

§ 14-112.3. Asset freeze or seizure; proceeding.

(a) For purposes of this section, the term "assets" includes funds and property as well as other assets that may be involved in a violation of G.S. 14-112.2.

(b) Whenever it appears by clear and convincing evidence that any defendant is about to or intends to divest himself or herself of assets in a manner that would render the defendant insolvent for purposes of restitution, the district attorney may make an application to the court to freeze or seize the assets of the defendant. Upon a showing by clear and convincing evidence in the hearing, the court shall issue an order to freeze or seize the assets of the defendant in the amount calculated pursuant to G.S. 14-112.2(f). The procedure for petitioning the court under this section shall be governed by G.S. 1A-1, Rule 65, except as otherwise provided in this section.

(b1) An order to freeze or seize assets shall direct the appropriate State or local law enforcement agency with territorial jurisdiction over the assets to serve and execute the order as follows:

- (1) Personal property or financial assets in the defendant's possession that are not held by a financial institution shall be seized and held until final disposition as directed by the order.
- (2) If the asset is an account, intangible, or other financial asset held by a financial institution, the State or local law enforcement agency shall serve the order on the entity or institution in possession of the asset with return of service to the clerk of superior court.
- (3) If the asset is real property, then a lis pendens shall be filed as directed by the court with the clerk in the county or counties where the property is located in accordance with Article 11 of Chapter 1 of the General Statutes. If property is located in multiple counties, a lis pendens shall be filed in each county.
- (4) For all orders served and executed in accordance with subsection (b1) of this section, a return of service shall be filed with the clerk of superior court by the State or local law enforcement agency with an inventory of items seized. If assets identified are financial assets as listed in subdivision (2) of this subsection, then the law enforcement agency shall list the financial institution wherein such funds are held and the amount of said funds. Said inventory should also identify any and all available real property and identify the counties wherein lis pendens were filed in accordance with subdivision (3) of this subsection.

(b2) A record of any personal property seized by a law enforcement agency pursuant to this section shall be kept and maintained as provided in Article 2 of Chapter 15 of the General Statutes, except that the property shall not be disposed of other than pursuant to an order of the court entered pursuant to this section. Property frozen or seized pursuant to this section shall be deemed to be in the custody of the law enforcement agency seizing it and shall be removed and stored in the discretion of that law enforcement agency, which may do any of the following:

- (1) Place the property under seal.
- (2) Remove the property to a place designated by the law enforcement agency.
- (3) Request that the North Carolina Department of Justice take custody of the property and remove it to an appropriate location pending an order of the court for disposition.

(c) At any time after service of the order to freeze or seize assets, the defendant or any person claiming an interest in the assets may file a motion to release the assets.

(d) In any proceeding to release assets, the burden of proof shall be by clear and convincing evidence and shall be on the State to show that the defendant is about to, intends to, G.S. 14-112.3

or did divest himself or herself of assets in a manner that would render the defendant insolvent for purposes of restitution. If the court finds that the defendant is about to, intends to, or did divest himself or herself of assets in a manner that would render the defendant insolvent for purposes of restitution, the court shall deny the motion.

(e) If the prosecution of the charge under G.S. 14-112.2 is terminated by voluntary dismissal without leave by the State or the court, or if a judgment of acquittal is entered, the court shall vacate the order to freeze or seize the assets. If assets are released pursuant to this subsection, accrued costs incident to the seizure, freeze, or storage of the assets shall not be charged against the defendant and shall be borne by the agency incurring those costs.

(e1) Upon conviction of the defendant, or entry of a plea of no contest, any frozen or seized assets shall be used to satisfy the defendant's restitution obligation as ordered by the court, accounting for costs incident to seizure, including costs of sale. However, if the defendant can satisfy the restitution order within a period of time designated by the court, the court may accept an alternate form of restitution satisfaction. Any excess assets shall be returned to the defendant.

In order to satisfy an order of restitution, frozen or seized assets shall be handled as follows:

- (1) Assets shall be sold, transferred, paid out, or otherwise applied to the defendant's restitution obligation as follows:
 - a. If the asset is personal property or liquid assets already seized, the property shall be disposed of in accordance with the court order.
 - b. If the asset is held by a financial institution, the court shall enter an order directing the payment of those funds to the clerk in the amount specified in the restitution order or, if the amount is less than the full restitution award, the full amount of liquid assets shall be paid. The law enforcement agency shall deliver those funds to the clerk.
 - c. If the asset is real property, the court shall enter an order directing the sale of the property. The sale shall be conducted pursuant to Article 29A of Chapter 1 of the General Statutes. A private sale may be conducted pursuant to G.S. 1-339.33 through G.S. 1-339.40, if, upon receipt of the petition and satisfactory proof, it appears to the person directed to oversee the sale that a private sale is in the best interest of the victim.
- (2) The proceeds of any sale, transfer, or conversion shall be disbursed as follows:
 - a. The law enforcement agency shall pay all proceeds to the clerk of superior court and shall provide an accounting of personal property sold or liquid assets seized.
 - b. All proceeds received by the clerk shall be distributed according to the following priority:
 1. Payment to the victim in the full amount of the restitution order.
 2. The costs and expenses of the sale.
 3. All other necessary expenses incident to compliance with this section.
 4. Any remaining balance to the defendant within 30 days of the clerk's receipt of the proceeds of the sale, unless the defendant directs the clerk to apply any excess to the defendant's other monetary obligations contained in the judgment of conviction.

(e2) In the event proceeds from the sale, transfer, or conversion of the seized or frozen assets under subsection (e1) of this section are not sufficient to cover the expenses allowed under sub-sub-subdivisions 2. and 3. of sub-subdivision b. of subdivision (2) of subsection (e1) of this section, after notice and a hearing at which the defendant is present, the court may enter a supplemental order of restitution for the unpaid portion of those expenses for the benefit of the agency that incurred the expenses, to be paid as part of the criminal judgment and as provided under G.S. 7A-304(d)(1)e.

(f) Any person holding any interest in the frozen or seized assets may commence a separate civil proceeding in the manner provided by law.

(g) Any filing fees, service fees, or other expenses incurred by any State or county agency for the administration or use of this section shall be recoverable only as provided in sub-sub-subdivision 2. of sub-subdivision b. of subdivision (2) of subsection (e1) of this section. (2013-203, s. 2; 2015-182, s. 1.)