficient if
7 it indicates that the receiving bank is rejecting the order or
8 will not execute or pay the order. Rejection is effective when
9 the notice is given if transmission is by a means that is
10 reasonable in the circumstances. If notice of rejection is
11 given by a means that is not reasonable, rejection is effective
12 when the notice is received. If an agreement of the sender and
13 receiving bank establishes the means to be used to reject a
14 payment order, (i) any means complying with the agreement is
15 reasonable and (ii) any means not complying is not reasonable
16 unless no significant delay in receipt of the notice resulted
17 from the use of the noncomplying means."

18 SECTION 25. Section 490:4A-211, Hawaii Revised Statutes,
19 is amended by amending subsection (a) to read as follows:

20 "(a) A communication of the sender of a payment order
21 canceling or amending the order may be transmitted to the



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1 receiving bank orally [~~electronically~~] or in [~~writing~~] a
 2 record. If a security procedure is in effect between the sender
 3 and the receiving bank, the communication is not effective to
 4 cancel or amend the order unless the communication is verified
 5 pursuant to the security procedure or the bank agrees to the
 6 cancellation or amendment."

7 SECTION 26. Section 490:4A-305, Hawaii Revised Statutes,
 8 is amended by amending subsections (c) and (d) to read as
 9 follows:

10 "(c) In addition to the amounts payable under subsections
 11 (a) and (b), damages, including consequential damages, are
 12 recoverable to the extent provided in an express [~~written~~]
 13 agreement of the receiving bank [~~-~~], as evidenced by a record.

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

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1 SECTION 27. Section 490:5-104, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§490:5-104 Formal requirements. A letter of credit,
4 confirmation, advice, transfer, amendment, or cancellation may
5 be issued in any form that is a signed record [~~and is~~
6 ~~authenticated (i) by a signature, or (ii) in accordance with the~~
7 ~~agreement of the parties or the standard practice referred to in~~
8 ~~section 490:5-108(e)]."~~

9 SECTION 28. Section 490:5-116, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "§490:5-116 Choice of law and forum. (a) The liability
12 of an issuer, nominated person, or adviser for action or
13 omission is governed by the law of the jurisdiction chosen by an
14 agreement in the form of a record signed [~~or otherwise~~
15 ~~authenticated]~~ by the affected parties [~~in the manner provided~~
16 ~~in section 490:5-104]~~ or by a provision in the person's letter
17 of credit, confirmation, or other undertaking. The jurisdiction
18 whose law is chosen need not bear any relation to the
19 transaction.

20 (b) Unless subsection (a) applies, the liability of an
21 issuer, nominated person, or adviser for action or omission is



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1 governed by the law of the jurisdiction in which the person is
2 located. The person is considered to be located at the address
3 indicated in the person's undertaking. If more than one address
4 is indicated, the person is considered to be located at the
5 address from which the person's undertaking was issued.

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

12 ~~(e)]~~ (d).

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

18 (e) Except as otherwise provided in this subsection, the
19 liability of an issuer, nominated person, or adviser is governed
20 by any rules of custom or practice, [~~such as~~] including the
21 Uniform Customs and Practice for Documentary Credits, to which



1 the letter of credit, confirmation, or other undertaking is
2 expressly made subject. If (i) this article would govern the
3 liability of an issuer, nominated person, or adviser under
4 subsection (a) or (b), (ii) the relevant undertaking
5 incorporates rules of custom or practice, and (iii) there is
6 conflict between this article and those rules as applied to that
7 undertaking, those rules govern except to the extent of any
8 conflict with the nonvariable provisions specified in section
9 490:5-103(c).

10 [~~d~~] (f) If there is conflict between this article and
11 article 3, 4, 4A, or 9, this article governs.

12 [~~e~~] (g) The forum for settling disputes arising out of
13 an undertaking within this article may be chosen in the manner
14 and with the binding effect that governing law may be chosen in
15 accordance with subsection (a)."

16 SECTION 29. Section 490:7-102, Hawaii Revised Statutes, is
17 amended by amending subsection (a) to read as follows:

18 "(a) In this article, unless the context otherwise
19 requires:



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1 ~~[(1)]~~ "Bailee" means a person that by a warehouse receipt,
2 bill of lading, or other document of title acknowledges
3 possession of goods and contracts to deliver them.

4 ~~[(2)]~~ "Carrier" means a person that issues a bill of
5 lading.

6 ~~[(3)]~~ "Consignee" means a person named in a bill of lading
7 to which or to whose order the bill promises delivery.

8 ~~[(4)]~~ "Consignor" means a person named in a bill of lading
9 as the person from which the goods have been received for
10 shipment.

11 ~~[(5)]~~ "Delivery order" means a record that contains an
12 order to deliver goods directed to a warehouse, carrier, or
13 other person that in the ordinary course of business issues
14 warehouse receipts or bills of lading.

15 ~~[(6)]~~ "Good faith" means honesty in fact and the observance
16 of reasonable commercial standards of fair dealing.

17 ~~[(7)]~~ "Goods" means all things that are treated as movable
18 for the purposes of a contract for storage or transportation.

19 ~~[(8)]~~ "Issuer" means a bailee that issues a document of
20 title or, in the case of an unaccepted delivery order, the
21 person that orders the possessor of goods to deliver. The term



1 includes a person for which an agent or employee purports to act
2 in issuing a document if the agent or employee has real or
3 apparent authority to issue documents, even if the issuer did
4 not receive any goods, the goods were misdescribed, or in any
5 other respect the agent or employee violated the issuer's
6 instructions.

7 ~~[(9)]~~ "Person entitled under the document" means the
8 holder, in the case of a negotiable document of title, or the
9 person to which delivery of the goods is to be made by the terms
10 of, or pursuant to instructions in a record under, a
11 nonnegotiable document of title.

12 ~~[(10)] "Record" means information that is inscribed on a~~
13 ~~tangible medium or that is stored in an electronic or other~~
14 ~~medium and is retrievable in perceivable form.~~

15 ~~(11)]~~ "Shipper" means a person that enters into a contract
16 of transportation with a carrier.

17 ~~[(12)] "Sign" means, with present intent to authenticate or~~
18 ~~adopt a record:~~

19 ~~(A) To execute or adopt a tangible symbol; or~~

20 ~~(B) To attach to or logically associate with the~~

21 ~~record an electronic sound, symbol, or process.~~



1 ~~(13)~~] "Warehouse" means a person engaged in the business of
2 storing goods for hire."

3 SECTION 30. Section 490:7-106, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§490:7-106 Control of electronic document of title.** (a)
6 A person has control of an electronic document of title if a
7 system employed for evidencing the transfer of interests in the
8 electronic document reliably establishes that person as the
9 person to which the electronic document was issued or
10 transferred.

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

15 (1) A single authoritative copy of the document exists
16 that is unique, identifiable, and, except as otherwise
17 provided in paragraphs (4), (5), and (6), unalterable;

18 (2) The authoritative copy identifies the person asserting
19 control as:

20 (A) The person to which the document was issued; or



- 1 (B) If the authoritative copy indicates that the
2 document has been transferred, the person to
3 which the document was most recently transferred;
- 4 (3) The authoritative copy is communicated to and
5 maintained by the person asserting control or its
6 designated custodian;
- 7 (4) Copies or amendments that add or change an identified
8 [~~assignee~~] transferee of the authoritative copy can be
9 made only with the consent of the person asserting
10 control;
- 11 (5) Each copy of the authoritative copy and any copy of a
12 copy is readily identifiable as a copy that is not the
13 authoritative copy; and
- 14 (6) Any amendment of the authoritative copy is readily
15 identifiable as authorized or unauthorized.
- 16 (c) A system satisfies subsection (a), and a person has
17 control of an electronic document of title, if an authoritative
18 electronic copy of the document; a record attached to, or
19 logically associated with, the electronic copy; or a system in
20 which the electronic copy is recorded:



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- 1 (1) Enables the person to readily identify each electronic
2 copy as either an authoritative copy or a
3 nonauthoritative copy;
- 4 (2) Enables the person to be readily identified in any
5 way, including by name, identifying number,
6 cryptographic key, office, or account number, as the
7 person to which each authoritative electronic copy was
8 issued or transferred; and
- 9 (3) Gives the person exclusive power, subject to
10 subsection (d), to:
- 11 (A) Prevent others from adding or changing the person
12 to which each authoritative electronic copy has
13 been issued or transferred; and
- 14 (B) Transfer control of each authoritative electronic
15 copy.
- 16 (d) Subject to subsection (e), a power is exclusive under
17 subparagraphs (c) (3) (A) and (B) regardless of whether:
- 18 (1) The authoritative electronic copy; a record attached
19 to, or logically associated with, the authoritative
20 electronic copy; or a system in which the
21 authoritative electronic copy is recorded limits the



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1 use of the document of title or has a protocol that is
2 programmed to cause a change, including a transfer or
3 loss of control; or

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

5 (e) A power of a person shall not be shared with another
6 person under subsection (d) (2) and the person's power shall not
7 be exclusive if:

8 (1) The person may only exercise the power if the power is
9 also exercised by the other person; and

10 (2) The other person:

11 (A) May exercise the power without exercise of the
12 power by the person; or

13 (B) Is the transferor to the person of an interest in
14 the document of title.

15 (f) If a person has the powers specified in subparagraphs
16 (c) (3) (A) and (B), the powers shall be presumed to be exclusive.

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

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



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

4 (h) A person that has control under this section shall not
5 be required to acknowledge that it has control on behalf of
6 another person.

7 (i) If a person acknowledges that it has or will obtain
8 control on behalf of another person, unless the person otherwise
9 agrees or any law other than this article or article 9 otherwise
10 provides, the person shall not owe any duty to the other person
11 and shall not be required to confirm the acknowledgment to any
12 other person."

13 SECTION 31. Section 490:8-102, Hawaii Revised Statutes, is
14 amended by amending subsections (a) and (b) to read as follows:

15 "(a) In this article:

16 "Adverse claim" means a claim that a claimant has a
17 property interest in a financial asset and that it is a
18 violation of the rights of the claimant for another person to
19 hold, transfer, or deal with the financial asset.

20 "Bearer form", as applied to a certificated security, means
21 a form in which the security is payable to the bearer of the



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1 security certificate according to its terms but not by reason of
2 an indorsement.

3 "Broker" means a person defined as a broker or dealer under
4 the federal securities laws, but without excluding a bank acting
5 in that capacity.

6 "Certificated security" means a security that is
7 represented by a certificate.

8 "Clearing corporation" means:

- 9 (1) A person that is registered as a "clearing agency"
10 under the federal securities laws;
- 11 (2) A federal reserve bank; or
- 12 (3) Any other person that provides clearance or settlement
13 services with respect to financial assets that would
14 require it to register as a clearing agency under the
15 federal securities laws but for an exclusion or
16 exemption from the registration requirement, if its
17 activities as a clearing corporation, including
18 promulgation of rules, are subject to regulation by a
19 federal or state governmental authority.

20 "Communicate" means to:

- 21 (1) Send a signed [~~writing,~~] record; or



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1 (2) Transmit information by any mechanism agreed upon by
2 the persons transmitting and receiving the
3 information.

4 "Entitlement holder" means a person identified in the
5 records of a securities intermediary as the person having a
6 security entitlement against the securities intermediary. If a
7 person acquires a security entitlement by virtue of section
8 490:8-501(b)(2) or (3), that person is the entitlement holder.

9 "Entitlement order" means a notification communicated to a
10 securities intermediary directing transfer or redemption of a
11 financial asset to which the entitlement holder has a security
12 entitlement.

13 "Financial asset", except as otherwise provided in section
14 490:8-103, means:

- 15 (1) A security;
- 16 (2) An obligation of a person or a share, participation,
17 or other interest in a person or in property or an
18 enterprise of a person, which is, or is of a type,
19 dealt in or traded on financial markets, or which is
20 recognized in any area in which it is issued or dealt
21 in as a medium for investment; or



1 (3) Any property that is held by a securities intermediary
2 for another person in a securities account if the
3 securities intermediary has expressly agreed with the
4 other person that the property is to be treated as a
5 financial asset under this article.

6 As the context requires, the term means either the interest
7 itself or the means by which a person's claim to it is
8 evidenced, including a certificated or uncertificated security,
9 a security certificate, or a security entitlement.

10 "Good faith", for purposes of the obligation of good faith
11 in the performance or enforcement of contracts or duties within
12 this article, means honesty in fact and the observance of
13 reasonable commercial standards of fair dealing.

14 "Indorsement" means a signature that alone or accompanied
15 by other words is made on a security certificate in registered
16 form or on a separate document for the purpose of assigning,
17 transferring, or redeeming the security or granting a power to
18 assign, transfer, or redeem it.

19 "Instruction" means a notification communicated to the
20 issuer of an uncertificated security [~~which~~] that directs that



1 the transfer of the security be registered or that the security
2 be redeemed.

3 "Registered form", as applied to a certificated security,
4 means a form in which:

5 (1) The security certificate specifies a person entitled
6 to the security; and

7 (2) A transfer of the security may be registered upon
8 books maintained for that purpose by or on behalf of
9 the issuer, or the security certificate so states.

10 "Securities intermediary" means:

11 (1) A clearing corporation; or

12 (2) A person, including a bank or broker, that in the
13 ordinary course of its business maintains securities
14 accounts for others and is acting in that capacity.

15 "Security", except as otherwise provided in section
16 490:8-103, means an obligation of an issuer or a share,
17 participation, or other interest in an issuer or in property or
18 an enterprise of an issuer:

19 (1) Which is represented by a security certificate in
20 bearer or registered form, or the transfer of which



1 may be registered upon books maintained for that
2 purpose by or on behalf of the issuer;

3 (2) Which is one of a class or series or by its terms is
4 divisible into a class or series of shares,
5 participations, interests, or obligations; and

6 (3) Which:

7 (A) Is, or is of a type, dealt in or traded on
8 securities exchanges or securities markets; or

9 (B) Is a medium for investment and by its terms
10 expressly provides that it is a security governed
11 by this article.

12 "Security certificate" means a certificate representing a
13 security.

14 "Security entitlement" means the rights and property
15 interest of an entitlement holder with respect to a financial
16 asset specified in part 5.

17 "Uncertificated security" means a security that is not
18 represented by a certificate.

19 (b) ~~[Other]~~ The following definitions ~~[applying to]~~ in
20 this article and ~~[the sections in which they appear are:]~~ other
21 articles apply to this article:



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1 "Appropriate person". Section 490:8-107.
2 "Control". Section 490:8-106.
3 "Controllable account". Section 490:9-102.
4 "Controllable electronic record". Section 490:A-102.
5 "Controllable payment intangible". Section 490:9-102.
6 "Delivery". Section 490:8-301.
7 "Investment company security". Section 490:8-103.
8 "Issuer". Section 490:8-201.
9 "Overissue". Section 490:8-210.
10 "Protected purchaser". Section 490:8-303.
11 "Securities account". Section 490:8-501."
12 SECTION 32. Section 490:8-103, Hawaii Revised Statutes, is
13 amended to read as follows:
14 **"§490:8-103 Rules for determining whether certain**
15 **obligations and interests are securities or financial assets.**
16 (a) A share or similar equity interest issued by a corporation,
17 business trust, joint stock company, or similar entity is a
18 security.
19 (b) An "investment company security" is a security.
20 "Investment company security" means a share or similar equity
21 interest issued by an entity that is registered as an investment



1 company under the federal investment company laws, an interest
2 in a unit investment trust that is so registered, or a face-
3 amount certificate issued by a face-amount certificate company
4 that is so registered. Investment company security does not
5 include an insurance policy or endowment policy or annuity
6 contract issued by an insurance company.

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

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

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



1 (f) A commodity contract, as defined in section
2 490:9-102(a), is not a security or a financial asset.

3 (g) A controllable account, controllable electronic
4 record, or controllable payment intangible is not a financial
5 asset unless the controllable account, controllable electronic
6 record, or controllable payment intangible is a property that is
7 held by a securities intermediary for another person in a
8 securities account and the securities intermediary has expressly
9 agreed with the other person that the property is to be treated
10 as a financial asset under this article."

11 SECTION 33. Section 490:8-106, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§490:8-106 Control.** (a) A purchaser has "control" of a
14 certificated security in bearer form if the certificated
15 security is delivered to the purchaser.

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

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



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

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

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

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

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

13 (1) The purchaser becomes the entitlement holder;

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

18 (3) Another person ~~[has control of the security~~
19 ~~entitlement on behalf of the purchaser or, having~~
20 ~~previously acquired control of the security~~
21 ~~entitlement, acknowledges that it has control on~~



1 ~~behalf of the purchaser.]~~, other than the transferor
2 to the purchaser of an interest in the security
3 entitlement:

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

7 (B) Obtains control of the security entitlement after
8 having acknowledged that it will obtain control
9 of the security entitlement on behalf of the
10 purchaser.

11 (e) If an interest in a security entitlement is granted by
12 the entitlement holder to the entitlement holder's own
13 securities intermediary, the securities intermediary has
14 control.

15 (f) A purchaser who has satisfied the requirements of
16 subsection (c) or (d) has control, even if the registered owner
17 in the case of subsection (c) or the entitlement holder in the
18 case of subsection (d) retains the right to make substitutions
19 for the uncertificated security or security entitlement, to
20 originate instructions or entitlement orders to the issuer or



1 securities intermediary, or otherwise to deal with the
2 uncertificated security or security entitlement.

3 (g) An issuer or a securities intermediary may not enter
4 into an agreement of the kind described in subsection (c)(2) or
5 (d)(2) without the consent of the registered owner or
6 entitlement holder, but an issuer or a securities intermediary
7 is not required to enter into [~~such~~] an agreement of the kind
8 described in subsection (c)(2) or (d)(2) even though the
9 registered owner or entitlement holder so directs. An issuer or
10 securities intermediary that has entered into [~~such~~] an
11 agreement of the kind described in subsection (c)(2) or (d)(2)
12 is not required to confirm the existence of the agreement to
13 another party unless requested to do so by the registered owner
14 or entitlement holder.

15 (h) A person that has control under this section shall not
16 be required to acknowledge that it has control on behalf of a
17 purchaser.

18 (i) If a person acknowledges that it has or will obtain
19 control on behalf of a purchaser, unless the person otherwise
20 agrees or law other than this article or article 9 otherwise
21 provides, the person shall not owe any duty to the purchaser and



1 shall not be required to confirm the acknowledgment to any other
2 person."

3 SECTION 34. Section 490:8-110, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§490:8-110 **Applicability; choice of law.** (a) The local
6 law of the issuer's jurisdiction, as specified in subsection
7 (d), governs:

8 (1) The validity of a security;

9 (2) The rights and duties of the issuer with respect to
10 registration of transfer;

11 (3) The effectiveness of registration of transfer by the
12 issuer;

13 (4) Whether the issuer owes any duties to an adverse
14 claimant to a security; and

15 (5) Whether an adverse claim can be asserted against a
16 person to whom transfer of a certificated or
17 uncertificated security is registered or a person who
18 obtains control of an uncertificated security.

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



- 1 (1) Acquisition of a security entitlement from the
2 securities intermediary;
- 3 (2) The rights and duties of the securities intermediary
4 and entitlement holder arising out of a security
5 entitlement;
- 6 (3) Whether the securities intermediary owes any duties to
7 an adverse claimant to a security entitlement; and
- 8 (4) Whether an adverse claim can be asserted against a
9 person who acquires a security entitlement from the
10 securities intermediary or a person who purchases a
11 security entitlement or interest therein from an
12 entitlement holder.
- 13 (c) The local law of the jurisdiction in which a security
14 certificate is located at the time of delivery governs whether
15 an adverse claim can be asserted against a person to whom the
16 security certificate is delivered.
- 17 (d) "Issuer's jurisdiction" means the jurisdiction under
18 which the issuer of the security is organized or, if permitted
19 by the law of that jurisdiction, the law of another jurisdiction
20 specified by the issuer. An issuer organized under the law of



1 this State may specify the law of another jurisdiction as the
2 law governing the matters specified in subsection (a)(2) to (5).

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

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

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

19 (3) If neither paragraph (1) nor paragraph (2) applies and
20 an agreement between the securities intermediary and
21 its entitlement holder governing the securities



1 account expressly provides that the securities account
2 is maintained at an office in a particular
3 jurisdiction, that jurisdiction is the securities
4 intermediary's jurisdiction.

5 (4) If none of the preceding paragraphs applies, the
6 securities intermediary's jurisdiction is the
7 jurisdiction in which the office identified in an
8 account statement as the office serving the
9 entitlement holder's account is located.

10 (5) If none of the preceding paragraphs applies, the
11 securities intermediary's jurisdiction is the
12 jurisdiction in which the chief executive office of
13 the securities intermediary is located.

14 (f) A securities intermediary's jurisdiction is not
15 determined by the physical location of certificates representing
16 financial assets, or by the jurisdiction in which is organized
17 the issuer of the financial asset with respect to which an
18 entitlement holder has a security entitlement, or by the
19 location of facilities for data processing or other
20 recordkeeping concerning the account.



1 (g) The local law of the issuer's jurisdiction or the
 2 securities intermediary's jurisdiction shall govern a matter or
 3 transaction specified in subsection (a) or (b) regardless of
 4 whether the matter or transaction bears any relation to the
 5 jurisdiction."

6 SECTION 35. Section 490:8-303, Hawaii Revised Statutes, is
 7 amended by amending subsection (b) to read as follows:

8 "(b) [~~In addition to acquiring the rights of a~~] A
 9 purchaser, a protected purchaser also acquires its interest in
 10 the security free of any adverse claim."

11 SECTION 36. Section 490:9-102, Hawaii Revised Statutes, is
 12 amended by amending subsections (a) and (b) to read as follows:

13 "(a) In this [+]article[+]:

14 "Accession" means goods that are physically united with
 15 other goods in [~~such~~] a manner [~~that~~] in which the identity of
 16 the original goods is not lost.

17 "Account", except as used in "account for" [+], "account
 18 statement", "account to", "customer's account", "on account of",
 19 "statement of account", and the definitions of "commodity
 20 account" and "deposit account" provided in this subsection:



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- 1 (1) Means a right to payment of a monetary obligation,
2 whether or not earned by performance:
- 3 (A) For property that has been or is to be sold,
4 leased, licensed, assigned, or otherwise disposed
5 of;
- 6 (B) For services rendered or to be rendered;
- 7 (C) For a policy of insurance issued or to be issued;
- 8 (D) For a secondary obligation incurred or to be
9 incurred;
- 10 (E) For energy provided or to be provided;
- 11 (F) For the use or hire of a vessel under a charter
12 or other contract;
- 13 (G) Arising out of the use of a credit or charge card
14 or information contained on or for use with the
15 card; or
- 16 (H) As winnings in a lottery or other game of chance
17 operated or sponsored by a state, governmental
18 unit of a state, or person licensed or authorized
19 to operate the game by a state or governmental
20 unit of a state [~~—The term includes~~];



1 (3) Includes controllable accounts and health-care-
 2 insurance receivables[-]; and

3 [~~2~~] (3) Does not include:

4 (A) ~~[Rights to payment evidenced by chattel paper or~~
 5 ~~an instrument,]~~ Chattel paper;

6 (B) Commercial tort claims;

7 (C) Deposit accounts;

8 (D) Investment property;

9 (E) Letter-of-credit rights or letters of credit;

10 [~~or~~]

11 (F) Rights to payment for money or funds advanced or
 12 sold, other than rights arising out of the use of
 13 a credit or charge card or information contained
 14 on or for use with the card[-]; or

15 (G) Rights to payment evidenced by an instrument.

16 "Account debtor" means a person obligated on an account,
 17 chattel paper, or general intangible. The term does not include
 18 persons obligated to pay a negotiable instrument, even if the
 19 negotiable instrument [~~constitutes part of~~] evidences chattel
 20 paper.



1 "Accounting", except as used in "accounting for", means a
2 record:

- 3 (1) [~~Authenticated~~] Signed by a secured party;
- 4 (2) Indicating the aggregate unpaid secured obligations as
5 of a date not more than thirty-five days earlier or
6 thirty-five days later than the date of the record;
7 and
- 8 (3) Identifying the components of the obligations in
9 reasonable detail.

10 "Agricultural lien" means an interest in farm products:

- 11 (1) Which secures payment or performance of an obligation
12 for:
 - 13 (A) Goods or services furnished in connection with a
14 debtor's farming operation; or
 - 15 (B) Rent on real property leased by a debtor in
16 connection with its farming operation;
- 17 (2) Which is created by statute in favor of a person that:
 - 18 (A) In the ordinary course of its business furnished
19 goods or services to a debtor in connection with
20 a debtor's farming operation; or



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- 1 (B) Leased real property to a debtor in connection
2 with the debtor's farming operation; and
3 (3) Whose effectiveness does not depend on the person's
4 possession of the personal property.

5 "As-extracted collateral" means:

- 6 (1) Oil, gas, or other minerals that are subject to a
7 security interest that:

8 (A) Is created by a debtor having an interest in the
9 minerals before extraction; and

10 (B) Attaches to the minerals as extracted; or

- 11 (2) Accounts arising out of the sale at the wellhead or
12 minehead of oil, gas, or other minerals in which the
13 debtor had an interest before extraction.

14 ~~["Authenticate" means:~~

15 ~~(1) To sign; or~~

16 ~~(2) With present intent to adopt or accept a record, to~~
17 ~~attach or to logically associate with the record an~~
18 ~~electronic sound, symbol, or process.]~~

19 "Assignee", except as used in "assignee for benefit of
20 creditors", means a person:



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1 (1) In whose favor a security interest that secures an
2 obligation is created or provided for under a security
3 agreement, regardless of whether the obligation is
4 outstanding; or

5 (2) To whom an account, chattel paper, payment intangible,
6 or promissory note has been sold.

7 The term includes a person to whom a security interest has been
8 transferred by a secured party.

9 "Assignor" means a person that:

10 (1) Under a security agreement creates or provides for a
11 security interest that secures an obligation; or

12 (2) Sells an account, chattel paper, payment intangible,
13 or promissory note.

14 The term includes a secured party that has transferred a
15 security interest to another person.

16 "Bank" means an organization that is engaged in the
17 business of banking. The term includes savings banks, savings
18 and loan associations, credit unions, and trust companies.

19 "Cash proceeds" means proceeds that are money, checks,
20 deposit accounts, or the like.



1 "Certificate of title" means a certificate of title with
2 respect to which a statute provides for the security interest in
3 question to be indicated on the certificate as a condition or
4 result of the security interest's obtaining priority over the
5 rights of a lien creditor with respect to the collateral. The
6 term includes another record maintained as an alternative to a
7 certificate of title by the governmental unit that issues
8 certificates of title if a statute permits the security interest
9 in question to be indicated on the record as a condition or
10 result of the security interest's obtaining priority over the
11 rights of a lien creditor with respect to the collateral.

12 "Chattel paper" means ~~[a record or records that evidence~~
13 ~~both a monetary obligation and a security interest in specific~~
14 ~~goods, a security interest in specific goods and software used~~
15 ~~in the goods, a security interest in specific goods and license~~
16 ~~of software used in the goods, a lease of specific goods, or a~~
17 ~~lease of specific goods and license of software used in the~~
18 ~~goods. In this paragraph, "monetary obligation" means a~~
19 ~~monetary obligation secured by the goods or owed under a lease~~
20 ~~of the goods and includes a monetary obligation with respect to~~



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1 ~~software used in the goods.]~~ a right to payment of a monetary
2 obligation that is either:

3 (1) Secured by specific goods, if the right to payment and
4 security agreement are evidenced by a record; or

5 (2) Owed by a lessee under a lease agreement with respect
6 to specific goods and a monetary obligation owed by
7 the lessee in connection with the transaction giving
8 rise to the lease, if:

9 (A) The right to payment and lease agreement are
10 evidenced by a record; and

11 (B) The predominant purpose of the transaction giving
12 rise to the lease was to give the lessee the
13 right to possession and use of the goods.

14 The term does not include [+

15 ~~(1) Charters or other contracts involving the use or hire~~
16 ~~of a vessel; or~~

17 ~~(2) Records that evidence]~~ a right to payment arising out
18 of a charter or other contract involving the use or
19 hire of a vessel or a right to payment arising out of
20 the use of a credit or charge card or information
21 contained on or for use with the card. [~~If a~~



1 ~~transaction is evidenced by records that include an~~
2 ~~instrument or series of instruments, the group of~~
3 ~~records taken together constitutes chattel paper.]~~

4 "Collateral" means the property subject to a security
5 interest or agricultural lien. The term includes:

- 6 (1) Proceeds to which a security interest attaches;
- 7 (2) Accounts, chattel paper, payment intangibles, and
- 8 promissory notes that have been sold; and
- 9 (3) Goods that are the subject of a consignment.

10 "Commercial tort claim" means a claim arising in tort with
11 respect to which:

- 12 (1) The claimant is an organization; or
- 13 (2) The claimant is an individual and the claim:
 - 14 (A) Arose in the course of the claimant's business or
 - 15 profession; and
 - 16 (B) Does not include damages arising out of personal
 - 17 injury to or the death of an individual.

18 "Commodity account" means an account maintained by a
19 commodity intermediary in which a commodity contract is carried
20 for a commodity customer.



1 "Commodity contract" means a commodity futures contract, an
2 option on a commodity futures contract, a commodity option, or
3 another contract if the contract or option is:

4 (1) Traded on or subject to the rules of a board of trade
5 that has been designated as a contract market for
6 ~~[such a contract]~~ these types of contracts pursuant to
7 federal commodities laws; or

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

11 "Commodity customer" means a person for which a commodity
12 intermediary carries a commodity contract on its books.

13 "Commodity intermediary" means a person that:

14 (1) Is registered as a futures commission merchant under
15 federal commodities law; or

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

20 "Communicate" means:

21 (1) To send a written or other tangible record;



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1 (2) To transmit a record by any means agreed upon by the
2 persons sending and receiving the record; or

3 (3) In the case of transmission of a record to or by a
4 filing office, to transmit a record by any means
5 prescribed by filing-office rule.

6 "Consignee" means a merchant to which goods are delivered
7 in a consignment.

8 "Consignment" means a transaction, regardless of its form,
9 in which a person delivers goods to a merchant for the purpose
10 of sale and:

11 (1) The merchant:

12 (A) Deals in goods of that kind under a name other
13 than the name of the person making delivery;

14 (B) Is not an auctioneer; and

15 (C) Is not generally known by its creditors to be
16 substantially engaged in selling the goods of
17 others;

18 (2) With respect to each delivery, the aggregate value of
19 the goods is \$1,000 or more at the time of delivery;

20 (3) The goods are not consumer goods immediately before
21 delivery; and



1 (4) The transaction does not create a security interest
2 that secures an obligation.

3 "Consignor" means a person that delivers goods to a
4 consignee in a consignment.

5 "Consumer debtor" means a debtor in a consumer transaction.

6 "Consumer goods" means goods that are used or bought for
7 use primarily for personal, family, or household purposes.

8 "Consumer-goods transaction" means a consumer transaction
9 in which:

10 (1) An individual incurs an obligation primarily for
11 personal, family, or household purposes; and

12 (2) A security interest in consumer goods secures the
13 obligation.

14 "Consumer obligor" means an obligor who is an individual
15 and who incurred the obligation as part of a transaction entered
16 into primarily for personal, family, or household purposes.

17 "Consumer transaction" means a transaction in which:

18 (1) An individual incurs an obligation primarily for
19 personal, family, or household purposes,

20 (2) A security interest secures the obligation, and



1 (3) The collateral is held or acquired primarily for
2 personal, family, or household purposes.

3 The term includes consumer-goods transactions.

4 "Continuation statement" means an amendment of a financing
5 statement which:

6 (1) Identifies, by its file number, the initial financing
7 statement to which it relates; and

8 (2) Indicates that it is a continuation statement for, or
9 that it is filed to continue the effectiveness of, the
10 identified financing statement.

11 "Controllable account" means an account evidenced by a
12 controllable electronic record that provides that the account
13 debtor undertakes to pay the person that has control under
14 section 490:A-105 of the controllable electronic record.

15 "Controllable payment intangible" means a payment
16 intangible evidenced by a controllable electronic record that
17 provides that the account debtor undertakes to pay the person
18 that has control under section 490:A-105 of the controllable
19 electronic record.

20 "Debtor" means:



1 (1) A person having an interest, other than a security
2 interest or other lien, in the collateral, whether or
3 not the person is an obligor;

4 (2) A seller of accounts, chattel paper, payment
5 intangibles, or promissory notes; or

6 (3) A consignee.

7 "Deposit account" means a demand, time, savings, passbook,
8 or similar account maintained with a bank. The term does not
9 include investment property or accounts evidenced by an
10 instrument.

11 "Document" means a document of title or a receipt of the
12 type described in section 490:7-201(b).

13 ~~"Electronic [chattel paper" means chattel paper evidenced~~
14 ~~by a record or records consisting of information stored in an~~
15 ~~electronic medium.] money" means money in an electronic form.~~

16 "Encumbrance" means a right, other than an ownership
17 interest, in real property. The term includes mortgages and
18 other liens on real property.

19 "Equipment" means goods other than inventory, farm
20 products, or consumer goods.



1 "Farming operation" means raising, cultivating,
2 propagating, fattening, grazing, or any other farming,
3 livestock, or aquacultural operation.

4 "Farm products" means goods, other than standing timber,
5 with respect to which the debtor is engaged in a farming
6 operation and ~~which~~ that are:

- 7 (1) Crops grown, growing, or to be grown, including:
8 (A) Crops produced on trees, vines, and bushes; and
9 (B) Aquatic goods produced in aquacultural
10 operations;
11 (2) Livestock, born or unborn, including aquatic goods
12 produced in aquacultural operations;
13 (3) Supplies used or produced in a farming operation; or
14 (4) Products of crops or livestock in their unmanufactured
15 states.

16 "File number" means the number assigned to an initial
17 financing statement pursuant to section 490:9-519(a).

18 "Filing office" means an office designated in section
19 490:9-501 as the place to file a financing statement.

20 "Filing-office rule" means a rule adopted pursuant to
21 section 490:9-526.



1 "Financing statement" means a record or records composed of
2 an initial financing statement and any filed record relating to
3 the initial financing statement.

4 "Fixture filing" means the filing of a financing statement
5 covering goods that are or are to become fixtures and satisfying
6 section 490:9-502(a) and (b). The term includes the filing of a
7 financing statement covering goods of a transmitting utility
8 [~~which~~] that are or are to become fixtures.

9 "Fixtures" means goods that have become so related to
10 particular real property that an interest in them arises under
11 real property law.

12 "General intangible" means any personal property, including
13 things in action, other than accounts, chattel paper, commercial
14 tort claims, deposit accounts, documents, goods, instruments,
15 investment property, letter-of-credit rights, letters of credit,
16 money, and oil, gas, or other minerals before extraction. The
17 term includes controllable electronic records, payment
18 intangibles, and software.

19 "Good faith" means honesty in fact and the observance of
20 reasonable commercial standards of fair dealing.



1 "Goods" means all things that are movable when a security
2 interest attaches. The term includes:

- 3 (1) Fixtures,
- 4 (2) Standing timber that is to be cut and removed under a
5 conveyance or contract for sale,
- 6 (3) The unborn young of animals,
- 7 (4) Crops grown, growing, or to be grown, even if the
8 crops are produced on trees, vines, or bushes; and
- 9 (5) Manufactured homes.

10 The term also includes a computer program embedded in goods and
11 any supporting information provided in connection with a
12 transaction relating to the program if (i) the program is
13 associated with the goods in [~~such~~] a manner [~~that~~] in which it
14 is customarily [~~is~~] considered part of the goods, or (ii) by
15 becoming the owner of the goods, a person acquires a right to
16 use the program in connection with the goods. The term does not
17 include a computer program embedded in goods that consist solely
18 of the medium in which the program is embedded. The term also
19 does not include accounts, chattel paper, commercial tort
20 claims, deposit accounts, documents, general intangibles,
21 instruments, investment property, letter-of-credit rights,



1 letters of credit, money, or oil, gas, or other minerals before
2 extraction.

3 "Governmental unit" means a subdivision, agency,
4 department, county, parish, municipality, or other unit of the
5 government of the United States, a state, or a foreign country.
6 The term includes an organization having a separate corporate
7 existence if the organization is eligible to issue debt on which
8 interest is exempt from income taxation under the laws of the
9 United States.

10 "Health-care-insurance receivable" means an interest in or
11 claim under a policy of insurance that is a right to payment of
12 a monetary obligation for health-care goods or services provided
13 or to be provided.

14 "Instrument" means a negotiable instrument or any other
15 writing that evidences a right to the payment of a monetary
16 obligation, is not itself a security agreement or lease, and is
17 of a type that in ordinary course of business is transferred by
18 delivery with any necessary indorsement or assignment. The term
19 does not include:

- 20 (1) Investment property;
21 (2) Letters of credit; [~~ex~~]



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1 (3) Writings that evidence a right to payment arising out
2 of the use of a credit or charge card or information
3 contained on or for use with the card[-]; or

4 (4) Writings that evidence chattel paper.

5 "Inventory" means goods, other than farm products, which:

6 (1) Are leased by a person as lessor;

7 (2) Are held by a person for sale or lease or to be
8 furnished under a contract of service;

9 (3) Are furnished by a person under a contract of service;
10 or

11 (4) Consist of raw materials, work in process, or
12 materials used or consumed in a business.

13 "Investment property" means a security, whether
14 certificated or uncertificated, security entitlement, securities
15 account, commodity contract, or commodity account.

16 "Jurisdiction of organization", with respect to a
17 registered organization, means the jurisdiction under whose law
18 the organization is formed or organized.

19 "Letter-of-credit right" means a right to payment or
20 performance under a letter of credit, whether or not the
21 beneficiary has demanded or is at the time entitled to demand



1 payment or performance. The term does not include the right of
2 a beneficiary to demand payment or performance under a letter of
3 credit.

4 "Lien creditor" means:

- 5 (1) A creditor that has acquired a lien on the property
6 involved by attachment, levy, or the like;
- 7 (2) An assignee for benefit of creditors from the time of
8 assignment;
- 9 (3) A trustee in bankruptcy from the date of the filing of
10 the petition; or
- 11 (4) A receiver in equity from the time of appointment.

12 "Manufactured home" means a structure, transportable in one
13 or more sections, which, in the traveling mode, is eight body
14 feet or more in width or forty body feet or more in length, or,
15 when erected on site, is three hundred twenty or more square
16 feet, and ~~which~~ that is built on a permanent chassis and
17 designed to be used as a dwelling with or without a permanent
18 foundation when connected to the required utilities, and
19 includes the plumbing, heating, air-conditioning, and electrical
20 systems contained therein. The term includes any structure that
21 meets all of the requirements of this paragraph except the size



1 requirements and with respect to which the manufacturer
2 voluntarily files a certification required by the United States
3 Secretary of Housing and Urban Development and complies with the
4 standards established under Title 42 of the United States Code.

5 "Manufactured-home transaction" means a secured
6 transaction:

- 7 (1) That creates a purchase-money security interest in a
8 manufactured home, other than a manufactured home held
9 as inventory; or
10 (2) In which a manufactured home, other than a
11 manufactured home held as inventory, is the primary
12 collateral.

13 "Money" has the meaning as in section 490:1-201(b), but
14 does not include:

- 15 (1) A deposit account; or
16 (2) Money in an electronic form that cannot be subjected
17 to control under section 490:9-A.

18 "Mortgage" means a consensual interest in real property,
19 including fixtures, which secures payment or performance of an
20 obligation.



1 "New debtor" means a person that becomes bound as debtor
2 under section 490:9-203(d) by a security agreement previously
3 entered into by another person.

4 "New value" means:

- 5 (1) Money;
- 6 (2) Money's worth in property, services, or new credit; or
- 7 (3) Release by a transferee of an interest in property
8 previously transferred to the transferee. The term
9 does not include an obligation substituted for another
10 obligation.

11 "Noncash proceeds" means proceeds other than cash proceeds.

12 "Obligor" means a person that, with respect to an
13 obligation secured by a security interest in or an agricultural
14 lien on the collateral:

- 15 (1) Owes payment or other performance of the obligation;
- 16 (2) Has provided property other than the collateral to
17 secure payment or other performance of the obligation;
18 or
- 19 (3) Is otherwise accountable in whole or in part for
20 payment or other performance of the obligation.



1 The term does not include issuers or nominated persons under a
2 letter of credit.

3 "Original debtor", except as used in section 490:9-310(c),
4 means a person that, as debtor, entered into a security
5 agreement to which a new debtor has become bound under section
6 490:9-203(d).

7 "Payment intangible" means a general intangible under which
8 the account debtor's principal obligation is a monetary
9 obligation. The term includes a controllable payment
10 intangible.

11 "Person related to", with respect to an individual, means:

- 12 (1) The spouse of the individual;
- 13 (2) A brother, brother-in-law, sister, or sister-in-law of
14 the individual;
- 15 (3) An ancestor or lineal descendant of the individual or
16 the individual's spouse; or
- 17 (4) Any other relative, by blood or marriage, of the
18 individual or the individual's spouse who shares the
19 same home with the individual.

20 "Person related to", with respect to an organization,
21 means:



1 (4) To the extent of the value of collateral, claims
2 arising out of the loss, nonconformity, or
3 interference with the use of, defects or infringement
4 of rights in, or damage to, the collateral; or

5 (5) To the extent of the value of collateral and to the
6 extent payable to the debtor or the secured party,
7 insurance payable by reason of the loss or
8 nonconformity of, defects or infringement of rights
9 in, or damage to, the collateral.

10 "Promissory note" means an instrument that evidences a
11 promise to pay a monetary obligation, does not evidence an order
12 to pay, and does not contain an acknowledgment by a bank that
13 the bank has received for deposit a sum of money or funds.

14 "Proposal" means a record [~~authenticated~~] signed by a
15 secured party [~~which~~] that includes the terms on which the
16 secured party is willing to accept collateral in full or partial
17 satisfaction of the obligation it secures pursuant to sections
18 490:9-620, 490:9-621, and 490:9-622.

19 "Public-finance transaction" means a secured transaction in
20 connection with which:

21 (1) Debt securities are issued;



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- 1 (2) All or a portion of the securities issued have an
2 initial stated maturity of at least twenty years; and
3 (3) The debtor, obligor, secured party, account debtor or
4 other person obligated on collateral, assignor or
5 assignee of a secured obligation, or assignor or
6 assignee of a security interest is a state or a
7 governmental unit of a state.

8 "Public organic record" means a record that is available to
9 the public for inspection and is:

- 10 (1) A record consisting of the record initially filed with
11 or issued by a state or the United States to form or
12 organize an organization and any record filed with or
13 issued by the state or the United States that amends
14 or restates the initial record;
- 15 (2) An organic record of a business trust consisting of
16 the record initially filed with a state and any record
17 filed with the state that amends or restates the
18 initial record, if a statute of the state governing
19 business trusts requires that the record be filed with
20 the state; or



1 (3) A record consisting of legislation enacted by the
2 legislature of a state or the Congress of the United
3 States that forms or organizes an organization, any
4 record amending the legislation, and any record filed
5 with or issued by the state or the United States that
6 amends or restates the name of the organization.

7 "Pursuant to commitment", with respect to an advance made
8 or other value given by a secured party, means pursuant to the
9 secured party's obligation, whether or not a subsequent event of
10 default or other event not within the secured party's control
11 has relieved or may relieve the secured party from its
12 obligation.

13 "Record", except as used in "for record", "of record",
14 "record or legal title", and "record owner", means information
15 that is inscribed on a tangible medium or [~~which~~] that is stored
16 in an electronic or other medium and is retrievable in
17 perceivable form.

18 "Registered organization" means an organization formed or
19 organized solely under the law of a single state or the United
20 States by the filing of a public organic record with, the
21 issuance of a public organic record by, or the enactment of



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1 legislation by the state or the United States. The term
2 includes a business trust that is formed or organized under the
3 law of a single state if a statute of the state governing
4 business trusts requires that the business trust's organic
5 record be filed with the state.

6 "Secondary obligor" means an obligor to the extent that:

- 7 (1) The obligor's obligation is secondary; or
- 8 (2) The obligor has a right of recourse with respect to an
9 obligation secured by collateral against the debtor,
10 another obligor, or property of either.

11 "Secured party" means:

- 12 (1) A person in whose favor a security interest is created
13 or provided for under a security agreement, whether or
14 not any obligation to be secured is outstanding;
- 15 (2) A person that holds an agricultural lien;
- 16 (3) A consignor;
- 17 (4) A person to which accounts, chattel paper, payment
18 intangibles, or promissory notes have been sold;
- 19 (5) A trustee, indenture trustee, agent, collateral agent,
20 or other representative in whose favor a security



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1 interest or agricultural lien is created or provided
2 for; or

3 (6) A person that holds a security interest arising under
4 section 490:2-401, 490:2-505, 490:2-711(3), 490:2A-
5 508(e), 490:4-210, or 490:5-118.

6 "Security agreement" means an agreement that creates or
7 provides for a security interest.

8 [~~"Send", in connection with a record or notification,~~
9 means:

10 ~~(1) To deposit in the mail, deliver for transmission, or~~
11 ~~transmit by any other usual means of communication,~~
12 ~~with postage or cost of transmission provided for,~~
13 ~~addressed to any address reasonable under the~~
14 ~~circumstances; or~~

15 ~~(2) To cause the record or notification to be received~~
16 ~~within the time that it would have been received if~~
17 ~~properly sent under paragraph (1).]~~

18 "Software" means a computer program and any supporting
19 information provided in connection with a transaction relating
20 to the program. The term does not include a computer program
21 that is included in the definition of goods.



1 "State" means a state of the United States, the District of
2 Columbia, Puerto Rico, the United States Virgin Islands, or any
3 territory or insular possession subject to the jurisdiction of
4 the United States.

5 "Supporting obligation" means a letter-of-credit right or
6 secondary obligation that supports the payment or performance of
7 an account, chattel paper, a document, a general intangible, an
8 instrument, or investment property.

9 "~~Tangible [chattel paper" means chattel paper evidenced by~~
10 ~~a record or records consisting of information that is inscribed~~
11 ~~on a tangible medium.]~~ money" means money in a tangible form.

12 "Termination statement" means an amendment of a financing
13 statement which:

- 14 (1) Identifies, by its file number, the initial financing
15 statement to which it relates; and
16 (2) Indicates either that it is a termination statement or
17 that the identified financing statement is no longer
18 effective.

19 "Transmitting utility" means a person primarily engaged in
20 the business of:



1 (1) Operating a railroad, subway, street railway, or
2 trolley bus;

3 (2) Transmitting communications electrically,
4 electromagnetically, or by light;

5 (3) Transmitting goods by pipeline or sewer; or

6 (4) Transmitting or producing and transmitting
7 electricity, steam, gas, or water.

8 (b) The following definitions in other articles apply to
9 this article:

10 "Applicant". Section 490:5-102.

11 "Beneficiary". Section 490:5-102.

12 "Broker". Section 490:8-102.

13 "Certificated security". Section 490:8-102.

14 "Check". Section 490:3-104.

15 "Clearing corporation". Section 490:8-102.

16 "Contract for sale". Section 490:2-106.

17 "Control". Section 490:7-106.

18 "Controllable electronic record". Section 490:A-102.

19 "Customer". Section 490:4-104.

20 "Entitlement holder". Section 490:8-102.

21 "Financial asset". Section 490:8-102.



- 1 "Holder in due course". Section 490:3-302.
- 2 "Issuer" (with respect to a letter of credit or letter-of-
- 3 credit right). Section 490:5-102.
- 4 "Issuer" (with respect to a security). Section 490:8-201.
- 5 "Issuer" (with respect to documents of title). Section
- 6 490:7-102.
- 7 "Lease". Section 490:2A-103.
- 8 "Lease agreement". Section 490:2A-103.
- 9 "Lease contract". Section 490:2A-103.
- 10 "Leasehold interest". Section 490:2A-103.
- 11 "Lessee". Section 490:2A-103.
- 12 "Lessee in ordinary course of business". Section
- 13 490:2A-103.
- 14 "Lessor". Section 490:2A-103.
- 15 "Lessor's residual interest". Section 490:2A-103.
- 16 "Letter of credit". Section 490:5-102.
- 17 "Merchant". Section 490:2-104.
- 18 "Negotiable instrument". Section 490:3-104.
- 19 "Nominated person". Section 490:5-102.
- 20 "Note". Section 490:3-104.
- 21 "Proceeds of a letter of credit". Section 490:5-114.



1 "Protected purchaser". Section 490:8-303.

2 "Prove". Section 490:3-103.

3 "Qualifying purchaser". Section 490:A-102.

4 "Sale". Section 490:2-106.

5 "Securities account". Section 490:8-501.

6 "Securities intermediary". Section 490:8-102.

7 "Security". Section 490:8-102.

8 "Security certificate". Section 490:8-102.

9 "Security entitlement". Section 490:8-102.

10 "Uncertificated security". Section 490:8-102."

11 SECTION 37. Section 490:9-104, Hawaii Revised Statutes, is
12 amended by amending subsection (a) to read as follows:

13 "(a) A secured party has control of a deposit account if:

14 (1) The secured party is the bank with which the deposit
15 account is maintained;

16 (2) The debtor, secured party, and bank have agreed in [~~an~~
17 ~~authenticated~~] a signed record that the bank will
18 comply with instructions originated by the secured
19 party directing disposition of the funds in the
20 deposit account without further consent by the debtor;

21 [~~or~~]



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- 1 (3) The secured party becomes the bank's customer with
2 respect to the deposit account ~~[]~~; or
- 3 (4) Another person, other than the debtor:
- 4 (A) Has control of the deposit account and
5 acknowledges that it has control on behalf of the
6 secured party; or
- 7 (B) Obtains control of the deposit account after
8 having acknowledged that it will obtain control
9 of the deposit account on behalf of the secured
10 party."

11 SECTION 38. Section 490:9-105, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "§490:9-105 Control of electronic copy of record
14 evidencing chattel paper. (a) A ~~[secured party]~~ purchaser has
15 control of ~~[electronic]~~ an authoritative electronic copy of a
16 record evidencing chattel paper if a system employed for
17 evidencing the ~~[transfer]~~ assignment of interests in the chattel
18 paper reliably establishes the ~~[secured party]~~ purchaser as the
19 person to ~~[which the chattel paper]~~ whom the authoritative
20 electronic copy was assigned.



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1 (b) A system satisfies subsection (a) if the record or
 2 records [~~comprising~~] evidencing the chattel paper are created,
 3 stored, and assigned in [~~such~~] a manner that:

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

8 (2) The authoritative copy identifies the [~~secured party~~]
 9 purchaser as the assignee of the record or records;

10 (3) The authoritative copy is communicated to, and
 11 maintained by, the [~~secured party~~] purchaser or its
 12 designated custodian;

13 (4) Copies or amendments that add or change an identified
 14 assignee of the authoritative copy can be made only
 15 with the consent of the [~~secured party,~~] purchaser;

16 (5) Each copy of the authoritative copy and any copy of a
 17 copy is readily identifiable as a copy that is not the
 18 authoritative copy; and

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



- 1 (c) A system satisfies subsection (a), and a purchaser has
2 control of an authoritative electronic copy of a record
3 evidencing chattel paper, if the electronic copy, a record
4 attached to, or logically associated with, the electronic copy,
5 or a system in which the electronic copy is recorded:
- 6 (1) Enables the purchaser to readily identify each
7 electronic copy as either an authoritative copy or a
8 nonauthoritative copy;
- 9 (2) Enables the purchaser to readily identify itself in
10 any way, including by name, identifying number,
11 cryptographic key, office, or account number, as the
12 assignee of the authoritative electronic copy; and
- 13 (3) Gives the purchaser exclusive power, subject to
14 subsection (d), to:
- 15 (A) Prevent others from adding or changing an
16 identified assignee of the authoritative
17 electronic copy; and
- 18 (B) Transfer control of the authoritative electronic
19 copy.
- 20 (d) Subject to subsection (e), a power is exclusive under
21 subparagraphs (c) (3) (A) and (B), regardless of whether:



- 1 (1) The authoritative electronic copy, a record attached
2 to, or logically associated with, the authoritative
3 electronic copy, or a system in which the
4 authoritative electronic copy is recorded limits the
5 use of the authoritative electronic copy or has a
6 protocol programmed to cause a change, including a
7 transfer or loss of control; or
- 8 (2) The power is shared with another person.
- 9 (e) A power of a purchaser is not shared with another
10 person under subsection (d) (2) and the purchaser's power shall
11 not be exclusive if:
- 12 (1) The purchaser may exercise the power only if the power
13 is also exercised by the other person; and
- 14 (2) The other person:
- 15 (A) May exercise the power without exercise of the
16 power by the purchaser; or
- 17 (B) Is the transferor to the purchaser of an interest
18 in the chattel paper.
- 19 (f) If a purchaser has the powers specified in
20 subparagraphs (c) (3) (A) and (B), the powers shall be presumed to
21 be exclusive.



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

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

8 (2) Obtains control of the authoritative electronic copy
9 after having acknowledged that it will obtain control
10 of the electronic copy on behalf of the purchaser."

11 SECTION 39. Section 490:9-203, Hawaii Revised Statutes, is
12 amended by amending subsection (b) to read as follows:

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

16 (1) Value has been given;

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

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



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- 1 (A) The debtor has [~~authenticated~~] signed a security
2 agreement that provides a description of the
3 collateral and, if the security interest covers
4 timber to be cut, a description of the land
5 concerned;
- 6 (B) The collateral is not a certificated security and
7 is in the possession of the secured party under
8 section 490:9-313 pursuant to the debtor's
9 security agreement;
- 10 (C) The collateral is a certificated security in
11 registered form and the security certificate has
12 been delivered to the secured party under section
13 490:8-301 pursuant to the debtor's security
14 agreement; [~~or~~]
- 15 (D) The collateral is controllable accounts,
16 controllable electronic records, controllable
17 payment intangibles, deposit accounts, electronic
18 [~~chattel paper,~~] documents, electronic money,
19 investment property, or letter-of-credit rights,
20 [~~or electronic documents,~~] and the secured party
21 has control under section 490:7-106, 490:9-104,



1 ~~[490:9-105,]~~ 490:9-A, 490:9-106, ~~[or]~~ 490:9-107,
2 or 490:9-B pursuant to the debtor's security
3 agreement ~~[.];~~ or
4 (E) The collateral is chattel paper and the secured
5 party has possession and control under section
6 490:9-F pursuant to the debtor's security
7 agreement."

8 SECTION 40. Section 490:9-204, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§490:9-204 After-acquired property; future advances.** (a)
11 Except as otherwise provided in subsection (b), a security
12 agreement may create or provide for a security interest in
13 after-acquired collateral.

14 (b) [A] Subject to subsection (d), a security interest
15 does not attach under a term constituting an after-acquired
16 property clause to:

17 (1) Consumer goods, other than an accession when given as
18 additional security, unless the debtor acquires rights
19 in them within ten days after the secured party gives
20 value; or

21 (2) A commercial tort claim.



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

6 (d) Nothing in subsection (b) shall prevent a security
 7 interest from attaching:

8 (1) To consumer goods as proceeds under section
 9 490:9-315(a) or commingled goods under section
 10 490:9-336(c);

11 (2) To a commercial tort claim as proceeds under section
 12 490:9-315(a); or

13 (3) Under an after-acquired property clause to property
 14 that is proceeds of consumer goods or a commercial
 15 tort claim."

16 SECTION 41. Section 490:9-207, Hawaii Revised Statutes, is
 17 amended by amending subsection (c) to read as follows:

18 "(c) Except as otherwise provided in subsection (d), a
 19 secured party having possession of collateral or control of
 20 collateral under section 490:7-106, 490:9-104, 490:9-105,
 21 490:9-A, 490:9-106, [~~e~~] 490:9-107 [+], or 490:9-B:



- 1 (1) May hold as additional security any proceeds, except
- 2 money or funds, received from the collateral;
- 3 (2) Shall apply money or funds received from the
- 4 collateral to reduce the secured obligation, unless
- 5 remitted to the debtor; and
- 6 (3) May create a security interest in the collateral."

7 SECTION 42. Section 490:9-208, Hawaii Revised Statutes, is
8 amended by amending subsection (b) to read as follows:

9 "(b) Within ten days after receiving [~~an authenticated~~] a
10 signed demand by the debtor:

- 11 (1) A secured party having control of a deposit account
- 12 under section 490:9-104(a)(2) shall send to the bank
- 13 with which the deposit account is maintained [~~an~~
- 14 ~~authenticated statement~~] a signed record that releases
- 15 the bank from any further obligation to comply with
- 16 instructions originated by the secured party;
- 17 (2) A secured party having control of a deposit account
- 18 under section 490:9-104(a)(3) shall:
 - 19 (A) Pay the debtor the balance on deposit in the
 - 20 deposit account; or



1 (B) Transfer the balance on deposit into a deposit
2 account in the debtor's name;

3 (3) A secured party, other than a buyer, having control
4 ~~[of electronic chattel paper]~~ under section 490:9-105
5 ~~[shall:~~

6 ~~(A) Communicate the]~~ of an authoritative electronic
7 copy of [the electronic] a record evidencing
8 chattel paper shall transfer control of the
9 electronic copy to the debtor or [its] a person
10 designated [custodian,

11 ~~(B) If] by the debtor [designates a custodian that is~~
12 ~~the designated custodian with which the~~
13 ~~authoritative copy of the electronic chattel~~
14 ~~paper is maintained for the secured party,~~
15 ~~communicate to the custodian an authenticated~~
16 ~~record releasing the designated custodian from~~
17 ~~any further obligation to comply with~~
18 ~~instructions originated by the secured party and~~
19 ~~instructing the custodian to comply with~~
20 ~~instructions originated by the debtor, and~~



1 ~~(C) Take appropriate action to enable the debtor or~~
2 ~~its designated custodian to make copies of or~~
3 ~~revisions to the authoritative copy which add or~~
4 ~~change an identified assignee of the~~
5 ~~authoritative copy without the consent of the~~
6 ~~secured party];~~

7 (4) A secured party having control of investment property
8 under section 490:8-106(d)(2) or 490:9-106(b) shall
9 send to the securities intermediary or commodity
10 intermediary with which the security entitlement or
11 commodity contract is maintained ~~[an authenticated]~~ a
12 signed record that releases the securities
13 intermediary or commodity intermediary from any
14 further obligation to comply with entitlement orders
15 or directions originated by the secured party;

16 (5) A secured party having control of a letter-of-credit
17 right under section 490:9-107 shall send to each
18 person having an unfulfilled obligation to pay or
19 deliver proceeds of the letter of credit to the
20 secured party ~~[an authenticated]~~ a signed release from



1 any further obligation to pay or deliver proceeds of
2 the letter of credit to the secured party; [and]

3 (6) A secured party having control under section 490:7-106
4 of an authoritative electronic document of title
5 shall [+

6 ~~(A) Give] transfer control of the electronic~~
7 ~~[document] copy to the debtor or [its] a person~~
8 ~~designated [custodian,~~

9 ~~(B) If] by the debtor [~~designates a custodian that is~~
10 ~~the designated custodian with which the~~
11 ~~authoritative copy of the electronic document is~~
12 ~~maintained for the secured party, communicate to~~
13 ~~the custodian an authenticated record releasing~~
14 ~~the designated custodian from any further~~
15 ~~obligation to comply with instructions originated~~
16 ~~by the secured party and instructing the~~
17 ~~custodian to comply with instructions originated~~
18 ~~by the debtor; and~~~~

19 ~~(C) Take appropriate action to enable the debtor or~~
20 ~~its designated custodian to make copies of or~~
21 ~~revisions to the authoritative copy that add or~~



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1 ~~change an identified assignee of the~~
 2 ~~authoritative copy without the consent of the~~
 3 ~~secured party.] ;~~

4 (7) A secured party having control under section 490:9-A
 5 of electronic money shall transfer control of the
 6 electronic money to the debtor or a person designated
 7 by the debtor; and

8 (8) A secured party having control under section 490:A-105
 9 of a controllable electronic record, other than a
 10 buyer of a controllable account or controllable
 11 payment intangible evidenced by the controllable
 12 electronic record, shall transfer control of the
 13 controllable electronic record to the debtor or a
 14 person designated by the debtor."

15 SECTION 43. Section 490:9-209, Hawaii Revised Statutes, is
 16 amended by amending subsection (b) to read as follows:

17 "(b) Within ten days after receiving [~~an authenticated~~] a
 18 signed demand by the debtor, a secured party shall send to an
 19 account debtor that has received notification under section
 20 490:9-406(a) or 490:A-106(b) of an assignment to the secured
 21 party as assignee [~~under section 490:9-406(a) an authenticated~~]



1 a signed record that releases the account debtor from any
2 further obligation to the secured party."

3 SECTION 44. Section 490:9-301, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§490:9-301 Law governing perfection and priority of
6 security interests. Except as otherwise provided in sections
7 490:9-303 through [~~490:9-306,~~] 490:9-E the following rules
8 determine the law governing perfection, the effect of perfection
9 or nonperfection, and the priority of a security interest in
10 collateral:

11 (1) Except as otherwise provided in this section, while a
12 debtor is located in a jurisdiction, the local law of
13 that jurisdiction governs perfection, the effect of
14 perfection or nonperfection, and the priority of a
15 security interest in collateral.

16 (2) While collateral is located in a jurisdiction, the
17 local law of that jurisdiction governs perfection, the
18 effect of perfection or nonperfection, and the
19 priority of a possessory security interest in that
20 collateral.



1 (3) Except as otherwise provided in paragraph (4), while
 2 [~~tangible~~] negotiable tangible documents, goods,
 3 instruments, or tangible money [~~, or tangible chattel~~
 4 ~~paper~~] is located in a jurisdiction, the local law of
 5 that jurisdiction governs:

6 (A) Perfection of a security interest in the goods by
 7 filing a fixture filing;

8 (B) Perfection of a security interest in timber to be
 9 cut; and

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

13 (4) The local law of the jurisdiction in which the
 14 wellhead or minehead is located governs perfection,
 15 the effect of perfection or nonperfection, and the
 16 priority of a security interest in as-extracted
 17 collateral."

18 SECTION 45. Section 490:9-304, Hawaii Revised Statutes, is
 19 amended by amending subsection (a) to read as follows:

20 "(a) The local law of a bank's jurisdiction governs
 21 perfection, the effect of perfection or nonperfection, and the



1 priority of a security interest in a deposit account maintained
 2 with that bank[-] even if the transaction does not bear any
 3 relation to the bank's jurisdiction."

4 SECTION 46. Section 490:9-305, Hawaii Revised Statutes, is
 5 amended by amending subsection (a) to read as follows:

6 "(a) Except as otherwise provided in subsection (c), the
 7 following rules apply:

8 (1) While a security certificate is located in a
 9 jurisdiction, the local law of that jurisdiction
 10 governs perfection, the effect of perfection or
 11 nonperfection, and the priority of a security interest
 12 in the certificated security represented thereby[-];i

13 (2) The local law of the issuer's jurisdiction as
 14 specified in section 490:8-110(d) governs perfection,
 15 the effect of perfection or nonperfection, and the
 16 priority of a security interest in an uncertificated
 17 security[-];i

18 (3) The local law of the securities intermediary's
 19 jurisdiction as specified in section 490:8-110(e)
 20 governs perfection, the effect of perfection or



1 nonperfection, and the priority of a security interest
2 in a security entitlement or securities account[-];i

3 (4) The local law of the commodity intermediary's
4 jurisdiction governs perfection, the effect of
5 perfection or nonperfection, and the priority of a
6 security interest in a commodity contract or commodity
7 account [-]; and

8 (5) Paragraphs (2), (3), and (4) shall apply regardless of
9 whether the transaction bears any relation to the
10 jurisdiction."

11 SECTION 47. Section 490:9-310, Hawaii Revised Statutes, is
12 amended by amending subsection (b) to read as follows:

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

15 (1) That is perfected under section 490:9-308(d), (e),
16 (f), or (g);

17 (2) That is perfected under section 490:9-309 when it
18 attaches;

19 (3) In property subject to a statute, regulation, or
20 treaty described in section 490:9-311(a);



- 1 (4) In goods in possession of a bailee [~~which is~~]
2 perfected under section 490:9-312(d)(1) or (2);
- 3 (5) In certificated securities, documents, goods, or
4 instruments [~~which is~~] perfected without filing,
5 control, or possession under section 490:9-312(e),
6 (f), or (g);
- 7 (6) In collateral in the secured party's possession under
8 section 490:9-313;
- 9 (7) In a certificated security [~~which is~~] perfected by
10 delivery of the security certificate to the secured
11 party under section 490:9-313;
- 12 (8) In controllable accounts, controllable electronic
13 records, controllable payment intangibles, deposit
14 accounts, [electronic chattel paper,] electronic
15 documents, investment property, or letter-of-credit
16 rights [~~which is~~] perfected by control under section
17 490:9-314;
- 18 (9) In chattel paper perfected by possession and control
19 under section 490:9-F;
- 20 (10) In proceeds [~~which is~~] perfected under section
21 490:9-315; or



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1 (11) That is perfected under section 490:9-316."

2 SECTION 48. Section 490:9-312, Hawaii Revised Statutes, is
3 amended as follows:

4 1. By amending its title and subsections (a) and (b) to
5 read:

6 "**§490:9-312 Perfection of security interests in chattel**
7 **paper, controllable accounts, controllable electronic records,**
8 **controllable payment intangibles, deposit accounts, documents,**
9 **goods covered by documents, instruments, investment property,**
10 **letter-of-credit rights, and money; perfection by permissive**
11 **filing; temporary perfection without filing or transfer of**
12 **possession. (a) A security interest in chattel paper,**
13 **[~~negotiable documents,~~] controllable accounts, controllable**
14 **electronic records, controllable payment intangibles,**
15 **instruments, [~~or~~] investment property, or negotiable documents**
16 **may be perfected by filing.**

17 (b) Except as otherwise provided in [~~section~~] sections
18 **490:9-315(c) and [~~(d)~~] 490:9-315(d) for proceeds:**

19 (1) A security interest in a deposit account may be
20 perfected only by control under section 490:9-314;



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1 (2) And except as otherwise provided in section
 2 490:9-308(d), a security interest in a letter-of-
 3 credit right may be perfected only by control under
 4 section 490:9-314; [~~and~~]

5 (3) A security interest in tangible money may be perfected
 6 only by the secured party's taking possession under
 7 section 490:9-313[~~-~~]; and

8 (4) A security interest in electronic money may be
 9 perfected only by control under section 490:9-314."

10 2. By amending subsection (e) to read:

11 "(e) A security interest in certificated securities,
 12 negotiable documents, or instruments is perfected without filing
 13 or the taking of possession or control for a period of twenty
 14 days from the time it attaches to the extent that it arises for
 15 new value given under [~~an authenticated~~] a signed security
 16 agreement."

17 SECTION 49. Section 490:9-313, Hawaii Revised Statutes, is
 18 amended as follows:

19 1. By amending subsection (a) to read:

20 "(a) Except as otherwise provided in subsection (b), a
 21 secured party may perfect a security interest in [~~tangible~~



1 ~~negotiable documents,~~ goods, instruments, negotiable tangible
2 documents, or tangible money[, ~~or tangible chattel paper~~] by
3 taking possession of the collateral. A secured party may
4 perfect a security interest in certificated securities by taking
5 delivery of the certificated securities under section
6 490:8-301."

7 2. By amending subsections (c) and (d) to read:

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

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

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



1 (d) If perfection of a security interest depends upon
2 possession of the collateral by a secured party, perfection
3 occurs ~~[ne]~~ not earlier than the time the secured party takes
4 possession and continues only while the secured party retains
5 possession."

6 SECTION 50. Section 490:9-314, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§490:9-314 Perfection by control.** (a) A security
9 interest in [~~investment property, deposit accounts, letter of~~
10 ~~credit rights, electronic chattel paper, or electronic~~
11 ~~documents~~] controllable accounts, controllable electronic
12 records, controllable payment intangibles, deposit accounts,
13 electronic documents, electronic money, investment property, or
14 letter-of-credit rights may be perfected by control of the
15 collateral under section 490:7-106, 490:9-104, [~~490:9-105,~~]
16 490:9-A, 490:9-106, [e] 490:9-107[-], or 490:9-B.

17 (b) A security interest in [~~deposit accounts, electronic~~
18 ~~chattel paper, letter of credit rights, or electronic documents~~]
19 controllable accounts, controllable electronic records,
20 controllable payment intangibles, deposit accounts, electronic
21 documents, electronic money, or letter-of-credit rights is



1 perfected by control under section 490:7-106, 490:9-104,
2 [~~490:9-105, or~~] 490:9-A, 490:9-107 [~~when~~], or 490:9-B not
3 earlier than the time the secured party obtains control and
4 remains perfected by control only while the secured party
5 retains control.

6 (c) A security interest in investment property is
7 perfected by control under section 490:9-106 [~~from~~] not earlier
8 than the time the secured party obtains control and remains
9 perfected by control until:

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

11 (2) One of the following occurs:

12 (A) If the collateral is a certificated security, the
13 debtor has or acquires possession of the security
14 certificate;

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

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

20 SECTION 51. Section 490:9-316, Hawaii Revised Statutes, is
21 amended as follows:



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1 1. By amending subsection (a) to read:

2 "(a) A security interest perfected pursuant to the law of
3 the jurisdiction designated in section 490:9-301(1) [~~or~~],
4 490:9-305(c), 490:9-D(d), or 490:9-E(b) remains perfected until
5 the earliest of:

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

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

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

13 2. By amending subsection (f) to read:

14 "(f) A security interest in chattel paper, controllable
15 accounts, controllable electronic records, controllable payment
16 intangibles, deposit accounts, letter-of-credit rights, or
17 investment property which is perfected under the law of the
18 chattel paper's jurisdiction, the controllable electronic
19 record's jurisdiction, the bank's jurisdiction, the issuer's
20 jurisdiction, a nominated person's jurisdiction, the securities
21 intermediary's jurisdiction, or the commodity intermediary's



1 jurisdiction, as applicable, remains perfected until the earlier
2 of:

- 3 (1) The time the security interest would have become
4 unperfected under the law of that jurisdiction; or
- 5 (2) The expiration of four months after a change of the
6 applicable jurisdiction to another jurisdiction."

7 SECTION 52. Section 490:9-317, Hawaii Revised Statutes, is
8 amended to read as follows:

9 **"§490:9-317 Interests that take priority over or take free**
10 **of security interest or agricultural lien.** (a) A security
11 interest or agricultural lien is subordinate to the rights of:

12 (1) A person entitled to priority under section 490:9-322;
13 and

14 (2) Except as otherwise provided in subsection (e), a
15 person that becomes a lien creditor before the earlier
16 of the time:

17 (A) The security interest or agricultural lien is
18 perfected; or

19 (B) One of the conditions specified in section
20 490:9-203(b)(3) is met and a financing statement
21 covering the collateral is filed.



1 (b) Except as otherwise provided in subsection (e), a
2 buyer, other than a secured party, of [~~tangible chattel paper,~~
3 ~~tangible documents,~~] goods, instruments, tangible document, or
4 certificated security takes free of a security interest or
5 agricultural lien if the buyer gives value and receives delivery
6 of the collateral without knowledge of the security interest or
7 agricultural lien and before it is perfected.

8 (c) Except as otherwise provided in subsection (e), a
9 lessee of goods takes free of a security interest or
10 agricultural lien if the lessee gives value and receives
11 delivery of the collateral without knowledge of the security
12 interest or agricultural lien and before it is perfected.

13 (d) [A] Subject to subsections (f) through (i), a licensee
14 of a general intangible or a buyer, other than a secured party,
15 of collateral other than [~~tangible chattel paper, tangible~~
16 ~~documents,~~] electronic money, goods, instruments, tangible
17 documents, or a certificated security takes free of a security
18 interest if the licensee or buyer gives value without knowledge
19 of the security interest and before it is perfected.

20 (e) Except as otherwise provided in sections 490:9-320 and
21 490:9-321, if a person files a financing statement with respect



1 to a purchase-money security interest before or within twenty
2 days after the debtor receives delivery of the collateral, the
3 security interest takes priority over the rights of a buyer,
4 lessee, or lien creditor which arise between the time the
5 security interest attaches and the time of filing.

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

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

12 (2) If each authoritative electronic copy of the record
13 evidencing the chattel paper may be subjected to
14 control under section 490:9-105, obtains control of
15 each authoritative electronic copy.

16 (g) A buyer of an electronic document takes free of a
17 security interest if, without knowledge of the security interest
18 and before it is perfected, the buyer gives value and, if each
19 authoritative electronic copy of the document may be subjected
20 to control under section 490:7-106, obtains control of each
21 authoritative electronic copy.



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

5 (i) A buyer, other than a secured party, of a controllable
6 account or a controllable payment intangible takes free of a
7 security interest if, without knowledge of the security interest
8 and before it is perfected, the buyer gives value and obtains
9 control of the controllable account or controllable payment
10 intangible."

11 SECTION 53. Section 490:9-323, Hawaii Revised Statutes, is
12 amended as follows:

13 1. By amending subsection (d) to read:

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

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

20 (2) Forty-five days after the purchase."

21 2. By amending subsection (f) to read:



1 "(f) Except as otherwise provided in subsection (g), a
2 lessee of goods [~~other than a lessee in ordinary course of~~
3 ~~business,~~] takes the leasehold interest free of a security
4 interest to the extent that it secures advances made after the
5 earlier of:

- 6 (1) The time the secured party acquires knowledge of the
7 lease; or
- 8 (2) Forty-five days after the lease contract becomes
9 enforceable."

10 SECTION 54. Section 490:9-330, Hawaii Revised Statutes, is
11 amended as follows:

12 1. By amending subsection (a) to read:

13 "(a) A purchaser of chattel paper has priority over a
14 security interest in the chattel paper [~~which~~] that is claimed
15 merely as proceeds of inventory subject to a security interest
16 if:

- 17 (1) In good faith and in the ordinary course of the
18 purchaser's business, the purchaser gives new value
19 [~~and~~], takes possession of each authoritative tangible
20 copy of the record evidencing the chattel paper [~~or~~],
21 and obtains control [~~or~~] under section 490:9-105 of



1 each authoritative electronic copy of the record
2 evidencing the chattel paper [~~under section~~
3 490:9-105]; and

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

8 2. By amending subsection (b) to read:

9 "(b) A purchaser of chattel paper has priority over a
10 security interest in the chattel paper [~~which~~] that is claimed
11 other than merely as proceeds of inventory subject to a security
12 interest if the purchaser gives new value [~~and~~], takes
13 possession of each authoritative tangible copy of the record
14 evidencing the chattel paper [~~or~~], and obtains control [~~or~~]
15 under section 490:9-105 of each authoritative electronic copy of
16 the record evidencing the chattel paper [~~under section~~
17 490:9-105] in good faith, in the ordinary course of the
18 purchaser's business, and without knowledge that the purchase
19 violates the rights of the secured party."

20 3. By amending subsection (f) to read:



1 "(f) For purposes of subsections (b) and (d), if the
 2 authoritative copies of the record evidencing chattel paper or
 3 an instrument [~~indicates~~] indicate that [~~it~~] the chattel paper
 4 or instrument has been assigned to an identified secured party
 5 other than the purchaser, a purchaser of the chattel paper or
 6 instrument has knowledge that the purchase violates the rights
 7 of the secured party."

8 SECTION 55. Section 490:9-331, Hawaii Revised Statutes, is
 9 amended to read as follows:

10 "**§490:9-331 Priority of rights of purchasers of**
 11 [~~instruments,~~] **controllable accounts, controllable electronic**
 12 **records, controllable payment intangibles, documents,**
 13 **instruments, and securities under other articles; priority of**
 14 **interests in financial assets and security entitlements and**
 15 **protection against assertion of claim under [article] articles**
 16 **8[-] and A.** (a) This article does not limit the rights of a
 17 holder in due course of a negotiable instrument, a holder to
 18 which a negotiable document of title has been duly negotiated,
 19 [~~or~~] a protected purchaser of a security[-], or a qualifying
 20 purchaser of a controllable account, controllable electronic
 21 record, or controllable payment intangible. These holders or



1 purchasers take priority over an earlier security interest, even
2 if perfected, to the extent provided in articles 3, 7, [and]
3 8[-], and A.

4 (b) This article does not limit the rights of or impose
5 liability on a person to the extent that the person is protected
6 against the assertion of a claim under article 8[-] or A.

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

10 SECTION 56. Section 490:9-332, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§490:9-332 Transfer of money; transfer of funds from**
13 **deposit account.** (a) A transferee of tangible money takes the
14 money free of a security interest [~~unless the transferee acts~~]
15 if the transferee receives possession of the money without
16 acting in collusion with the debtor in violating the rights of
17 the secured party.

18 (b) A transferee of funds from a deposit account takes the
19 funds free of a security interest in the deposit account [~~unless~~
20 ~~the transferee acts~~] if the transferee receives the funds



1 without acting in collusion with the debtor in violating the
2 rights of the secured party.

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

7 SECTION 57. Section 490:9-406, Hawaii Revised Statutes, is
8 amended to read as follows:

9 **"§490:9-406 Discharge of account debtor; notification of**
10 **assignment; identification and proof of assignment; restrictions**
11 **on assignment of accounts, chattel paper, payment intangibles,**
12 **and promissory notes ineffective.** (a) Subject to subsections
13 (b) through (i) [7] and (j), an account debtor on an account,
14 chattel paper, or a payment intangible may discharge its
15 obligation by paying the assignor until, but not after, the
16 account debtor receives a notification, [~~authenticated~~] signed
17 by the assignor or the assignee, that the amount due or to
18 become due has been assigned and that payment is to be made to
19 the assignee. After receipt of the notification, the account
20 debtor may discharge its obligation by paying the assignee and
21 may not discharge the obligation by paying the assignor.



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1 (b) Subject to [~~subsection~~] subsections (h) [~~7~~] and (j),
2 notification is ineffective under subsection (a):

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

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

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

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

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

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



1 (c) Subject to ~~[subsection]~~ subsections (h)~~[7]~~ and (j), if
2 requested by the account debtor, an assignee shall seasonably
3 furnish reasonable proof that the assignment has been made.
4 Unless the assignee complies, the account debtor may discharge
5 its obligation by paying the assignor, even if the account
6 debtor has received a notification under subsection (a).

7 (d) As used in this subsection, "promissory note" includes
8 a negotiable instrument that evidences chattel paper. Except as
9 otherwise provided in subsection (e) and sections 490:2A-303 and
10 490:9-407, and subject to subsection (h), a term in an agreement
11 between an account debtor and an assignor or in a promissory
12 note is ineffective to the extent that it:

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

19 (2) Provides that the assignment or transfer or the
20 creation, attachment, perfection, or enforcement of
21 the security interest may give rise to a default,



1 breach, right of recoupment, claim, defense,
2 termination, right of termination, or remedy under the
3 account, chattel paper, payment intangible, or
4 promissory note.

5 (e) Subsection (d) does not apply to the sale of a payment
6 intangible or promissory note, other than a sale pursuant to a
7 disposition under section 490:9-610 or an acceptance of
8 collateral under section 490:9-620.

9 (f) Except as otherwise provided in sections 490:2A-303
10 and 490:9-407, and subject to subsections (h) and (i), a rule of
11 law, statute, or regulation, that prohibits, restricts, or
12 requires the consent of a government, governmental body or
13 official, or account debtor to the assignment or transfer of, or
14 creation of a security interest in, an account or chattel paper
15 is ineffective to the extent that the rule of law, statute, or
16 regulation:

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



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

7 (g) Subject to ~~[subsection]~~ subsections (h) ~~[7]~~ and (j), an
8 account debtor may not waive or vary its option under subsection
9 (b) (3).

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

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

16 (j) Subsections (a), (b), (c), and (g) shall not apply to
17 a controllable account or controllable payment intangible."

18 SECTION 58. Section 490:9-408, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§490:9-408 Restrictions on assignment of promissory**
21 **notes, health-care-insurance receivables, and certain general**



1 **intangibles ineffective.** (a) Except as otherwise provided in
2 subsection (b), a term in a promissory note or in an agreement
3 between an account debtor and a debtor [~~which~~] that relates to a
4 health-care-insurance receivable or a general intangible,
5 including a contract, permit, license, or franchise, [~~and which~~
6 ~~term~~] that prohibits, restricts, or requires the consent of the
7 person obligated on the promissory note or the account debtor
8 to, the assignment or transfer of, or creation, attachment, or
9 perfection of a security interest in, the promissory note,
10 health-care-insurance receivable, or general intangible, is
11 ineffective to the extent that the term:

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



1 (b) Subsection (a) applies to a security interest in a
2 payment intangible or promissory note only if the security
3 interest arises out of a sale of the payment intangible or
4 promissory note, other than a sale pursuant to a disposition
5 under section 490:9-610 or an acceptance of collateral under
6 section 490:9-620.

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

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

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



1 termination, or remedy under the promissory note,
2 health-care-insurance receivable, or general
3 intangible.

4 (d) To the extent that a term in a promissory note or in
5 an agreement between an account debtor and a debtor [~~which~~] that
6 relates to a health-care-insurance receivable or general
7 intangible or a rule of law, statute, or regulation described in
8 subsection (c) would be effective under law other than this
9 article but is ineffective under subsection (a) or (c), the
10 creation, attachment, or perfection of a security interest in
11 the promissory note, health-care-insurance receivable, or
12 general intangible:

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

15 (2) Does not impose a duty or obligation on the person
16 obligated on the promissory note or the account
17 debtor;

18 (3) Does not require the person obligated on the
19 promissory note or the account debtor to recognize the
20 security interest, pay or render performance to the



1 secured party, or accept payment or performance from
2 the secured party;

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

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

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

17 (e) As used in this section, "promissory note" includes a
18 negotiable instrument that evidences chattel paper."

19 SECTION 59. Section 490:9-601, Hawaii Revised Statutes, is
20 amended by amending subsection (b) to read as follows:



1 "(b) A secured party in possession of collateral or
2 control of collateral under section 490:7-106, 490:9-104,
3 490:9-105, 490:9-A, 490:9-106, [~~or~~] 490:9-107, or 490:9-B has
4 the rights and duties provided in section 490:9-207."

5 SECTION 60. Section 490:9-605, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§490:9-605 Unknown debtor or secondary obligor.** [A] (a)
8 Except as provided in subsection (b), a secured party does not
9 owe a duty based on its status as secured party:

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

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

13 (B) The identity of the person; and

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

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

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

19 (B) The identity of the person.

20 (b) A secured party owes a duty based on its status as a
21 secured party to a person if, at the time the secured party



1 obtains control of collateral that is a controllable account,
2 controllable electronic record, or controllable payment
3 intangible or at the time the security interest attaches to the
4 collateral, whichever is later:

- 5 (1) The person is a debtor or obligor; and
6 (2) The secured party knows that the information in
7 subsection (a)(1)(A), (B), or (C) relating to the
8 person is not provided by the collateral; a record
9 attached to, or logically associated with, the
10 collateral; or the system in which the collateral is
11 recorded."

12 SECTION 61. Section 490:9-613, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§490:9-613 Contents and form of notification before**
15 **disposition of collateral: general.** (a) Except in a
16 consumer-goods transaction, the following rules apply:

- 17 (1) The contents of a notification of disposition are
18 sufficient if the notification:
19 (A) Describes the debtor and the secured party;
20 (B) Describes the collateral that is the subject of
21 the intended disposition;



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- 1 (C) States the method of intended disposition;
- 2 (D) States that the debtor is entitled to an
- 3 accounting of the unpaid indebtedness and states
- 4 the charge, if any, for an accounting; and
- 5 (E) States the time and place of a public disposition
- 6 or the time after which any other disposition is
- 7 to be made.
- 8 (2) Whether the contents of a notification that lacks any
- 9 of the information specified in paragraph (1) are
- 10 nevertheless sufficient is a question of fact.
- 11 (3) The contents of a notification providing substantially
- 12 the information specified in paragraph (1) are
- 13 sufficient, even if the notification includes:
- 14 (A) Information not specified by that paragraph; or
- 15 (B) Minor errors that are not seriously misleading.
- 16 (4) A particular phrasing of the notification is not
- 17 required.
- 18 (5) The following form of notification and the form
- 19 appearing in section [~~490:9-614(3)~~], 490:9-614(a)(3),
- 20 when completed[~~7~~] in accordance with the instructions



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1 in subsection (b) and section 490:9-614(b), each
2 provides sufficient information:

3
4 ~~[NOTIFICATION OF DISPOSITION OF COLLATERAL~~

5 To: _____ [Name of debtor, obligor, or other
6 person to which the notification is sent]

7 From: _____ [Name, address, and telephone number of
8 secured party]

9 Name of Debtor(s): _____ [Include only if debtor(s)
10 are not an addressee]

11 ~~{For a public disposition:}~~

12 We will sell ~~[or lease or license, as applicable]~~
13 the _____ [describe collateral] _____ ~~[to the highest~~
14 ~~qualified bidder] in public as follows:~~

15 Day and Date: _____

16 Time: _____

17 Place: _____

18 ~~{For a private disposition:}~~

19 We will sell ~~[or lease or license, as applicable]~~
20 the _____ [describe collateral] _____ privately sometime
21 after _____ [day and date] _____.



1 ~~You are entitled to an accounting of the unpaid~~
2 ~~indebtedness secured by the property that we intend to~~
3 ~~sell [or lease or license, as applicable] [for a~~
4 ~~charge of \$_____]. You may request an accounting~~
5 ~~by calling us at _____ [telephone number]_____.~~

NOTIFICATION OF DISPOSITION OF COLLATERAL

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

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

11 (1) Name of any debtor that is not an addressee:
12 (Name of each debtor)

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

17 (Date)

18 (Time)

19 (Place)



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

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

7 (5) If you request an accounting you must pay a
8 charge of \$ (amount).

9 (6) You may request an accounting by calling us
10 at (telephone number).

11
12 (b) The following instructions shall apply to the form of
13 notification in subsection (a)(5):

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



- 1 (2) Include and complete item (1) only if there is a
2 debtor that is not an addressee of the notification
3 and list the name or names;
- 4 (3) Include and complete either item (2), if the
5 notification relates to a public disposition of the
6 collateral, or item (3), if the notification relates
7 to a private disposition of the collateral. If item
8 (2) is included, include the words "to the highest
9 qualified bidder" only if applicable;
- 10 (4) Include and complete items (4) and (6); and
- 11 (5) Include and complete item (5) only if the sender will
12 charge the recipient for an accounting."

13 SECTION 62. Section 490:9-614, Hawaii Revised Statutes, is
14 amended to read as follows:

15 **"§490:9-614 Contents and form of notification before**
16 **disposition of collateral: consumer-goods transaction. (a)** In
17 a consumer-goods transaction, the following rules apply:

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

20 (A) The information specified in section

21 [~~490:9-613(1)~~] 490:9-613(a)(1);



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

3 (C) A telephone number from which the amount that
4 must be paid to the secured party to redeem the
5 collateral under section 490:9-623 is available;
6 and

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

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

12 (3) The following form of notification, when completed[7]
13 in accordance with the instructions in subsection (b),
14 provides sufficient information:

15 [~~_____ [Name and address of secured party]~~

16 ~~_____ [Date]~~

17 **~~NOTICE OF OUR PLAN TO SELL PROPERTY~~**

18 ~~_____ [Name and address of any obligor who is also a~~
19 ~~debtor]~~

20 Subject: ~~_____ [Identification of Transaction]~~



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1 We have your _____ [describe collateral] _____,
 2 because you broke promises in our agreement.

3 ~~{For a public disposition:}~~

4 We will sell _____ [describe collateral] _____ at
 5 public sale sometime after _____ [date] _____. A sale
 6 could include a lease or license.

7 ~~The sale will be held as follows:~~

8 Day and Date: _____

9 Time: _____

10 Place: _____

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

13 ~~{For a private disposition:}~~

14 We will sell _____ [describe collateral] _____ at
 15 private sale sometime after _____ [date] _____. A sale
 16 could include a lease or license.

17 ~~The money that we get from the sale (after paying~~
 18 ~~our costs) will reduce the amount you owe. If we get~~
 19 ~~less money than you owe, you _____ [will or will not,~~
 20 ~~as applicable] _____ still owe us the difference. If~~



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1 ~~we get more money than you owe, you will get the extra~~
2 ~~money, unless we must pay it to someone else.~~

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

8 ~~If you want us to explain to you in writing how~~
9 ~~we have figured the amount that you owe us, you may~~
10 ~~call us at _____ [telephone number] _____ [or write us~~
11 ~~at _____ [secured party's address] _____] and request a~~
12 ~~written explanation. [We will charge you~~
13 ~~\$ _____ for the explanation if we sent you another~~
14 ~~written explanation of the amount you owe us within~~
15 ~~the last six months.]~~

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

19 ~~We are sending this notice to the following other~~
20 ~~people who have an interest in _____ [describe~~



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1 collateral] or who owe money under your
2 agreement.

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

5 (Name and address of secured party)

6 (Date)

7 **NOTICE OF OUR PLAN TO SELL PROPERTY**

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

9 Subject: (Identify transaction)

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

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

15 (Date)

16 (Time)

17 (Place)

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



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

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

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

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



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1 written explanation) (a written explanation or an
2 explanation in (description of electronic record)) (an
3 explanation in (description of electronic record)).

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

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

11 (10) We are sending this notice to the following
12 other people who have an interest in (describe
13 collateral) or who owe money under your agreement:
14 (Names of all other debtors and obligors, if any)

15
16 (4) A notification in the form of paragraph (3) is
17 sufficient, even if additional information appears at
18 the end of the form.

19 (5) A notification in the form of paragraph (3) is
20 sufficient, even if it includes errors in information
21 not required by paragraph (1), unless the error is



1 misleading with respect to rights arising under this
2 article.

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

7 (b) The following instructions shall apply to the form of
8 notification in subsection (a)(3):

9 (1) The instructions in this subsection refer to the
10 numbers in parentheses before items in the form of
11 notification in subsection (a)(3). Do not include the
12 numbers or parentheses in the notification. The
13 numbers and parentheses are used only for the purpose
14 of these instructions;

15 (2) Include and complete either item (1), if the
16 notification relates to a public disposition of the
17 collateral, or item (2), if the notification relates
18 to a private disposition of the collateral;

19 (3) Include and complete items (3), (4), (5), (6), and
20 (7);



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- 1 (4) In item (5), include and complete any one of the three
2 alternative methods for the explanation--writing,
3 writing or electronic record, or electronic record;
- 4 (5) In item (6), include the telephone number. In
5 addition, the sender may include and complete either
6 or both of the two additional alternative methods of
7 communication--writing or electronic communication--
8 for the recipient of the notification to communicate
9 with the sender. Neither of the two additional
10 methods of communication is required to be included;
- 11 (6) In item (7), include and complete the method or
12 methods for the explanation--writing, writing or
13 electronic record, or electronic record--included in
14 item (5);
- 15 (7) Include and complete item (8) only if a written
16 explanation is included in item (5) as a method for
17 communicating the explanation and the sender shall
18 charge the recipient for another written explanation;
- 19 (8) In item (9), include either the telephone number or
20 the address or both the telephone number and the
21 address. In addition, the sender may include and



1 complete the additional method of communication--
2 electronic communication--for the recipient of the
3 notification to communicate with the sender. The
4 additional method of electronic communication is not
5 required to be included; and

6 (9) If item (10) does not apply, insert "None" after
7 "agreement:". "

8 SECTION 63. Section 490:9-616, Hawaii Revised Statutes, is
9 amended by amending subsections (a) through (c) to read as
10 follows:

11 "(a) In this section:

12 (1) "Explanation" means a [~~writing~~] record that:

13 (A) States the amount of the surplus or deficiency;

14 (B) Provides an explanation in accordance with
15 subsection (c) of how the secured party
16 calculated the surplus or deficiency;

17 (C) States, if applicable, that future debits,
18 credits, charges, including additional credit
19 service charges or interest, rebates, and
20 expenses may affect the amount of the surplus or
21 deficiency; and



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1 (D) Provides a telephone number or mailing address
2 from which additional information concerning the
3 transaction is available.

4 (2) "Request" means a record:

5 (A) [~~Authenticated~~] Signed by a debtor or consumer
6 obligor;

7 (B) Requesting that the recipient provide an
8 explanation; and

9 (C) Sent after disposition of the collateral under
10 section 490:9-610.

11 (b) In a consumer-goods transaction in which the debtor is
12 entitled to a surplus or a consumer obligor is liable for a
13 deficiency under section 490:9-615, the secured party shall:

14 (1) Send an explanation to the debtor or consumer obligor,
15 as applicable, after the disposition and:

16 (A) Before or when the secured party accounts to the
17 debtor and pays any surplus or first makes
18 [~~written~~] a demand in a record on the consumer
19 obligor after the disposition for payment of the
20 deficiency; and



1 (B) Within fourteen days after receipt of a request;

2 or

3 (2) In the case of a consumer obligor who is liable for a
4 deficiency, within fourteen days after receipt of a
5 request, send to the consumer obligor a record waiving
6 the secured party's right to a deficiency.

7 (c) To comply with subsection (a)(1)(B), [~~a writing must~~]
8 an explanation shall provide the following information in the
9 following order:

10 (1) The aggregate amount of obligations secured by the
11 security interest under which the disposition was
12 made, and, if the amount reflects a rebate of unearned
13 interest or credit service charge, an indication of
14 that fact, calculated as of a specified date:

15 (A) If the secured party takes or receives possession
16 of the collateral after default, not more than
17 thirty-five days before the secured party takes
18 or receives possession; or

19 (B) If the secured party takes or receives possession
20 of the collateral before default or does not take



- 1 possession of the collateral, not more than
2 thirty-five days before the disposition;
- 3 (2) The amount of proceeds of the disposition;
- 4 (3) The aggregate amount of the obligations after
5 deducting the amount of proceeds;
- 6 (4) The amount, in the aggregate or by type, and types of
7 expenses, including expenses of retaking, holding,
8 preparing for disposition, processing, and disposing
9 of the collateral, and attorney's fees secured by the
10 collateral [~~which~~] that are known to the secured party
11 and relate to the current disposition;
- 12 (5) The amount, in the aggregate or by type, and types of
13 credits, including rebates of interest or credit
14 service charges, to which the obligor is known to be
15 entitled and [~~which~~] that are not reflected in the
16 amount in paragraph (1); and
- 17 (6) The amount of the surplus or deficiency."

18 SECTION 64. Section 490:9-628, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§490:9-628 Nonliability and limitation on liability of**
21 **secured party; liability of secondary obligor.** (a) [~~Unless~~]



1 Subject to subsection (f), unless a secured party knows that a
2 person is a debtor or obligor, knows the identity of the person,
3 and knows how to communicate with the person:

4 (1) The secured party is not liable to the person, or to a
5 secured party or lienholder that has filed a financing
6 statement against the person, for failure to comply
7 with this article; and

8 (2) The secured party's failure to comply with this
9 article does not affect the liability of the person
10 for a deficiency.

11 (b) [A] Subject to subsection (f), a secured party is not
12 liable because of its the status as secured party:

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

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

16 (B) The identity of the person; and

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

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

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



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1 (B) The identity of the person.

2 (c) A secured party is not liable to any person, and a
3 person's liability for a deficiency is not affected, because of
4 any act or omission arising out of the secured party's
5 reasonable belief that a transaction is not a consumer-goods
6 transaction or a consumer transaction or that goods are not
7 consumer goods, if the secured party's belief is based on its
8 the reasonable reliance on:

9 (1) A debtor's representation concerning the purpose for
10 which collateral was to be used, acquired, or held; or

11 (2) An obligor's representation concerning the purpose for
12 which a secured obligation was incurred.

13 (d) A secured party is not liable to any person under
14 section 490:9-625(c)(2) for its failure to comply with section
15 490:9-616.

16 (e) A secured party is not liable under section
17 490:9-625(c)(2) more than once with respect to any one secured
18 obligation.

19 (f) Subsections (a) and (b) shall not apply to limit the
20 liability of a secured party to a person if, at the time the
21 secured party obtains control of collateral that is a



1 controllable account, controllable electronic record, or
2 controllable payment intangible or at the time the security
3 interest attaches to the collateral, whichever is later:

- 4 (1) The person is a debtor or obligor; and
5 (2) The secured party knows that the information in
6 subsection (b)(1)(A), (B), or (C) relating to the
7 person is not provided by the collateral; a record
8 attached to, or logically associated with, the
9 collateral; or the system in which the collateral is
10 recorded."

11 SECTION 65. (a) Sections 490:2-203, 490:2-205,
12 490:2A-201, 490:2A-203, 490:2A-205, 490:4A-207, and 490:4A-208,
13 Hawaii Revised Statutes, are amended by substituting the phrase
14 "record" wherever the phrase "writing" appears.

15 (b) Sections 490:9-210, 490:9-324, 490:9-334, 490:9-341,
16 490:9-404, 490:9-509, 490:9-513, 490:9-608, 490:9-611,
17 490:9-615, 490:9-619, 490:9-620, 490:9-621, 490:9-624, Hawaii
18 Revised Statutes, are amended by substituting the phrases
19 "signed", "signing", or "signs" wherever the phrase
20 "authenticated", "authenticating", or "authenticates" appears.



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1 SECTION 66. This Act does not affect rights and duties
2 that matured, penalties that were incurred, and proceedings that
3 were begun before its effective date.

4 SECTION 67. In codifying the new sections added by section
5 1 of this Act, the revisor of statutes shall substitute
6 appropriate section numbers for the letters used in designating
7 the new sections in this Act.

8 SECTION 68. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 69. This Act shall take effect upon its approval.

11

INTRODUCED BY: 

JAN 20 2023



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Report Title:

Uniform Commercial Code

Description:

Implements amendments to the Uniform Commercial Code set forth by the Uniform Law Commission.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

