

**SENATE BILL NO. 2143**

Introduced by

Judiciary Committee

(At the request of the Commission on Uniform State Laws)

1 A BILL for an Act to create and enact a new chapter 41-01 and section 41-01-09 of the North  
2 Dakota Century Code, relating to Uniform Commercial Code Article 1 - General Provisions; to  
3 amend and reenact subdivision b of subsection 2 of section 9-16-02, subsection 4 of section  
4 9-16-15, subdivision b of subsection 1 of section 41-02-03, subsection 1 of section 41-02-09,  
5 subsection 3 of section 41-02.1-03, subsection 4 of section 41-02.1-49, subsection 2 of section  
6 41-02.1-66, subsection 1 of section 41-02.1-67, subsection 2 of section 41-02.1-75,  
7 subsection 1 of section 41-02.1-76, subdivisions d and j of subsection 1 of section 41-03-03,  
8 subsection 3 of section 41-04-04, subsection 1 of section 41-04.1-05, subsection 1 of section  
9 41-04.1-06, subsection 2 of section 41-04.1-12, subsection 3 of section 41-05-03, subdivision e  
10 of subsection 1 of section 41-07-02, section 41-07-06, subdivision k of subsection 1 of section  
11 41-08-02, subdivision ss of subsection 1 of section 41-09-02, and section 47-15.1-02 of the  
12 North Dakota Century Code, relating to chapter 41-01 and references to chapter 41-01; and to  
13 repeal chapter 41-01 and sections 41-02-15 and 41-02.1-16 of the North Dakota Century Code,  
14 relating to Uniform Commercial Code general provisions, contracts, and leases.

15 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

16 **SECTION 1. AMENDMENT.** Subdivision b of subsection 2 of section 9-16-02 of the  
17 North Dakota Century Code is amended and reenacted as follows:

18 b. The Uniform Commercial Code other than ~~sections 41-01-07 and 41-01-16~~  
19 section 41-01-20 and chapters 41-02 and 41-02.1; and

20 **SECTION 2. AMENDMENT.** Subsection 4 of section 9-16-15 of the North Dakota  
21 Century Code is amended and reenacted as follows:

22 4. Except as otherwise agreed, a person having control of a transferable record is the  
23 holder, as defined in section ~~41-01-14~~ 41-01-09, of the transferable record and has  
24 the same rights and defenses as a holder of an equivalent record or writing under

1 title 41 including, if the applicable statutory requirements under subsection 1 of  
2 section 41-03-28, section 41-07-30, or section 41-09-29 are satisfied, the rights  
3 and defenses of a holder in due course, a holder to which a negotiable document  
4 of title has been duly negotiated, or a purchaser, respectively. Delivery,  
5 possession, and endorsement are not required to obtain or exercise any of the  
6 rights under this subsection.

7 **SECTION 3.** Chapter 41-01 of the North Dakota Century Code is created and enacted  
8 as follows:

9 Part 1

10 General Provisions

11 **41-01-01. (1-101) Short titles.**

- 12 1. This title may be cited as the Uniform Commercial Code.  
13 2. This chapter may be cited as Uniform Commercial Code - General Provisions.

14 **41-01-02. (1-102) Scope of chapter.** This chapter applies to a transaction to the  
15 extent that the transaction is governed by another chapter of this title.

16 **41-01-03. (1-103) Construction of title to promote the title's purposes and**  
17 **policies - Applicability of supplemental principles of law.**

- 18 1. This title must be liberally construed and applied to promote the title's underlying  
19 purposes and policies, which are:  
20 a. To simplify, clarify, and modernize the law governing commercial transactions;  
21 b. To permit the continued expansion of commercial practices through custom,  
22 usage, and agreement of the parties; and  
23 c. To make uniform the law among the various jurisdictions.  
24 2. Unless displaced by the particular provisions of this title, the principles of law and  
25 equity, including the law merchant and the law relative to capacity to contract,  
26 principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake,  
27 bankruptcy, and other validating or invalidating cause supplement this title.

28 **41-01-04. (1-104) Construction against implied repeal.** This title is a general act  
29 intended as a unified coverage of its subject matter. A part of this title may not be deemed to  
30 be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.



- 1                   circumstances, including course of performance, course of dealing, or usage  
2                   of trade as provided under section 41-09-17.
- 3                   d. "Bank" means a person engaged in the business of banking and includes a  
4                   savings bank, savings and loan association, credit union, and trust company.
- 5                   e. "Bearer" means a person in possession of a negotiable instrument, document  
6                   of title, or certificated security that is payable to bearer or indorsed in blank.
- 7                   f. "Bill of lading" means a document evidencing the receipt of goods for  
8                   shipment issued by a person engaged in the business of transporting or  
9                   forwarding goods.
- 10                  g. "Branch" includes a separately incorporated foreign branch of a bank.
- 11                  h. "Burden of establishing" a fact means the burden of persuading the trier of  
12                  fact that the existence of the fact is more probable than its nonexistence.
- 13                  i. "Buyer in ordinary course of business" means a person that buys goods in  
14                  good faith, without knowledge that the sale violates the rights of another  
15                  person in the goods, and in the ordinary course from a person, other than a  
16                  pawnbroker, in the business of selling goods of that kind. A person buys  
17                  goods in the ordinary course if the sale to the person comports with the usual  
18                  or customary practices in the kind of business in which the seller is engaged  
19                  or with the seller's own usual or customary practices. A person that sells oil,  
20                  gas, or other minerals at the wellhead or minehead is a person in the  
21                  business of selling goods of that kind. A buyer in ordinary course of business  
22                  may buy for cash, by exchange of other property, or on secured or unsecured  
23                  credit, and may acquire goods or documents of title under a preexisting  
24                  contract for sale. Only a buyer that takes possession of the goods or has a  
25                  right to recover the goods from the seller under chapter 41-02 may be a buyer  
26                  in ordinary course of business. "Buyer in ordinary course of business" does  
27                  not include a person that acquires goods in a transfer in bulk or as security for  
28                  or in total or partial satisfaction of a money debt.
- 29                  j. "Conspicuous", with reference to a term, means so written, displayed, or  
30                  presented that a reasonable person against which it is to operate ought to

- 1                   have noticed it. Whether a term is "conspicuous" or not is a decision for the  
2                   court. Conspicuous terms include the following:
- 3                   (1)   A heading in capitals equal to or greater in size than the surrounding  
4                   text, or in contrasting type, font, or color to the surrounding text of the  
5                   same or lesser size; and
- 6                   (2)   Language in the body of a record or display in larger type than the  
7                   surrounding text, or in contrasting type, font, or color to the surrounding  
8                   text of the same size, or set off from surrounding text of the same size  
9                   by symbols or other marks that call attention to the language.
- 10                  k.   "Consumer" means an individual who enters into a transaction primarily for  
11                  personal, family, or household purposes.
- 12                  l.   "Contract", as distinguished from "agreement", means the total legal  
13                  obligation that results from the parties' agreement as determined by this title  
14                  as supplemented by any other applicable laws.
- 15                  m.   "Creditor" includes a general creditor, a secured creditor, a lien creditor, and  
16                  any representative of creditors, including an assignee for the benefit of  
17                  creditors, a trustee in bankruptcy, a receiver in equity, and an executor or  
18                  administrator of an insolvent debtor's or assignor's estate.
- 19                  n.   "Defendant" includes a person in the position of defendant in a counterclaim,  
20                  cross-claim, or third-party claim.
- 21                  o.   "Delivery", with respect to an instrument, document of title, or chattel paper,  
22                  means voluntary transfer of possession.
- 23                  p.   "Document of title" includes bill of lading, dock warrant, dock receipt,  
24                  warehouse receipt, or order for the delivery of goods, and also any other  
25                  document that in the regular course of business or financing is treated as  
26                  adequately evidencing that the person in possession of that document is  
27                  entitled to receive, hold, and dispose of the document and the goods that  
28                  document covers. To be a document of title, a document must purport to be  
29                  issued by or addressed to a bailee and purport to cover goods in the bailee's  
30                  possession which are either identified or are fungible portions of an identified  
31                  mass.

- 1           q. "Fault" means a default, breach, or wrongful act or omission.
- 2           r. "Fungible goods" means:
- 3               (1) Goods of which any unit, by nature or usage of trade, is the equivalent
- 4                 of any other like unit; or
- 5               (2) Goods that by agreement are treated as equivalent.
- 6           s. "Genuine" means free of forgery or counterfeiting.
- 7           t. "Good faith", except as otherwise provided in chapter 41-05, means honesty
- 8               in fact and the observance of reasonable commercial standards of fair
- 9               dealing.
- 10          u. "Holder" means:
- 11               (1) The person in possession of a negotiable instrument that is payable
- 12                 either to bearer or to an identified person that is the person in
- 13                 possession; or
- 14               (2) The person in possession of a document of title if the goods are
- 15                 deliverable either to bearer or to the order of the person in possession.
- 16          v. "Insolvency proceeding" includes an assignment for the benefit of creditors or
- 17               other proceeding intended to liquidate or rehabilitate the estate of the person
- 18               involved.
- 19          w. "Insolvent" means:
- 20               (1) Having generally ceased to pay debts in the ordinary course of
- 21                 business other than as a result of bona fide dispute;
- 22               (2) Being unable to pay debts as they become due; or
- 23               (3) Being insolvent within the meaning of federal bankruptcy law.
- 24          x. "Money" means a medium of exchange currently authorized or adopted by a
- 25               domestic or foreign government. The term includes a monetary unit of
- 26               account established by an intergovernmental organization or by agreement
- 27               between two or more countries.
- 28          y. "Organization" means a person other than an individual.
- 29          z. "Party", as distinguished from "third party", means a person that has engaged
- 30               in a transaction or made an agreement subject to this title.

- 1           aa. "Person" means an individual, a corporation, a business trust, an estate, a  
2           trust, a partnership, a limited liability company, an association, a joint venture,  
3           a government, a governmental subdivision, an agency, or an instrumentality,  
4           a public corporation, or any other legal or commercial entity.
- 5           bb. "Present value" means the amount as of a date certain of one or more sums  
6           payable in the future, discounted to the date certain by use of either an  
7           interest rate specified by the parties if that rate is not manifestly unreasonable  
8           at the time the transaction is entered or, if an interest rate is not so specified,  
9           a commercially reasonable rate that takes into account the facts and  
10           circumstances at the time the transaction is entered.
- 11          cc. "Purchase" means taking by sale, lease, discount, negotiation, mortgage,  
12           pledge, lien, security interest, issue or reissue, gift, or any other voluntary  
13           transaction creating an interest in property.
- 14          dd. "Purchaser" means a person that takes by purchase.
- 15          ee. "Record" means information that is inscribed on a tangible medium or that is  
16           stored in an electronic or other medium and is retrievable in perceivable form.
- 17          ff. "Remedy" means any remedial right to which an aggrieved party is entitled  
18           with or without resort to a tribunal.
- 19          gg. "Representative" means a person empowered to act for another, including an  
20           agent, an officer of a corporation or association, and a trustee, executor, or  
21           administrator of an estate.
- 22          hh. "Right" includes remedy.
- 23          ii. "Security interest" means an interest in personal property or fixtures which  
24           secures payment or performance of an obligation. "Security interest" includes  
25           any interest of a consignor and a buyer of accounts, chattel paper, a payment  
26           intangible, or a promissory note in a transaction that is subject to  
27           chapter 41-09. "Security interest" does not include the special property  
28           interest of a buyer of goods on identification of those goods to a contract for  
29           sale under section 41-02-46, but a buyer may also acquire a "security  
30           interest" by complying with chapter 41-09. Except as otherwise provided in  
31           section 41-02-53, the right of a seller or lessor of goods under chapter 41-02

1                   or 41-02.1 to retain or acquire possession of the goods is not a "security  
2                   interest", but a seller or lessor may also acquire a "security interest" by  
3                   complying with chapter 41-09. The retention or reservation of title by a seller  
4                   of goods notwithstanding shipment or delivery to the buyer under section  
5                   41-02-46 is limited in effect to a reservation of a "security interest". Whether a  
6                   transaction in the form of a lease creates a "security interest" is determined  
7                   under section 41-01-11.

8                   jj. "Send" in connection with a writing, record, or notice means:

- 9                   (1) To deposit in the mail or deliver for transmission by any other usual  
10                   means of communication with postage or cost of transmission provided  
11                   for and properly addressed and, in the case of an instrument, to an  
12                   address specified on the instrument or otherwise agreed, or if there be  
13                   none to any address reasonable under the circumstances; or  
14                   (2) In any other way to cause to be received any record or notice within the  
15                   time it would have arrived if properly sent.

16                   kk. "Signed" includes using any symbol executed or adopted with present  
17                   intention to adopt or accept in writing.

18                   ll. "State" means a state of the United States, the District of Columbia, Puerto  
19                   Rico, the United States Virgin Islands, or any territory or insular possession  
20                   subject to the jurisdiction of the United States.

21                   mm. "Surety" includes a guarantor or other secondary obligor.

22                   nn. "Term" means a portion of an agreement that relates to a particular matter.

23                   oo. "Unauthorized signature" means a signature made without actual, implied, or  
24                   apparent authority. The term includes a forgery.

25                   pp. "Warehouse receipt" means a receipt issued by a person engaged in the  
26                   business of storing goods for hire.

27                   qq. "Writing" includes printing, typewriting, or any other intentional reduction to  
28                   tangible form. "Written" has a corresponding meaning.

29                   **41-01-10. (1-202) Notice - Knowledge.**

30                   1. Subject to subsection 6, a person has "notice" of a fact if the person:

- 31                   a. Has actual knowledge of that fact;

- 1            b. Has received a notice or notification of that fact; or
- 2            c. From all the facts and circumstances known to the person at the time in
- 3            question, has reason to know that that fact exists.
- 4            2. "Knowledge" means actual knowledge. "Knows" has a corresponding meaning.
- 5            3. "Discover", "learn", or words of similar import refer to knowledge rather than to
- 6            reason to know.
- 7            4. A person "notifies" or "gives" a notice or notification to another person by taking
- 8            such steps as may be reasonably required to inform the other person in ordinary
- 9            course, whether or not the other person actually comes to know of it.
- 10          5. Subject to subsection 6, a person "receives" a notice or notification when:
- 11          a. It comes to that person's attention; or
- 12          b. It is duly delivered in a form reasonable under the circumstances at the place
- 13          of business through which the contract was made or at another location held
- 14          out by that person as the place for receipt of such communications.
- 15          6. Notice, knowledge, or a notice or notification received by an organization is
- 16          effective for a particular transaction from the time it is brought to the attention of the
- 17          individual conducting that transaction and, in any event, from the time it would have
- 18          been brought to the individual's attention if the organization had exercised due
- 19          diligence. An organization exercises due diligence if the organization maintains
- 20          reasonable routines for communicating significant information to the person
- 21          conducting the transaction and there is reasonable compliance with the routines.
- 22          Due diligence does not require an individual acting for the organization to
- 23          communicate information unless the communication is part of the individual's
- 24          regular duties or the individual has reason to know of the transaction and that the
- 25          transaction would be materially affected by the information.
- 26          **41-01-11. (1-203) Lease distinguished from security interest.**
- 27          1. Whether a transaction in the form of a lease creates a lease or security interest is
- 28          determined by the facts of each case.
- 29          2. A transaction in the form of a lease creates a security interest if the consideration
- 30          that the lessee is to pay the lessor for the right to possession and use of the goods

- 1           is an obligation for the term of the lease and is not subject to termination by the  
2           lessee, and:
- 3           a.   The original term of the lease is equal to or greater than the remaining  
4           economic life of the goods;
- 5           b.   The lessee is bound to renew the lease for the remaining economic life of the  
6           goods or is bound to become the owner of the goods;
- 7           c.   The lessee has an option to renew the lease for the remaining economic life  
8           of the goods for no additional consideration or for nominal additional  
9           consideration upon compliance with the lease agreement; or
- 10          d.   The lessee has an option to become the owner of the goods for no additional  
11          consideration or for nominal additional consideration upon compliance with  
12          the lease agreement.
- 13          3.   A transaction in the form of a lease does not create a security interest merely  
14          because:
- 15          a.   The present value of the consideration the lessee is obligated to pay the  
16          lessor for the right to possession and use of the goods is substantially equal  
17          to or is greater than the fair market value of the goods at the time the lease is  
18          entered;
- 19          b.   The lessee assumes risk of loss of the goods;
- 20          c.   The lessee agrees to pay, with respect to the goods, taxes, insurance, filing,  
21          recording, or registration fees, or service or maintenance costs;
- 22          d.   The lessee has an option to renew the lease or to become the owner of the  
23          goods;
- 24          e.   The lessee has an option to renew the lease for a fixed rent that is equal to or  
25          greater than the reasonably predictable fair market rent for the use of the  
26          goods for the term of the renewal at the time the option is to be performed; or
- 27          f.   The lessee has an option to become the owner of the goods for a fixed price  
28          that is equal to or greater than the reasonably predictable fair market value of  
29          the goods at the time the option is to be performed.



1           **41-01-15. (1-301) Territorial applicability - Parties' power to choose applicable**

2 **law.**

- 3           1. Except as otherwise provided under this section, when a transaction bears a  
4           reasonable relation to this state and also to another state or nation, the parties may  
5           agree that the law either of this state or of such other state or nation shall govern  
6           the parties' rights and duties.
- 7           2. In the absence of an agreement effective under subsection 1, and except as  
8           provided under subsection 3, title 41 applies to transactions bearing an appropriate  
9           relation to this state.
- 10          3. If one of the following provisions of this title specifies the applicable law, that  
11          provision governs and a contrary agreement is effective only to the extent  
12          permitted by the law so specified:
- 13           a. Section 41-02-47;
- 14           b. Sections 41-02.1-05 and 41-02.1-06;
- 15           c. Section 41-04-02;
- 16           d. Section 41-04.1-38;
- 17           e. Section 41-05-16;
- 18           f. Section 41-08-10; and
- 19           g. Sections 41-09-22 through 41-09-28.

20           **41-01-16. (1-302) Variation by agreement.**

- 21          1. Except as otherwise provided in subsection 2 or elsewhere under this title, the  
22          effect of provisions of this title may be varied by agreement.
- 23          2. The obligations of good faith, diligence, reasonableness, and care prescribed  
24          under this title may not be disclaimed by agreement. The parties, by agreement,  
25          may determine the standards by which the performance of those obligations is to  
26          be measured if those standards are not manifestly unreasonable. If this title  
27          requires an action to be taken within a reasonable time, a time that is not  
28          manifestly unreasonable may be fixed by agreement.
- 29          3. The presence in certain provisions of this title of the phrase "unless otherwise  
30          agreed", or words of similar import, does not imply that the effect of other  
31          provisions may not be varied by agreement under this section.

**41-01-17. (1-303) Course of performance - Course of dealing - Usage of trade.**

1. A "course of performance" is a sequence of conduct between the parties to a particular transaction that exists if:
  - a. The agreement of the parties with respect to the transaction involves repeated occasions for performance by a party; and
  - b. The other party, with knowledge of the nature of the performance and opportunity for objection to it, accepts the performance or acquiesces in the performance without objection.
2. A "course of dealing" is a sequence of conduct concerning previous transactions between the parties to a particular transaction that is fairly to be regarded as establishing a common basis of understanding for interpreting their expressions and other conduct.
3. A "usage of trade" is any practice or method of dealing having such regularity of observance in a place, vocation, or trade as to justify an expectation that it will be observed with respect to the transaction in question. The existence and scope of such a usage must be proved as facts. If it is established that such a usage is embodied in a trade code or similar record, the interpretation of the record is a question of law.
4. A course of performance or course of dealing between the parties or usage of trade in the vocation or trade in which the parties are engaged or of which the parties are or should be aware is relevant in ascertaining the meaning of the parties' agreement, may give particular meaning to specific terms of the agreement, and may supplement or qualify the terms of the agreement. A usage of trade applicable in the place in which part of the performance under the agreement is to occur may be so utilized as to that part of the performance.
5. Except as otherwise provided in subsection 6, the express terms of an agreement and any applicable course of performance, course of dealing, or usage of trade must be construed whenever reasonable as consistent with each other. If such a construction is unreasonable:
  - a. Express terms prevail over course of performance, course of dealing, and usage of trade;

- 1           b. Course of performance prevails over course of dealing and usage of trade;  
2                   and  
3           c. Course of dealing prevails over usage of trade.  
4           6. Subject to section 41-02-16, a course of performance is relevant to show a waiver  
5                   or modification of any term inconsistent with the course of performance.  
6           7. Evidence of a relevant usage of trade offered by one party is not admissible unless  
7                   that party has given the other party notice that the court finds sufficient to prevent  
8                   unfair surprise to the other party.

9           **41-01-18. (1-304) Obligation of good faith.** Every contract or duty within this title  
10 imposes an obligation of good faith in its performance and enforcement.

11           **41-01-19. (1-305) Remedies to be liberally administered.**

- 12           1. The remedies provided under this title must be liberally administered to the end  
13                   that the aggrieved party may be put in as good a position as if the other party had  
14                   fully performed but neither consequential or special damages nor penal damages  
15                   may be had except as specifically provided under this title or by other rule of law.  
16           2. Any right or obligation declared under this title is enforceable by action unless the  
17                   provision declaring the right or obligation specifies a different and limited effect.

18           **41-01-20. (1-306) Waiver or renunciation of claim or right after breach.** A claim or  
19 right arising out of an alleged breach may be discharged in whole or in part without  
20 consideration by agreement of the aggrieved party in an authenticated record.

21           **41-01-21. (1-307) Prima facie evidence by third-party documents.** A document in  
22 due form purporting to be a bill of lading, a policy or certificate of insurance, an official weigher's  
23 or inspector's certificate, a consular invoice, or any other document authorized or required by  
24 the contract to be issued by a third party is prima facie evidence of the document's own  
25 authenticity and genuineness and of the facts stated in the document by the third party.

26           **41-01-22. (1-308) Performance or acceptance under reservation of rights.**

- 27           1. A party that with explicit reservation of rights performs or promises performance or  
28                   assents to performance in a manner demanded or offered by the other party does  
29                   not thereby prejudice the rights reserved. Such words as "without prejudice",  
30                   "under protest", or the like are sufficient.  
31           2. Subsection 1 does not apply to an accord and satisfaction.

1           **41-01-23. (1-309) Option to accelerate at will.** A term providing that one party or that  
2 party's successor in interest may accelerate payment or performance or require collateral or  
3 additional collateral "at will" or when the party "deems itself insecure", or words of similar  
4 import, means that the party has power to do so only if that party in good faith believes that the  
5 prospect of payment or performance is impaired. The burden of establishing lack of good faith  
6 is on the party against which the power has been exercised.

7           **41-01-24. (1-310) Subordinated obligations.** An obligation may be issued as  
8 subordinated to performance of another obligation of the person obligated, or a creditor may  
9 subordinate the creditor's right to performance of an obligation by agreement with either the  
10 person obligated or another creditor of the person obligated. Subordination does not create a  
11 security interest as against either the common debtor or a subordinated creditor.

12           **SECTION 4.** If House Bill No. 1151 becomes effective, section 41-01-09 of the North  
13 Dakota Century Code is created and enacted as follows:

14           **41-01-09. (1-201) General definitions.**

- 15           1. Unless the context otherwise requires, words or phrases defined in this section, or  
16 in additional definitions contained in other chapters of this title which apply to  
17 particular chapters or parts of chapters, have the meanings stated.
- 18           2. Subject to definitions contained in other chapters of this title which apply to  
19 particular chapters or parts of chapters:
- 20           a. "Action", in the sense of a judicial proceeding, includes recoupment,  
21 counterclaim, setoff, suit in equity, and any other proceeding in which rights  
22 are determined.
- 23           b. "Aggrieved party" means a party entitled to pursue a remedy.
- 24           c. "Agreement", as distinguished from "contract", means the bargain of the  
25 parties in fact, as found in their language or inferred from other  
26 circumstances, including course of performance, course of dealing, or usage  
27 of trade as provided under section 41-09-17.
- 28           d. "Bank" means a person engaged in the business of banking and includes a  
29 savings bank, savings and loan association, credit union, and trust company.
- 30           e. "Bearer" means a person in control of a negotiable electronic document of title  
31 or a person in possession of a negotiable instrument, negotiable tangible

- 1                   document of title, or certificated security that is payable to bearer or indorsed  
2                   in blank.
- 3                   f. "Bill of lading" means a document of title evidencing the receipt of goods for  
4                   shipment issued by a person engaged in the business of directly or indirectly  
5                   transporting or forwarding goods. The term does not include a warehouse  
6                   receipt.
- 7                   g. "Branch" includes a separately incorporated foreign branch of a bank.
- 8                   h. "Burden of establishing" a fact means the burden of persuading the trier of  
9                   fact that the existence of the fact is more probable than its nonexistence.
- 10                  i. "Buyer in ordinary course of business" means a person that buys goods in  
11                  good faith, without knowledge that the sale violates the rights of another  
12                  person in the goods, and in the ordinary course from a person, other than a  
13                  pawnbroker, in the business of selling goods of that kind. A person buys  
14                  goods in the ordinary course if the sale to the person comports with the usual  
15                  or customary practices in the kind of business in which the seller is engaged  
16                  or with the seller's own usual or customary practices. A person that sells oil,  
17                  gas, or other minerals at the wellhead or minehead is a person in the  
18                  business of selling goods of that kind. A buyer in ordinary course of business  
19                  may buy for cash, by exchange of other property, or on secured or unsecured  
20                  credit, and may acquire goods or documents of title under a preexisting  
21                  contract for sale. Only a buyer that takes possession of the goods or has a  
22                  right to recover the goods from the seller under chapter 41-02 may be a buyer  
23                  in ordinary course of business. "Buyer in ordinary course of business" does  
24                  not include a person that acquires goods in a transfer in bulk or as security for  
25                  or in total or partial satisfaction of a money debt.
- 26                  j. "Conspicuous", with reference to a term, means so written, displayed, or  
27                  presented that a reasonable person against which it is to operate ought to  
28                  have noticed it. Whether a term is "conspicuous" or not is a decision for the  
29                  court. Conspicuous terms include the following:

- 1                   (1) A heading in capitals equal to or greater in size than the surrounding  
2                   text, or in contrasting type, font, or color to the surrounding text of the  
3                   same or lesser size; and
- 4                   (2) Language in the body of a record or display in larger type than the  
5                   surrounding text, or in contrasting type, font, or color to the surrounding  
6                   text of the same size, or set off from surrounding text of the same size  
7                   by symbols or other marks that call attention to the language.
- 8                   k. "Consumer" means an individual who enters into a transaction primarily for  
9                   personal, family, or household purposes.
- 10                  l. "Contract", as distinguished from "agreement", means the total legal  
11                  obligation that results from the parties' agreement as determined by this title  
12                  as supplemented by any other applicable laws.
- 13                  m. "Creditor" includes a general creditor, a secured creditor, a lien creditor, and  
14                  any representative of creditors, including an assignee for the benefit of  
15                  creditors, a trustee in bankruptcy, a receiver in equity, and an executor or  
16                  administrator of an insolvent debtor's or assignor's estate.
- 17                  n. "Defendant" includes a person in the position of defendant in a counterclaim,  
18                  cross-claim, or third-party claim.
- 19                  o. "Delivery", with respect to an electronic document of title means voluntary  
20                  transfer of control and with respect to an instrument, a tangible document of  
21                  title, or chattel paper, means voluntary transfer of possession.
- 22                  p. "Document of title" means a record (i) that in the regular course of business or  
23                  financing is treated as adequately evidencing that the person in possession or  
24                  control of the record is entitled to receive, control, hold, and dispose of the  
25                  record and the goods the record covers and (ii) that purports to be issued by  
26                  or addressed to a bailee and to cover goods in the bailee's possession which  
27                  are either identified or are fungible portions of an identified mass. The term  
28                  includes a bill of lading, transport document, dock warrant, dock receipt,  
29                  warehouse receipt, and order for delivery of goods. An electronic document  
30                  of title means a document of title evidenced by a record consisting of  
31                  information stored in an electronic medium. A tangible document of title

- 1                   means a document of title evidenced by a record consisting of information that  
2                   is inscribed on a tangible medium.
- 3           q.   "Fault" means a default, breach, or wrongful act or omission.
- 4           r.   "Fungible goods" means:
- 5                   (1)   Goods of which any unit, by nature or usage of trade, is the equivalent  
6                               of any other like unit; or
- 7                   (2)   Goods that by agreement are treated as equivalent.
- 8           s.   "Genuine" means free of forgery or counterfeiting.
- 9           t.   "Good faith", except as otherwise provided in chapter 41-05, means honesty  
10                   in fact and the observance of reasonable commercial standards of fair  
11                   dealing.
- 12           u.   "Holder" means:
- 13                   (1)   The person in possession of a negotiable instrument that is payable  
14                               either to bearer or to an identified person that is the person in  
15                               possession;
- 16                   (2)   The person in possession of a document of title if the goods are  
17                               deliverable either to bearer or to the order of the person in possession;  
18                               or
- 19                   (3)   The person in control of a negotiable electronic document of title.
- 20           v.   "Insolvency proceeding" includes an assignment for the benefit of creditors or  
21                   other proceeding intended to liquidate or rehabilitate the estate of the person  
22                   involved.
- 23           w.   "Insolvent" means:
- 24                   (1)   Having generally ceased to pay debts in the ordinary course of  
25                               business other than as a result of bona fide dispute;
- 26                   (2)   Being unable to pay debts as they become due; or
- 27                   (3)   Being insolvent within the meaning of federal bankruptcy law.
- 28           x.   "Money" means a medium of exchange currently authorized or adopted by a  
29                   domestic or foreign government. The term includes a monetary unit of  
30                   account established by an intergovernmental organization or by agreement  
31                   between two or more countries.

- 1           y. "Organization" means a person other than an individual.
- 2           z. "Party", as distinguished from "third party", means a person that has engaged  
3           in a transaction or made an agreement subject to this title.
- 4           aa. "Person" means an individual, a corporation, a business trust, an estate, a  
5           trust, a partnership, a limited liability company, an association, a joint venture,  
6           a government, a governmental subdivision, an agency, or an instrumentality,  
7           a public corporation, or any other legal or commercial entity.
- 8           bb. "Present value" means the amount as of a date certain of one or more sums  
9           payable in the future, discounted to the date certain by use of either an  
10           interest rate specified by the parties if that rate is not manifestly unreasonable  
11           at the time the transaction is entered or, if an interest rate is not so specified,  
12           a commercially reasonable rate that takes into account the facts and  
13           circumstances at the time the transaction is entered.
- 14           cc. "Purchase" means taking by sale, lease, discount, negotiation, mortgage,  
15           pledge, lien, security interest, issue or reissue, gift, or any other voluntary  
16           transaction creating an interest in property.
- 17           dd. "Purchaser" means a person that takes by purchase.
- 18           ee. "Record" means information that is inscribed on a tangible medium or that is  
19           stored in an electronic or other medium and is retrievable in perceivable form.
- 20           ff. "Remedy" means any remedial right to which an aggrieved party is entitled  
21           with or without resort to a tribunal.
- 22           gg. "Representative" means a person empowered to act for another, including an  
23           agent, an officer of a corporation or association, and a trustee, executor, or  
24           administrator of an estate.
- 25           hh. "Right" includes remedy.
- 26           ii. "Security interest" means an interest in personal property or fixtures which  
27           secures payment or performance of an obligation. "Security interest" includes  
28           any interest of a consignor and a buyer of accounts, chattel paper, a payment  
29           intangible, or a promissory note in a transaction that is subject to chapter  
30           41-09. "Security interest" does not include the special property interest of a  
31           buyer of goods on identification of those goods to a contract for sale under

1           section 41-02-46, but a buyer may also acquire a "security interest" by  
2           complying with chapter 41-09. Except as otherwise provided in section  
3           41-02-53, the right of a seller or lessor of goods under chapter 41-02 or  
4           41-02.1 to retain or acquire possession of the goods is not a "security  
5           interest", but a seller or lessor may also acquire a "security interest" by  
6           complying with chapter 41-09. The retention or reservation of title by a seller  
7           of goods notwithstanding shipment or delivery to the buyer under section  
8           41-02-46 is limited in effect to a reservation of a "security interest". Whether a  
9           transaction in the form of a lease creates a "security interest" is determined  
10          under section 41-01-11.

11          jj. "Send" in connection with a writing, record, or notice means:  
12           (1) To deposit in the mail or deliver for transmission by any other usual  
13           means of communication with postage or cost of transmission provided  
14           for and properly addressed and, in the case of an instrument, to an  
15           address specified on the instrument or otherwise agreed, or if there be  
16           none to any address reasonable under the circumstances; or  
17           (2) In any other way to cause to be received any record or notice within the  
18           time it would have arrived if properly sent.

19          kk. "Signed" includes using any symbol executed or adopted with present  
20           intention to adopt or accept a writing.

21          ll. "State" means a state of the United States, the District of Columbia, Puerto  
22           Rico, the United States Virgin Islands, or any territory or insular possession  
23           subject to the jurisdiction of the United States.

24          mm. "Surety" includes a guarantor or other secondary obligor.

25          nn. "Term" means a portion of an agreement that relates to a particular matter.

26          oo. "Unauthorized signature" means a signature made without actual, implied, or  
27           apparent authority. The term includes a forgery.

28          pp. "Warehouse receipt" means a document of title issued by a person engaged  
29           in the business of storing goods for hire.

30          qq. "Writing" includes printing, typewriting, or any other intentional reduction to  
31           tangible form. "Written" has a corresponding meaning.

1           **SECTION 5. AMENDMENT.** Subdivision b of subsection 1 of section 41-02-03 of the  
2 North Dakota Century Code is amended and reenacted as follows:

3           b. ~~"Good faith" in the case of a merchant means honesty in fact and the~~  
4           ~~observance of reasonable commercial standards of fair dealing in the trade.~~  
5           (Reserved).

6           **SECTION 6. AMENDMENT.** Subsection 1 of section 41-02-09 of the North Dakota  
7 Century Code is amended and reenacted as follows:

8           1. By course of performance, course of dealing, or usage of trade (section ~~41-01-15~~)  
9           ~~or by course of performance (section 41-02-15 41-01-17); and~~

10          **SECTION 7. AMENDMENT.** Subsection 3 of section 41-02.1-03 of the North Dakota  
11 Century Code is amended and reenacted as follows:

12          3. The following definitions also apply to this chapter:

- 13           a. "Account". Section 41-09-02.
- 14           b. "Between merchants". Subsection 1 of section 41-02-04.
- 15           c. "Buyer". Subdivision a of subsection 1 of section 41-02-03.
- 16           d. "Chattel paper". Section 41-09-02.
- 17           e. "Consumer goods". Section 41-09-02.
- 18           f. "Document". Section 41-09-02.
- 19           g. "Entrusting". Subsection 3 of section 41-02-48.
- 20           h. "General intangible". Section 41-09-02.
- 21           i. ~~"Good faith". Subdivision b of subsection 1 of section 41-02-03.~~
- 22           j. "Instrument". Section 41-09-02.
- 23           ~~k.~~ j. "Merchant". Subsection 3 of section 41-02-04.
- 24           ~~l.~~ k. "Mortgage". Section 41-09-02.
- 25           ~~m.~~ l. "Pursuant to commitment". Section 41-09-02.
- 26           ~~n.~~ m. "Receipt". Subdivision c of subsection 1 of section 41-02-03.
- 27           ~~o.~~ n. "Sale". Subdivision d of subsection 1 of section 41-02-06.
- 28           ~~p.~~ o. "Sale on approval". Subdivision a of subsection 1 of section 41-02-43.
- 29           ~~q.~~ p. "Sale or return". Subdivision b of subsection 1 of section 41-02-43.
- 30           ~~r.~~ q. "Seller". Subdivision d of subsection 1 of section 41-02-03.

1           **SECTION 8. AMENDMENT.** Subsection 4 of section 41-02.1-49 of the North Dakota  
2 Century Code is amended and reenacted as follows:

3           4. Except as otherwise provided ~~in~~ under subsection 1 of section ~~41-01-06~~ 41-01-19,  
4 this chapter, or the lease agreement, the rights and remedies referred to in  
5 subsections 2 and 3 are cumulative.

6           **SECTION 9. AMENDMENT.** Subsection 2 of section 41-02.1-66 of the North Dakota  
7 Century Code is amended and reenacted as follows:

8           2. Except as otherwise provided with respect to damages liquidated in the lease  
9 agreement (section 41-02.1-52) or determined by agreement of the parties  
10 (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),  
11 if a lessee's cover is by lease agreement substantially similar to the original lease  
12 agreement and the new lease agreement is made in good faith and in a  
13 commercially reasonable manner, the lessee may recover from the lessor as  
14 damages the present value, as of the date of the commencement of the term of the  
15 new lease agreement, of the rent under the new lease agreement applicable to that  
16 period of the new lease term which is comparable to the then remaining term of the  
17 original lease agreement minus the present value as of the same date of the total  
18 rent for the then remaining lease term of the original lease agreement, and any  
19 incidental or consequential damages, less expenses saved in consequence of the  
20 lessor's default.

21           **SECTION 10. AMENDMENT.** Subsection 1 of section 41-02.1-67 of the North Dakota  
22 Century Code is amended and reenacted as follows:

23           1. Except as otherwise provided with respect to damages liquidated in the lease  
24 agreement (section 41-02.1-52) or determined by agreement of the parties  
25 (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),  
26 if a lessee elects not to cover or a lessee elects to cover and the cover is by lease  
27 agreement that for any reason does not qualify for treatment under subsection 2 of  
28 section 41-02.1-66, or is by purchase or otherwise, the measure of damages for  
29 nondelivery or repudiation by the lessor or for rejection or revocation of acceptance  
30 by the lessee is the present value, as of the date of the default, of the then market  
31 rent minus the present value as of the same date of the original rent, computed for

1           the remaining lease term of the original lease agreement together with incidental  
2           and consequential damages, less expenses saved in consequence of the lessor's  
3           default.

4           **SECTION 11. AMENDMENT.** Subsection 2 of section 41-02.1-75 of the North Dakota  
5 Century Code is amended and reenacted as follows:

6           2. Except as otherwise provided with respect to damages liquidated in the lease  
7           agreement (section 41-02.1-52) or determined by agreement of the parties  
8           (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),  
9           if the disposition is by lease agreement substantially similar to the original lease  
10          agreement and the lease agreement is made in good faith and in a commercially  
11          reasonable manner, the lessor may recover from the lessee as damages accrued  
12          and unpaid rent as of the date of the commencement of the new term of the new  
13          lease agreement, the present value, as of the same date, of the total rent for the  
14          remaining lease term of the original lease agreement minus the present value, as  
15          of the same date, of the rent under the new lease agreement applicable to that  
16          period of the new lease term which is comparable to the then remaining term of the  
17          original lease agreement, and any incidental damages allowed under section  
18          41-02.1-78, less expenses saved in consequence of the lessee's default.

19          **SECTION 12. AMENDMENT.** Subsection 1 of section 41-02.1-76 of the North Dakota  
20 Century Code is amended and reenacted as follows:

21          1. Except as otherwise provided with respect to damages liquidated in the lease  
22          agreement (section 41-02.1-52) or determined by agreement of the parties  
23          (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),  
24          if a lessor elects to retain the goods or a lessor elects to dispose of the goods and  
25          disposition is by lease agreement that for any reason does not qualify for treatment  
26          under subsection 2 of section 41-02.1-75, or is by sale or otherwise, the lessor may  
27          recover from the lessee as damages for a default described in subsection 1 of  
28          section 41-02.1-71 or in subdivision a of subsection 3 of section 41-02.1-71, or, if  
29          agreed, for other default of the lessee accrued and unpaid rent as of the date of  
30          default if the lessee has never taken possession of the goods, or if the lessee has  
31          taken possession of the goods, as of the date the lessor repossesses the goods or

1 an earlier date on which the lessee makes a tender of the goods to the lessor; the  
2 present value, as of the same date, of the total rent for the then remaining lease  
3 term of the original lease agreement minus the present value, as of the same date,  
4 of the rent under the new lease agreement applicable to that period of the new  
5 lease term which is comparable to the then remaining term of the original lease  
6 agreement; and any incidental damages allowed under section 41-02.1-78, less  
7 expenses saved in consequence of the lessee's default.

8 **SECTION 13. AMENDMENT.** Subdivisions d and j of subsection 1 of section 41-03-03  
9 of the North Dakota Century Code are amended and reenacted as follows:

10 d. ~~"Good faith" means honesty in fact and the observance of reasonable~~  
11 ~~commercial standards of fair dealing. (Reserved).~~

12 j. "Prove" with respect to a fact means to meet the burden of establishing the  
13 fact (subdivision h of subsection 2 of section 41-01-14 41-01-09).

14 **SECTION 14. AMENDMENT.** Subsection 3 of section 41-04-04 of the North Dakota  
15 Century Code is amended and reenacted as follows:

16 3. The following definitions in other chapters apply to this chapter:

17 a. "Acceptance". Section 41-03-46.

18 b. "Alteration". Section 41-03-44.

19 c. "Cashier's check". Section 41-03-04.

20 d. "Certificate of deposit". Section 41-03-04.

21 e. "Certified check". Section 41-03-45.

22 f. "Check". Section 41-03-04.

23 g. ~~"Good faith". Section 41-03-03.~~

24 h. "Holder in due course". Section 41-03-28.

25 i. ~~h.~~ "Instrument". Section 41-03-04.

26 j. ~~i.~~ "Notice of dishonor". Section 41-03-60.

27 k. ~~j.~~ "Order". Section 41-03-03.

28 l. ~~k.~~ "Ordinary care". Section 41-03-03.

29 m. ~~l.~~ "Person entitled to enforce". Section 41-03-27.

30 n. ~~m.~~ "Presentment". Section 41-03-58.

31 o. ~~n.~~ "Promise". Section 41-03-03.

1           ~~p. o.~~ "Prove". Section 41-03-03.

2           ~~q. p.~~ "Teller's check". Section 41-03-04.

3           ~~r. q.~~ "Unauthorized signature". Section 41-03-40.

4           **SECTION 15. AMENDMENT.** Subsection 1 of section 41-04.1-05 of the North Dakota  
5 Century Code is amended and reenacted as follows:

6           1. In this chapter:

7           a. "Authorized account" means a deposit account of a customer in a bank  
8           designated by the customer as a source of payment of payment orders issued  
9           by the customer to the bank. If a customer does not so designate an account,  
10          any account of the customer is an authorized account if payment of a  
11          payment order from that account is not inconsistent with a restriction on the  
12          use of that account.

13          b. "Bank" means a person engaged in the business of banking and includes a  
14          savings bank, savings and loan association, credit union, and trust company.  
15          A branch or separate office of a bank is a separate bank for purposes of this  
16          chapter.

17          c. "Customer" means a person, including a bank, having an account with a bank  
18          or from whom a bank has agreed to receive payment orders.

19          d. "Funds-transfer business day" of a receiving bank means the part of a day  
20          during which the receiving bank is open for the receipt, processing, and  
21          transmittal of payment orders and cancellations and amendments of payment  
22          orders.

23          e. "Funds-transfer system" means a wire transfer network, automated  
24          clearinghouse, or other communication system of a clearinghouse or other  
25          association of banks through which a payment order by a bank may be  
26          transmitted to the bank to which the order is addressed.

27          ~~f. "Good faith" means honesty in fact and the observance of reasonable~~  
28          ~~commercial standards of fair dealing. (Reserved).~~

29          g. "Prove" with respect to a fact means to meet the burden of establishing the  
30          fact. ~~Subsection 8 Subdivision h of subsection 2 of section 41-01-11~~  
31          41-01-09.

1           **SECTION 16. AMENDMENT.** Subsection 1 of section 41-04.1-06 of the North Dakota  
2 Century Code is amended and reenacted as follows:

3           1. The time of receipt of a payment order or communication canceling or amending a  
4 payment order is determined by the rules applicable to receipt of a notice stated in  
5 ~~subsection 27 of~~ under section ~~41-04-14~~ 41-01-10. A receiving bank may fix a  
6 cutoff time or times on a funds-transfer business day for the receipt and processing  
7 of payment orders and communications canceling or amending payment orders.  
8 Different cutoff times may apply to payment orders, cancellations, or amendments,  
9 or to different categories of payment orders, cancellations, or amendments. A  
10 cutoff time may apply to senders generally or different cutoff times may apply to  
11 different senders or categories of payment orders. If a payment order or  
12 communication canceling or amending a payment order is received after the close  
13 of a funds-transfer business day or after the appropriate cutoff time on a  
14 funds-transfer business day, the receiving bank may treat the payment order or  
15 communication as received at the opening of the next funds-transfer business day.

16           **SECTION 17. AMENDMENT.** Subsection 2 of section 41-04.1-12 of the North Dakota  
17 Century Code is amended and reenacted as follows:

18           2. Reasonable time under subsection 1 may be fixed by agreement under  
19 subsection 1 of section ~~41-04-14~~ 41-01-16, but the obligation of a receiving bank to  
20 refund payment as stated in subsection 1 may not otherwise be varied by  
21 agreement.

22           **SECTION 18. AMENDMENT.** Subsection 3 of section 41-05-03 of the North Dakota  
23 Century Code is amended and reenacted as follows:

24           3. With the exception of this subsection, subsections 1 and 4 of this section,  
25 subdivisions i and j of subsection 1 of section 41-05-02, subsection 4 of section  
26 41-05-06, and subsection 4 of section 41-05-14, and except to the extent  
27 prohibited in ~~subsection 3 of~~ under section ~~41-04-02~~ 41-01-16 and subsection 4 of  
28 section 41-05-17, the effect of this chapter may be varied by agreement or by a  
29 provision stated or incorporated by reference in an undertaking. A term in an  
30 agreement or undertaking generally excusing liability or generally limiting remedies

1           for failure to perform obligations is not sufficient to vary obligations prescribed by  
2           this chapter.

3           **SECTION 19. AMENDMENT.** Subdivision e of subsection 1 of section 41-07-02 of the  
4 North Dakota Century Code is amended and reenacted as follows:

5           e. "Document" means document of title as defined in the general definitions in  
6           chapter 41-01 (section ~~41-01-14~~ 41-01-09).

7           **SECTION 20. AMENDMENT.** Section 41-07-06 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9           **41-07-06. Laws not repealed.** This chapter does not repeal or modify any laws  
10 prescribing the form or contents of documents of title or the services or facilities to be afforded  
11 by bailees, or otherwise regulating bailee's businesses in respects not specifically dealt with  
12 herein; but the fact that such laws are violated does not affect the status of a document of title  
13 which otherwise complies with the definition of a document of title (section ~~41-01-14~~ 41-01-09).

14          **SECTION 21. AMENDMENT.** Subdivision k of subsection 1 of section 41-08-02 of the  
15 North Dakota Century Code is amended and reenacted as follows:

16          k. ~~"Good faith", for purposes of the obligation of good faith in the performance or~~  
17             ~~enforcement of contracts or duties within this chapter, means honesty in fact~~  
18             ~~and the observance of reasonable commercial standards of fair dealing.~~  
19             (Reserved).

20          **SECTION 22. AMENDMENT.** Subdivision ss of subsection 1 of section 41-09-02 of the  
21 North Dakota Century Code is amended and reenacted as follows:

22          ss. ~~"Good faith" means honesty in fact and the observance of reasonable~~  
23             ~~commercial standards of fair dealing. (Reserved).~~

24          **SECTION 23. AMENDMENT.** Section 47-15.1-02 of the North Dakota Century Code is  
25 amended and reenacted as follows:

26          **47-15.1-02. Inapplicability of other laws.** Consumer rental purchase agreements  
27 under this chapter are not governed by the laws relating to a retail installment contract or a  
28 retail installment sale as defined in section 51-13-01 or security interest as defined in section  
29 ~~41-01-14~~ 41-01-09.

30          **SECTION 24. REPEAL.** Chapter 41-01 and sections 41-02-15 and 41-02.1-16 of the  
31 North Dakota Century Code are repealed.