

MINUTES OF JOINT SESSION--COMMITTEE ON JUDICIARY AND SENATE FINANCE COMMITTEE  
Feb. 1, 1965

Meeting commenced 2:00 P.M.

Present: Close, Parsons, Knisley, Kean, Jacobsen

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Absent: Swobe, Delaney, Rosaschi, Olsen

The meeting was a public hearing called primarily to hear Thomas J. Rutter from Philadelphia speak for the Uniform Commercial Code.

Russell McDonald summarized the history of the Uniform Commercial Code so far in Nevada. At the 52nd session of the Nevada Legislature Assembly Concurrent Resolution No. 3 was adopted which provided that the commissioners on uniform state laws, with the assistance and advice of the legislative counsel bureau, the State Bar of Nevada, and the Nevada Bankers Association, should conduct a study of the Uniform Commercial Code and report results of that study together with specific recommendations, to the next legislature, January 1965.

Mr. McDonald reported that this study had been made and that the commissioners on uniform state laws of Nevada recommend the enactment of the code, with variations, the bill to become effective Jan. 1, 1966, to give time for bankers, lawyers, and businessmen to become acquainted with its contents.

Mr. Rutter then went briefly through the nine sections of the code and said that it is now in use in 29 states and the District of Columbia. His purpose was to inform everyone of the purpose, form, and intention of the Code. He said it is the culmination of three quarters of a century of effort to create a friendly legal atmosphere in which to conduct Interstate Commerce.

It took seven years to write the Code. Pennsylvania has had it in effect since 1953. 72% of the United States population lives in states which have the Code in effect and there has been nothing found seriously wrong with it. Mr. Rutter read a number of favorable reports from prominent groups and individuals.

Mr. Rutter stated that the Code is now pending in 17 states whose legislatures are now in session and it is possible that it will be adopted in 46 states by the end of 1965.

Mr. James Guinan reported that at the January meeting of the State Bar of Nevada Board of Governors they endorsed the Uniform Commercial Code and would like to see it adopted.

PERIOD OF QUESTIONS AND ANSWERS

Q: How much of a work load will it add to the Department of Secretary of State?

A: Mr. Daykin: There are three ways of using the Code and with the method chosen by Nevada the additional work load will not be so great.

It was brought out, also, that California had had to add only one extra employee.

Q: What type of filing will be necessary that is not done now?

Answer by Mr. Daykin: Financing statements between merchants would be the only additional filing in the office of the Secretary of State and these transactions between merchants would be a very small fraction of the total. The ordinary retail transactions, or the furnishing of farms, etc., would be in counties and not in the state.

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Mr. Rutter added that most states have gotten by with only one additional person in the office.

Q: Will the Code require a change in form of many of the instruments being used now?

Answer by Mr. Rutter: Only in secured transactions and not really necessary on those.

Q: When the bill goes into effect does it cause much confusion?

Answer by Mr. Rutter: No one seems to have had that experience yet in the states where the Code has been adopted. We advise a year after enactment before the date the law becomes effective. This prevents confusion.

Q: How do you plan to keep the Code up to date?

Answer by Mr. Rutter: We have established a permanent editorial board which will meet every other year to suggest any needed changes. If they approve or suggest a change, it still must be approved by each of the states, the same as the original Code, before becoming effective.

Q: Will the adoption of the Code cause us any trouble in doing business with the State of California?

Answer by Russ McDonald: The changes which have been suggested for Nevada in the Code are the changes made by California. This was done because of our close historical and business relationship with that state.

Mr. Rutter said that if there is any trouble it will probably be with the California changes because the rest of the states will be alike. He said that most states averaged only about 5 changes in the Code.

Q: By Howard Gray: There seems to be a provision in the sales section which virtually eliminates the common law contract. It will take years to get all these interpretations determined.

Answer by Mr. Rutter: You can look to other states, who have been using the Code, for these interpretations.

1102 says any provision may be modified by contract. All the Code does is provide a framework. It is better to have words plain and out in the open. We are more nearly uniform with a Uniform Code, even taking into consideration the various interpretations that might be put on it.

Q: When does the California Code go into effect?

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A: The first of the year.

Comments by John Humphrey: Crops can be covered for a period of only one year, while cattle can be covered for five years. It seems to me the period should be the same. Fees should also be the same.

In the matter of releases, it appears that after Jan. 1, 1966, releases would require acknowledgements which they do not require now. There doesn't seem to be any need for this. We are sure rushing things, trying to get this bill effective in only one year. Other states have had a waiting period of two years.

Answer by Mr. Daykin: In Section 37 uniformity of fees is expressly provided in the Act. The filing fee for every document provided for in the Code will be uniform. The schedule of different fees was left in to take care of those things not covered in the Uniform Commercial Code.

Mr. McDonald reminded those present that the Resolution to study the Code was passed at the last session of the Legislature, so that it isn't being rushed.

Q: What about the time difference between cattle and crops?

Answer by Mr. Rutter: I can see no reason why they should not be the same. It might be a good thing, because renewing financing on a year to year basis would keep the farmer from getting locked in with the same financial institution for five years. It might be to his advantage to change occasionally.

Q: Is there a provision that the release of a security instrument has to be acknowledged?

Answer by Mr. Rutter: There is no provision in the official text for a release to be acknowledged.

Meeting adjourned at 3:30 P.M.