

COUNCIL OF THE DISTRICT OF COLUMBIA

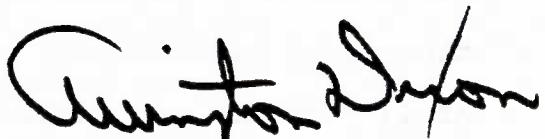
NOTICE

D.C. LAW 4-85

"Uniform Commercial Code Amendments Act of 1981".

Pursuant to Section 412 of the District of Columbia Self-Government and Governmental Reorganization Act, P. L. 93-198, "the Act", the Council of the District of Columbia adopted Bill No. 4-89 on first and second readings, November 24, 1981 and December 8, 1981, respectively. Following the signature of the Mayor on January 18, 1982, this legislation was assigned Act No. 4-139, published in the January 22, 1982 edition of the D.C. Register, (Vol. 29 page 309) and transmitted to Congress on January 25, 1982 for a 30-day review, in accordance with Section 602 (c)(1) of the Act.

The Council of the District of Columbia hereby gives notice that the 30-day Congressional Review Period has expired, and therefore, cites this enactment as D.C. Law 4-85, effective March 16, 1982.



ARRINGTON DIXON
Chairman of the Council

Dates Counted During the 30-day Congressional Review Period:

January 25, 26, 27, 28, 29

February 1, 2, 3, 4, 5, 8, 9, 10, 11, 22, 23, 24, 25, 26

March 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15

D.C. LAW 4-85

EFFECTIVE DATE MAR 16 1982

AN ACT

D.C. ACT 4-139

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

JAN 18 1982

To amend subtitle I of title 28 of the District of Columbia Code to conform with the current version of the Uniform Commercial Code; and for other purposes.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,
That this act may be cited as the "Uniform Commercial Code Amendments Act of 1981".

Sec. 2. D.C. Code, sec. 28:1--105(2) is amended to read as follows:

CODE
D.C. 1981
sec. 28:1

"(2) Where one of the following provisions of this act specifies the applicable law, that provision governs and a contrary agreement is effective only to the extent permitted by the law (including the conflict of laws rules) so specified:

"Rights of creditors against sold goods,
section 28:2--402.

"Applicability of the article on bank deposits and collections, section 28:4--102.

"Bulk transfers subject to the article on bulk transfers, section 28:6--102.

"Applicability of the article on investment securities, section 28:8--106.

"Perfection provisions of the article on secured transactions, section 28:9--103.".

Sec. 3. D.C. Code, sec. 28:1--201(9) and (37) are amended to read as follows:

D.C.Code,
sec. 28:1-201

(a) Subsection (9) is amended to read as follows:

"(9) 'Buyer in ordinary course of business' means a person who in good faith and without knowledge that the sale to him is in violation of the ownership rights or security interest of a third party in the goods, buys in ordinary course from a person in the business of selling goods of that kind, but does not include a pawnbroker. All persons who sell minerals or the like (including oil and gas) at wellhead or minehead shall be deemed to be persons in the business of selling goods of that kind. 'Buying' may be for cash or by exchange of other property or on secured or unsecured credit and includes receiving goods or documents of title under a pre-existing contract for sale but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.".

(b) Subsection (37) is amended to read as follows:

"(37) 'Security interest' means an interest in personal property or fixtures which secures payment or performance of an obligation. The retention or reservation of title by a seller of goods

notwithstanding shipment or delivery to the buyer (section 28:2--401) is limited in effect to a reservation of a 'security interest'. The term also includes any interest of a buyer of accounts or chattel paper which is subject to article 9. The special property interest of a buyer of goods on identification of such goods to a contract for sale under section 28:2--401 is not a 'security interest', but a buyer may also acquire a 'security interest' by complying with article 9. Unless a lease or consignment is intended as security, reservation of title thereunder is not a 'security interest' but a consignment is in any event subject to the provisions on consignment sales (section 28:2--326). Whether a lease is intended as security is to be determined by the facts of each case; however, (a) the inclusion of an option to purchase does not of itself make the lease one intended for security, and (b) an agreement that upon compliance with the terms of the lease the lessee shall become or has the option to become the owner of the property for no additional consideration or for a nominal consideration does make the lease one intended for security.".

Sec. 4. D.C. Code, sec. 28:2--107 is amended to read as follows:

"Sec. 28:2--107. Goods to be severed from realty:
recording.

"(1) A contract for the sale of minerals or

the like (including oil and gas) or a structure or its materials to be removed from realty is a contract for the sale of goods within this article if they are to be severed by the seller but until severance a purported present sale thereof which is not effective as a transfer of an interest in land is effective only as a contract to sell.

"(2) A contract for the sale apart from the land of growing crops or other things attached to realty and capable of severance without material harm thereto but not described in subsection (1) or of timber to be cut is a contract for the sale of goods within this article whether the subject matter is to be severed by the buyer or by the seller even though it forms part of the realty at the time of contracting, and the parties can by identification effect a present sale before severance.

"(3) The provisions of this section are subject to any third party rights provided by the law relating to realty records, and the contract for sale may be executed and recorded as a document transferring an interest in land and shall then constitute notice to third parties of the buyer's rights under the contract for sale.".

Sec. 5. D.C. Code, sec. 28:2--702 is amended to read as follows:

"Section 28:2--702. Seller's remedies on

D.C. Code,
sec. 28:2--702

discovery of buyer's
insolvency.

"(1) Where the seller discovers the buyer to be insolvent he may refuse delivery except for cash including payment for all goods theretofore delivered under the contract, and stop delivery under this article (section 28:2--705).

"(2) Where the seller discovers that the buyer has received goods on credit while insolvent he may reclaim the goods upon demand made within ten days after the receipt, but if misrepresentation of solvency has been made to the particular seller in writing within three months before delivery the ten day limitation does not apply. Except as provided in this subsection, the seller may not base a right to reclaim goods on the buyer's fraudulent or innocent misrepresentation of solvency or of intent to pay.

"(3) The seller's right to reclaim under subsection (2) is subject to the rights of a buyer in ordinary course or other good faith purchaser under this article (section 28:2--403). Successful reclamation of goods excludes all other remedies with respect to them.".

Sec. 6. D.C. Code, sec. 28:3--501 is amended to read as follows:

"Section 28:3--501. When presentment, notice of dishonor, and protest

necessary or permissible.

"(1) Unless excused (section 28:3--511) presentment is necessary to charge secondary parties as follows:

"(a) presentment for acceptance is necessary to charge the drawer and indorsers of a draft where the draft so provides, or is payable elsewhere than at the residence or place of business of the drawee, or its date of payment depends upon such presentment. The holder may at his option present for acceptance any other draft payable at a stated date;

"(b) presentment for payment is necessary to charge any indorser;

"(c) in the case of any drawer, the acceptor of a draft payable at a bank or the maker of a note payable at a bank, presentment for payment is necessary, but failure to make presentment discharges such drawer, acceptor or maker only as stated in section 28:3--502(1)(b).

"(2) Unless excused (section 28:3--511)

"(a) notice of any dishonor is necessary to charge any indorser;

"(b) in the case of any drawer, the acceptor of a draft payable at a bank or the maker of a note payable at a bank, notice of any dishonor is necessary, but failure to give such notice discharges such drawer, acceptor or maker only as stated in

section 28:3--502(1)(b).

"(3) Unless excused (section 28:3--511) protest of any dishonor is necessary to charge the drawer and indorsers of any draft which on its face appears to be drawn or payable outside of the states, territories, dependencies and possessions of the United States, the District of Columbia and the Commonwealth of Puerto Rico. The holder may at his option make protest of any dishonor of any other instrument and in the case of a foreign draft may on insolvency of the acceptor before maturity make protest for better security.

"(4) Notwithstanding any provision of this section, neither presentment nor notice of dishonor nor protest is necessary to charge an indorser who has indorsed an instrument after maturity.".

Sec. 7. D.C. Code, sec. 28:5--116 is amended to read as follows:

D.C.
sec. 1

"Sec. 28:5--116. Transfer and assignment.

"(1) The right to draw under a credit can be transferred or assigned only when the credit is expressly designated as transferable or assignable.

"(2) Even though the credit specifically states that it is nontransferable or nonassignable the beneficiary may before performance of the conditions of the credit assign his right to proceeds. Such an assignment is an assignment of an account under article

9 on secured transactions and is governed by that article except that

"(a) the assignment is ineffective until the letter of credit or advice of credit is delivered to the assignee which delivery constitutes perfection of the security interest under Article 9; and

"(b) the issuer may honor drafts or demands for payment drawn under the credit until it receives a notification of the assignment signed by the beneficiary which reasonably identifies the credit involved in the assignment and contains a request to pay the assignee; and

"(c) after what reasonably appears to be such a notification has been received the issuer may without dishonor refuse to accept or pay even to a person otherwise entitled to honor until the letter of credit or advice of credit is exhibited to the issuer.

"(3) Except where the beneficiary has effectively assigned his right to draw or his right to proceeds, nothing in this section limits his right to transfer or negotiate drafts or demands drawn under the credit.".

Sec. 8. D.C. Code, sec. 28:7--209 is amended to read as follows:

"Section 28:7--209. Lien of warehouseman.

"(1) A warehouseman has a lien against the

bailor on the goods covered by a warehouse receipt or on the proceeds thereof in his possession for charges for storage or transportation (including demurrage and terminal charges), insurance, labor, or charges present or future in relation to the goods, and for expenses necessary for preservation of the goods or reasonably incurred in their sale pursuant to law. If the person on whose account the goods are held is liable for like charges or expenses in relation to other goods whenever deposited and it is stated in the receipt that a lien is claimed for charges and expenses in relation to other goods, the warehouseman also has a lien against him for such charges and expenses whether or not the other goods have been delivered by the warehouseman. But against a person to whom a negotiable warehouse receipt is duly negotiated a warehouseman's lien is limited to charges in an amount or at a rate specified on the receipt or if no charges are so specified then to a reasonable charge for storage of the goods covered by the receipt subsequent to the date of the receipt.

"(2) The warehouseman may also reserve a security interest against the bailor for a maximum amount specified on the receipt for charges other than those specified in subsection (1), such as for money advanced and interest. Such a security interest is governed by the article on secured transactions (article 9).

"(3)(a) A warehouseman's lien for charges and expenses under subsection (1) or a security interest under subsection (2) is also effective against any person who so entrusted the bailor with possession of the goods that a pledge of them by him to a good faith purchaser for value would have been valid but is not effective against a person as to whom the document confers no right in the goods covered by it under section 28:7--503.

"(b) A warehouseman's lien on household goods for charges and expenses in relation to the goods under subsection (1) is also effective against all persons if the depositor was the legal possessor of the goods at the time of deposit. 'Household goods' means furniture, furnishings and personal effects used by the depositor in a dwelling.

"(4) A warehouseman loses his lien on any goods which he voluntarily delivers or which he unjustifiably refuses to deliver.".

Sec. 9. The title of the article and the table of contents of article 9 of subtitle I of D.C. Code, title 28 is amended to read as follows:

"ARTICLE 9. SECURED TRANSACTIONS; SALES OF ACCOUNTS AND CHATTEL PAPER

D.C.Code,
title 28,
subtitle 1,
article 9,
new table
of contents

"Part 1.--SHORT TITLE, APPLICABILITY AND DEFINITIONS

"Sec.

- "28:9--101. Short title
- "28:9--102. Policy and subject matter of article
- "28:9--103. Perfection of security interests in multiple state transactions
- "28:9--104. Transactions excluded from article
- "28:9--105. Definitions and index of definitions
- "28:9--106. Definitions: 'account'; 'general intangibles'
- "28:9--107. Definitions: 'purchase money security interest'
- "28:9--108. When after-acquired collateral not security for antecedent debt
- "28:9--109. Classification of goods; 'consumer goods'; 'equipment'; 'farm products'; 'inventory'
- "28:9--110. Sufficiency of description
- "28:9--111. Applicability of bulk transfer laws
- "28:9--112. Where collateral is not owned by debtor
- "28:9--113. Security interests arising under article on sales
- "28:9--114. Consignment

"Part 2.--VALIDITY OF SECURITY AGREEMENT AND RIGHTS OF PARTIES THERETO

- "28:9--201. General validity of security agreement
- "28:9--202. Title to collateral immaterial
- "28:9--203. Attachment and enforceability of security interest; proceeds; formal requisites

- "28:9--204. After-acquired property; future advances
- "28:9--205. Use or disposition of collateral without accounting permissible
- "28:9--206. Agreement not to assert defenses against assignee; modification of sales warranties where security agreement exists
- "28:9--207. Rights and duties when collateral is in secured party's possession
- "28:9--208. Request for statement of account or list of collateral

"Part 3.--RIGHTS OF THIRD PARTIES; PERFECTED AND UNPERFECTED SECURITY INTERESTS; RULES OF PRIORITY

- "28:9--301. Persons who take priority over unperfected security interests; rights of 'lien creditor'
- "28:9--302. When filing is required to perfect security interest; security interests to which filing provisions of this article do not apply
- "28:9--303. When security interest is perfected; continuity of perfection
- "28:9--304. Perfection of security interest in instruments, documents, and goods covered by documents; perfection by permissive filing, temporary perfection without filing or transfer of possession
- "28:9--305. When possession by secured

party perfects security

interest without filing

"28:9--306. Proceeds'; secured party's
rights on disposition of

collateral

"28:9--307. Protection of buyers of goods

"28:9--308. Purchase of chattel paper and instruments

"28:9--309. Protection of purchasers of instruments and documents

"28:9--310. Priority of certain liens arising by operation of law

"28:9--311. Alienability of debtor's rights; judicial process

"28:9--312. Priorities among conflicting security interests in the
same collateral

"28:9--313. Priority of security interests in fixtures

"28:9--314. Accessions

"28:9--315. Priority when goods are commingled or processed

"28:9--316. Priority subject to subordination

"28:9--317. Secured party not obligated on contract of debtor

"28:9--318. Defenses against assignee; modification of contract
after notification of assignment; term prohibiting
assignment ineffective; identification and proof of
assignment

"Part 4.--FILING

"28:9--401. Place of filing; erroneous filing; removal of
collateral

"28:9--402. Formal requisites of financing statement; amendments;

- mortgage as financing statement
- "28:9--403. What constitutes filing; duration of filing; effect of lapsed filing; duties of filing officer
- "28:9--404. Termination statement
- "28:9--405. Assignment of security interest; duties of filing officer; fees
- "28:9--406. Release of collateral; duties of filing officer; fees
- "28:9--407. Information from filing officer
- "28:9--408. Financing statements covering consigned or leased goods

"Part 5.--DEFAULT

- "28:9--501. Default; procedure when security agreement covers both real and personal property
- "28:9--502. Collection rights of secured party
- "28:9--503. Secured party's right to take possession after default
- "28:9--504. Secured party's right to dispose of collateral after default; effect of disposition
- "28:9--505. Compulsory disposition of collateral; acceptance of the collateral as discharge of obligation
- "28:9--506. Debtor's right to redeem collateral
- "28:9--507. Secured party's liability for failure to comply with this part.".

Sec. 10. D.C. Code, sec. 28:9--102 is amended to
read as follows:

"Section 28:9--102. Policy and subject matter of

D.C.Code,
sec. 28:9-102

article.

"(1) Except as otherwise provided in section 28:9--104 on excluded transactions, this article applies:

"(a) to any transaction (regardless of its form) which is intended to create a security interest in personal property or fixtures including goods, documents, instruments, general intangibles, chattel paper or accounts; and also

"(b) to any sale of accounts or chattel paper.

"(2) This article applies to security interests created by contract including pledge, assignment, chattel mortgage, chattel trust, trust deed, factor's lien, equipment trust, conditional sale, trust receipt, other lien or title retention contract and lease or consignment intended as security. This article does not apply to statutory liens except as provided in section 28:9--310.

"(3) The application of this article to a security interest in a secured obligation is not affected by the fact that the obligation is itself secured by a transaction or interest to which this article does not apply."

Sec. 11. D.C. Code, sec. 28:9--103 is amended to read as follows:

"Section 28:9--103. Perfection of security

D.C. Code
sec. 28:9--103

interests in multiple
state transactions.

"(1) Documents, instruments and ordinary goods.

"(a) This subsection applies to documents and instruments and to goods other than those covered by a certificate of title described in subsection (2), mobile goods described in subsection (3), and minerals described in subsection (5).

"(b) Except as otherwise provided in this subsection, perfection and the effect of perfection or non-perfection of a security interest in collateral are governed by the law of the jurisdiction where the collateral is when the last event occurs on which is based the assertion that the security interest is perfected or unperfected.

"(c) If the parties to a transaction creating a purchase money security interest in goods in one jurisdiction understand at the time that the security interest attaches that the goods will be kept in another jurisdiction, then the law of the other jurisdiction governs the perfection and the effect of perfection or non-perfection of the security interest from the time it attaches until thirty days after the debtor receives possession of the goods and thereafter if the goods are taken to the other jurisdiction before the end of the thirty day period.

"(d) When collateral is brought into and kept in the District while subject to a security interest perfected under the law of the jurisdiction from which the collateral was removed, the security interest remains perfected, but if action is required by part 3 of this article to perfect the security interest,

"(i) if the action is not taken before the expiration of the period of perfection in the other jurisdiction or the end of four months after the collateral is brought into the District, whichever period first expires, the security interest becomes unperfected at the end of that period and is thereafter deemed to have been unperfected as against a person who became a purchaser after removal;

"(ii) if the action is taken before the expiration of the period specified in subparagraph (i), the security interest continues perfected thereafter;

"(iii) for the purpose of priority over a buyer of consumer goods (section 28:9--307(2)), the period of the effectiveness of a filing in the jurisdiction from which the collateral is removed is governed by the rules with respect to perfection in subparagraphs (i) and (ii).

"(2) Certificate of title.

"(a) This subsection applies to goods covered by a certificate of title issued under a

statute of the District or of another jurisdiction under the law of which indication of a security interest on the certificate is required as a condition of perfection.

"(b) Except as otherwise provided in this subsection, perfection and the effect of perfection or non-perfection of the security interest are governed by the law (including the conflict of laws rules) of the jurisdiction issuing the certificate until four months after the goods are removed from that jurisdiction and thereafter until the goods are registered in another jurisdiction, but in any event not beyond surrender of the certificate. After the expiration of that period, the goods are not covered by the certificate of title within the meaning of this section.

"(c) Except with respect to the rights of a buyer described in the next paragraph, a security interest, perfected in another jurisdiction otherwise than by notation on a certificate of title, in goods brought into the District and thereafter covered by a certificate of title issued by the District is subject to the rules stated in paragraph (d) of subsection (1).

"(d) If goods are brought into the District while a security interest therein is perfected in any manner under the law of the jurisdiction from which the goods are removed and a certificate of title

is issued by the District and the certificate does not show that the goods are subject to the security interest or that they may be subject to security interests not shown on the certificate, the security interest is subordinate to the rights of a buyer of the goods who is not in the business of selling goods of that kind to the extent that he gives value and receives delivery of the goods after issuance of the certificate and without knowledge of the security interest.

"(3) Accounts, general intangibles and mobile goods.

"(a) This subsection applies to accounts (other than an account described in subsection (5) on minerals) and general intangibles and to goods which are mobile and which are of a type normally used in more than one jurisdiction, such as motor vehicles, trailers, rolling stock, airplanes, shipping containers, road building and construction machinery and commercial harvesting machinery and the like, if the goods are equipment or are inventory leased or held for lease by the debtor to others, and are not covered by a certificate of title described in subsection (2).

"(b) The law (including the conflict of laws rules) of the jurisdiction in which the debtor is located governs the perfection and the effect of perfection or non-perfection of the security interest.

"(c) If, however, the debtor is located in a jurisdiction which is not a part of the United States, and which does not provide for perfection of the security interest by filing or recording in that jurisdiction, the law of the jurisdiction in the United States in which the debtor has its major executive office in the United States governs the perfection and the effect of perfection or non-perfection of the security interest through filing. In the alternative, if the debtor is located in a jurisdiction which is not a part of the United States or Canada and the collateral is accounts or general intangibles for money due or to become due, the security interest may be perfected by notification to the account debtor. As used in this paragraph, 'United States' includes its territories and possessions and the Commonwealth of Puerto Rico.

"(d) A debtor shall be deemed located at his place of business if he has one, at his chief executive office if he has more than one place of business, otherwise at his residence. If, however, the debtor is a foreign air carrier under the Federal Aviation Act of 1958, as amended, it shall be deemed located at the designated office of the agent upon whom service of process may be made on behalf of the foreign air carrier.

"(e) A security interest perfected

under the law of the jurisdiction of the location of the debtor is perfected until the expiration of four months after a change of the debtor's location to another jurisdiction, or until perfection would have ceased by the law of the first jurisdiction, whichever period first expires. Unless perfected in the new jurisdiction before the end of that period, it becomes unperfected thereafter and is deemed to have been unperfected as against a person who became a purchaser after the change.

"(4) Chattel paper.

"The rules stated for goods in subsection (1) apply to a possessory security interest in chattel paper. The rules stated for accounts in subsection (3) apply to a non-possessory security interest in chattel paper, but the security interest may not be perfected by notification to the account debtor.

"(5) Minerals.

"Perfection and the effect of perfection or non-perfection of a security interest which is created by a debtor who has an interest in minerals or the like (including oil and gas) before extraction and which attaches thereto as extracted, or which attaches to an account resulting from the sale thereof at the wellhead or minehead are governed by the law (including the conflict of laws rules) of the jurisdiction wherein the wellhead or minehead is located.".

Sec. 12. D.C. Code, sec. 28:9--104 is amended to read as follows:

"Section 28:9--104. Transactions excluded from article.

D.C.Code,
sec. 28:9-104

"This article does not apply:

"(a) to a security interest subject to any statute of the United States to the extent that such statute governs the rights of parties to and third parties affected by transactions in particular types of property; or

"(b) to a landlord's lien; or

"(c) to a lien given by statute or other rule of law for services or materials except as provided in section 28:9--310 on priority of such liens; or

"(d) to a transfer of a claim for wages, salary or other compensation of an employee; or

"(e) to a transfer by a government or governmental subdivision or agency; or

"(f) to a sale of accounts or chattel paper as part of a sale of the business out of which they arose, or an assignment of accounts or chattel paper which is for the purpose of collection only, or a transfer of a right to payment under a contract to an assignee who is also to do the performance under the contract or a transfer of a single account to an assignee in whole or partial satisfaction of a

preexisting indebtedness; or

"(g) to a transfer of an interest in or claim in or under any policy of insurance, except as provided with respect to proceeds (section 28:9--306) and priorities in proceeds (section 28:9--312); or

"(h) to a right represented by a judgment (other than a judgment taken on a right to payment which was collateral); or

"(i) to any right of set-off; or

"(j) except to the extent that provision is made for fixtures in section 28:9--313, to the creation or transfer of an interest in or lien on real estate, including a lease or rents thereunder; or

"(k) to a transfer in whole or in part of any claim arising out of tort; or

"(l) to a transfer of an interest in any deposit account (section 28:9--105(1)), except as provided with respect to proceeds (section 28:9--306) and priorities in proceeds (section 28:9--312).".

Sec. 13. D.C. Code, sec. 28:9--105 is amended to read as follows:

"Section 28:9--105. Definitions and index of definitions.

"(1) In this article unless the context otherwise requires:

"(a) 'Account debtor' means the person who is obligated on an account, chattel paper or

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sec. 1

general intangible;

"(b) 'Chattel paper' means a writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific goods, but a charter or other contract involving the use or hire of a vessel is not chattel paper. When a transaction is evidenced both by such a security agreement or a lease and by an instrument or a series of instruments, the group of writings taken together constitutes chattel paper;

"(c) 'Collateral' means the property subject to a security interest, and includes accounts and chattel paper which have been sold;

"(d) 'Debtor' means the person who owes payment or other performance of the obligation secured, whether or not he owns or has rights in the collateral, and includes the seller of accounts or chattel paper. Where the debtor and the owner of the collateral are not the same person, the term 'debtor' means the owner of the collateral in any provision of the article dealing with the collateral, the obligor in any provision dealing with the obligation, and may include both where the context so requires;

"(e) 'Deposit account' means a demand, time, savings, passbook or like account maintained with a bank, savings and loan association, credit union or like organization, other than an account evidenced by a

certificate of deposit;

"(f) 'Document' means document of title as defined in the general definitions of article 1 (section 28:1--201) and a receipt of the kind described in section 28:7--201(2);

"(g) 'Encumbrance' includes real estate mortgages and other liens on real estate and all other rights in real estate that are not ownership interests;

"(h) 'Goods' includes all things which are movable at the time the security interest attaches or which are fixtures (section 28:9--313), but does not include money, documents, instruments, accounts, chattel paper, general intangibles, or minerals or the like (including oil and gas) before extraction.

'Goods' also includes standing timber which is to be cut and removed under a conveyance or contract for sale, the unborn young of animals, and growing crops;

"(i) 'Instrument' means a negotiable instrument (defined in section 28:3--104), or a security (defined in section 28:8--102) or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is in ordinary course of business transferred by delivery with any necessary indorsement or assignment;

"(j) 'Mortgage' means a consensual interest created by a real estate mortgage, a trust

deed on real estate, or the like;

"(k) An advance is made 'pursuant to commitment' if the secured party has bound himself to make it, whether or not a subsequent event of default or other event not within his control has relieved or may relieve him from his obligation;

"(l) 'Security agreement' means an agreement which creates or provides for a security interest;

"(m) 'Secured party' means a lender, seller or other person in whose favor there is a security interest, including a person to whom accounts or chattel paper have been sold. When the holders of obligations issued under an indenture of trust, equipment trust agreement or the like are represented by a trustee or other person, the representative is the secured party;

"(n) 'Transmitting utility' means any person primarily engaged in the railroad, street railway or trolley bus business, the electric or electronics communications transmission business, the transmission of goods by pipeline, or the transmission or the production and transmission of electricity, steam, gas or water, or the provision of sewer service.

"(2) Other definitions applying to this article and the sections in which they appear are:

'Account'. Section 28:9--106.

'Attach'. Section 28:9--203.

'Construction mortgage'. Section 28:9--313(1).

'Consumer goods'. Section 28:9--109(1).

'Equipment'. Section 28:9--109(2).

'Farm products'. Section 28:9--109(3).

'Fixture'. Section 28:9--313.

'Fixture filing'. Section 28:9--313.

'General intangibles'. Section 28:9--106.

'Inventory'. Section 28:9--109(4).

'Lien creditor'. Section 28:9--301(3).

'Proceeds'. Section 28:9--306(1).

'Purchase money security interest'. Section 28:9--107.

'United States'. Section 28:9--103.

"(3) The following definitions in other articles apply to this article:

'Check'. Section 28:3--104.

'Contract for sale'. Section 28:2--106.

'Holder in due course'. Section 28:3--302.

'Note'. Section 28:3--104.

'Sale'. Section 28:2--106.

"(4) In addition article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.".

Sec. 14. D.C. Code, sec. 28:9--106 is amended to read as follows:

"Section 28:9--106. Definitions: 'account';
'general intangibles'.

D.C. Code
sec. 14:

"'Account' means any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance. 'General intangibles' means any personal property (including things in action) other than goods, accounts, chattel paper, documents, instruments, and money. All rights to payment earned or unearned under a charter or other contract involving the use or hire of a vessel and all rights incident to the charter or contract are accounts.".

Sec. 15. D.C. Code, sec. 28:9--113 is amended by adding to the end thereof a new section to read as follows:

D.C.Code,
sec. 28:9-113

"Section 28:9--114. Consignment.

"(1) A person who delivers goods under a consignment which is not a security interest and who would be required to file under this article by section 28:2--326(3)(c) has priority over a secured party who is or becomes a creditor of the consignee and who would have a perfected security interest in the goods if they were the property of the consignee, and also has priority with respect to identifiable cash proceeds received on or before delivery of the goods to a buyer, if:

"(a) the consignor complies with the filing provision of the article on sales with respect

to consignments (section 28:2--326(3)(c)) before the consignee receives possession of the goods; and

"(b) the consignor gives notification in writing to the holder of the security interest if the holder has filed a financing statement covering the same types of goods before the date of the filing made by the consignor; and

"(c) the holder of the security interest receives the notification within five years before the consignee receives possession of the goods; and

"(d) the notification states that the consignor expects to deliver goods on consignment to the consignee, describing the goods by item or type.

"(2) In the case of a consignment which is not a security interest and in which the requirements of the preceding subsection have not been met, a person who delivers goods to another is subordinate to a person who would have a perfected security interest in the goods if they were the property of the debtor.".

Sec. 16. D.C. Code, sec. 28:9--203 is amended to read as follows:

D.C. Code
sec. 28:9--203

"Section 28:9--203. Attachment and enforceability of security interest; proceeds; formal requisites.

"(1) Subject to the provisions of section 28:4--208 on the security interest of a collecting bank and section 28:9--113 on a security interest arising

under the article on sales, a security interest is not enforceable against the debtor or third parties with respect to the collateral and does not attach unless:

"(a) the collateral is in the possession of the secured party pursuant to agreement, or the debtor has signed a security agreement which contains a description of the collateral and in addition, when the security interest covers crops growing or to be grown or timber to be cut, a description of the land concerned; and

"(b) value has been given; and

"(c) the debtor has rights in the collateral.

"(2) A security interest attaches when it becomes enforceable against the debtor with respect to the collateral. Attachment occurs as soon as all of the events specified in subsection (1) have taken place unless explicit agreement postpones the time of attaching.

"(3) Unless otherwise agreed a security agreement gives the secured party the rights to proceeds provided by Section 28:9--306.

"(4) A transaction, although subject to this article, is also subject to chapter 19 of title 2, relating to pawnbrokers; chapter 7 of title 26, relating to money lenders; chapter 38 of title 28 relating to consumer credit sales and direct

installment loans; chapter 10 of title 40, relating to liens on motor vehicles; and chapter 11 of title 40, relating to installment sales of motor vehicles; and in the case of conflict between the provisions of this article and any such statute, the provisions of such statute control. Failure to comply with any applicable statute has only the effect which is specified therein.".

Sec. 17. D.C. Code, sec. 28:9--204 is amended to read as follows:

D.C.Code
sec. 28:9

"Section 28:9--204. After-acquired property;
future advances.

"(1) Except as provided in subsection (2), a security agreement may provide that any or all obligations covered by the security agreement are to be secured by after-acquired collateral.

"(2) No security interest attaches under an after-acquired property clause to consumer goods other than accessions (section 28:9--314) when given as additional security unless the debtor acquires rights in them within ten days after the secured party gives value.

"(3) Obligations covered by a security agreement may include future advances or other value whether or not the advances or value are given pursuant to commitment (subsection (1) of section 28:9--105).".

Sec. 18. D.C. Code, sec. 28:9--205 is amended to

D.C.Code
sec. 28:9

read as follows:

"Section 28:9--205. Use or disposition of collateral without accounting permissible.

"A security interest is not invalid or fraudulent against creditors by reason of liberty in the debtor to use, commingle or dispose of all or part of the collateral (including returned or repossessed goods) or to collect or compromise accounts or chattel paper, or to accept the return of goods or make repossession, or to use, commingle or dispose of proceeds, or by reason of the failure of the secured party to require the debtor to account for proceeds or replace collateral. This section does not relax the requirements of possession where perfection of a security interest depends upon possession of the collateral by the secured party or by a bailee.".

Sec. 19. D.C. Code, sec. 28:9--301 is amended to read as follows:

D.C.Code,
sec. 28:9-301

"Section 28:9--301. Persons who take priority over unperfected security interests; right of 'lien creditor'.

"(1) Except as otherwise provided in subsection (2), an unperfected security interest is subordinate to the rights of

"(a) persons entitled to priority under

section 28:9--312;

"(b) a person who becomes a lien creditor before the security interest is perfected;

"(c) in the case of goods, instruments, documents, and chattel paper, a person who is not a secured party and who is a transferee in bulk or other buyer not in ordinary course of business, or is a buyer of farm products in ordinary course of business to the extent that he gives value and receives delivery of the collateral without knowledge of the security interest and before it is perfected;

"(d) in the case of accounts and general intangibles, a person who is not a secured party and who is a transferee to the extent that he gives value without knowledge of the security interest and before it is perfected.

"(2) If the secured party files with respect to a purchase money security interest before or within ten days after the debtor receives possession of the collateral, he takes priority over the rights of a transferee in bulk or of a lien creditor which arise between the time the security interest attaches and the time of filing.

"(3) A 'lien creditor' means a creditor who has acquired a lien on the property involved by attachment, levy or the like and includes an assignee for benefit of creditors from the time of assignment,

and a trustee in bankruptcy from the date of the filing of the petition or a receiver in equity from the time of appointment.

"(4) A person who becomes a lien creditor while a security interest is perfected takes subject to the security interest only to the extent that it secures advances made before he becomes a lien creditor or within forty-five days thereafter or made without knowledge of the lien or pursuant to a commitment entered into without knowledge of the lien.".

Sec. 20. D.C. Code, sec. 28:9--302 is amended to read as follows:

D.C.Code,
sec. 28:9-302

"Section 28:9--302. When filing is required to perfect security interest; security interests to which filing provisions of this article do not apply.

"(1) A financing statement must be filed to perfect all security interests except the following:

"(a) a security interest in collateral in possession of the secured party under section 28:9--305;

"(b) a security interest temporarily perfected in instruments or documents without delivery under section 28:9--304 or in proceeds for a ten day period under section 28:9--306;

"(c) a security interest created by an

assignment of a beneficial interest in a trust or a decedent's estate;

"(d) a purchase money security interest in consumer goods; but filing is required for a motor vehicle required to be registered; and fixture filing is required for priority over conflicting interests in fixtures to the extent provided in section 28:9--313;

"(e) an assignment of accounts which does not alone or in conjunction with other assignments to the same assignee transfer a significant part of the outstanding accounts of the assignor;

"(f) a security interest of a collecting bank (section 28:4--208) or arising under the article on Sales (see section 28:9--113) or covered in subsection (3) of this section;

"(g) an assignment for the benefit of all the creditors of the transferor, and subsequent transfers by the assignee thereunder.

"(2) If a secured party assigns a perfected security interest, no filing under this article is required in order to continue the perfected status of the security interest against creditors of and transferees from the original debtor.

"(3) The filing of a financing statement otherwise required by this article is not necessary or effective to perfect a security interest in property subject to

"(a) a statute or treaty of the United States which provides for a national or international registration or a national or international certificate of title or which specifies a place of filing different from that specified in this article for filing of the security interest; or

"(b) the provisions of the Act of July 2, 1940 (54 Stat. 736, ch. 527; D.C. Code, sec. 40-1001 et seq. (1981 edition)) as amended; but during any period in which collateral is inventory held for sale by a person who is in the business of selling goods of that kind, the filing provisions of this article (part 4) apply to a security interest in that collateral created by him as debtor; or

"(c) a certificate of title statute of another jurisdiction under the law of which indication of a security interest on the certificate is required as a condition of perfection (section 28:9--103(2)).

"(4) Compliance with a statute or treaty described in subsection (3) is equivalent to the filing of a financing statement under this article, and a security interest in property subject to the statute or treaty can be perfected only by compliance therewith except as provided in section 28:9--103 on multiple state transactions. Duration and renewal of perfection of a security interest perfected by compliance with the statute or treaty are governed by the provisions of the

statute or treaty; in other respects the security interest is subject to this article.".

Sec. 21. D.C. Code, sec. 28:9--304 is amended to read as follows:

"Section 28:9--304. Perfection of security interest in instruments, documents, and goods covered by documents; perfection by permissive filing; temporary perfection without filing or transfer of possession.

"(1) A security interest in chattel paper or negotiable documents may be perfected by filing. A security interest in money or instruments (other than instruments which constitute part of chattel paper) can be perfected only by the secured party's taking possession, except as provided in subsections (4) and (5) of this section and subsections (2) and (3) of section 28:9--306 on proceeds.

"(2) During the period that goods are in the possession of the issuer of a negotiable document therefor, a security interest in the goods is perfected by perfecting a security interest in the document, and any security interest in the goods otherwise perfected during such period is subject thereto.

"(3) A security interest in goods in the

D.C. Code
sec. 28:9--304

possession of a bailee other than one who has issued a negotiable document therefor is perfected by issuance of a document in the name of the secured party or by the bailee's receipt of notification of the secured party's interest or by filing as to the goods.

"(4) A security interest in instruments or negotiable documents is perfected without filing or the taking of possession for a period of twenty-one days from the time it attaches to the extent that it arises for new value given under a written security agreement.

"(5) A security interest remains perfected for a period of twenty-one days without filing where a secured party having a perfected security interest in an instrument, a negotiable document or goods in possession of a bailee other than one who has issued a negotiable document or goods in possession of a bailee other than one who has issued a negotiable document therefor

"(a) makes available to the debtor the goods or documents representing the goods for the purpose of ultimate sale or exchange or for the purpose of loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with them in a manner preliminary to their sale or exchange, but priority between conflicting security interests in the goods is subject to section 28:9--312(3); or

"(b) delivers the instrument to the debtor for the purpose of ultimate sale or exchange or of presentation, collection, renewal or registration of transfer.

"(6) After the twenty-one day period in subsections (4) and (5) perfection depends upon compliance with applicable provisions of this article.".

Sec. 22. D.C. Code, sec. 28:9--305 is amended to read as follows:

D.C. Code
sec. 28

"Section 28:9--305. When possession by secured party perfects security interest without filing.

"A security interest in letters of credit and advices of credit (section 28:5--116(2)(a)), goods, instruments, money, negotiable documents or chattel paper may be perfected by the secured party's taking possession of the collateral. If such collateral other than goods covered by a negotiable document is held by a bailee, the secured party is deemed to have possession from the time the bailee receives notification of the secured party's interest. A security interest is perfected by possession from the time possession is taken without relation back and continues only so long as possession is retained, unless otherwise specified in this article. The security interest may be otherwise perfected as

provided in this article before or after the period of possession by the secured party.".

Sec. 23. D.C. Code, sec. 28:9--306 is amended to read as follows:

D.C.Code,
sec. 28:9-306

"Section 28:9--306. 'Proceeds'; secured party's rights on disposition of collateral.

"(1) 'Proceeds' includes whatever is received upon the sale, exchange, collection or other disposition of collateral or proceeds. Insurance payable by reason of loss or damage to the collateral is proceeds, except to the extent that it is payable to a person other than a party to the security agreement. Money, checks, deposit accounts, and the like are 'cash proceeds'. All other proceeds are 'non-cash proceeds'.

"(2) Except where this article otherwise provides, a security interest continues in collateral notwithstanding sale, exchange or other disposition thereof unless the disposition was authorized by the secured party in the security agreement or otherwise, and also continues in any identifiable proceeds including collections received by the debtor.

"(3) The security interest in proceeds is a continuously perfected security interest if the interest in the original collateral was perfected but it ceases to be a perfected security interest and becomes unperfected ten days after receipt of the

proceeds by the debtor unless

"(a) a filed financing statement covers the original collateral and the proceeds are collateral in which a security interest may be perfected by filing in the office or offices where the financing statement has been filed and, if the proceeds are acquired with cash proceeds, the description of collateral in the financing statement indicates the types of property constituting the proceeds; or

"(b) a filed financing statement covers the original collateral and the proceeds are identifiable cash proceeds; or

"(c) the security interest in the proceeds is perfected before the expiration of the ten day period.

"Except as provided in this section, a security interest in proceeds can be perfected only by the methods or under the circumstances permitted in this article for original collateral of the same type.

"(4) In the event of insolvency proceedings instituted by or against a debtor, a secured party with a perfected security interest in proceeds has a perfected security interest only in the following proceeds:

"(a) in identifiable non-cash proceeds and in separate deposit accounts containing only proceeds; and

"(b) in identifiable cash proceeds in the form of money which is neither commingled with other money nor deposited in a deposit account prior to the insolvency proceedings; and

"(c) in identifiable cash proceeds in the form of checks and the like which are not deposited in a deposit account prior to the insolvency proceedings; and

"(d) in all cash and deposit accounts of the debtor in which proceeds have been commingled with other funds, but the perfected security interest under this paragraph (d) is

"(i) subject to any right to set-off;
and

"(ii) limited to an amount not greater than the amount of any cash proceeds received by the debtor within ten days before the institution of the insolvency proceedings less the sum of (I) the payments to the secured party on account of cash proceeds received by the debtor during such period and (II) the cash proceeds received by the debtor during such period to which the secured party is entitled under paragraphs (a) through (c) of this subsection (4).

"(5) If a sale of goods results in an account or chattel paper which is transferred by the seller to a secured party, and if the goods are returned to or are repossessed by the seller or the secured party, the

following rules determine priorities:

"(a) If the goods were collateral at the time of sale, for an indebtedness of the seller which is still unpaid, the original security interest attaches again to the goods and continues as a perfected security interest if it was perfected at the time when the goods were sold. If the security interest was originally perfected by a filing which is still effective, nothing further is required to continue the perfected status; in any other case, the secured party must take possession of the returned or repossessed goods or must file.

"(b) An unpaid transferee of the chattel paper has a security interest in the goods against the transferor. Such security interest is prior to a security interest asserted under paragraph (a) to the extent that the transferee of the chattel paper was entitled to priority under section 28:9--308.

"(c) An unpaid transferee of the account has a security interest in the goods against the transferor. Such security interest is subordinate to a security interest asserted under paragraph (a).

"(d) A security interest of an unpaid transferee asserted under paragraph (b) or (c) must be perfected for protection against creditors of the transferor and purchasers of the returned or repossessed goods.".

Sec. 24. D.C. Code, sec. 28:9--307 is amended to
read as follows:

D.C.Code,
sec. 28:9-307

"Section 28:9--307. Protection of buyers of
goods.

"(1) A buyer in ordinary course of business
(section 28:1--201(9)) other than a person buying farm
products from a person engaged in farming operations
takes free of a security interest created by his seller
even though the security interest is perfected and even
though the buyer knows of its existence.

"(2) In the case of consumer goods a buyer
takes free of a security interest even though perfected
if he buys without knowledge of the security interest,
for value and for his own personal, family or household
purposes unless prior to the purchase the secured party
has filed a financing statement covering such goods.

"(3) A buyer other than a buyer in ordinary
course of business (subsection (1) of this section)
takes free of a security interest to the extent that it
secures future advances made after the secured party
acquires knowledge of the purchase, or more than
forty-five days after the purchase, whichever first
occurs, unless made pursuant to a commitment entered
into without knowledge of the purchase and before the
expiration of the forty-five day period.".

Sec. 25. D.C. Code, sec. 28:9--308 is amended to
read as follows:

D.C.Code,
sec. 28:9-308

"Section 28:9--308. Purchase of chattel paper and instruments.

"A purchaser of chattel paper or an instrument who gives new value and takes possession of it in the ordinary course of his business has priority over a security interest in the chattel paper or instrument

"(a) which is perfected under section 28:9--304 (permissive filing and temporary perfection) or under section 28:9--306 (perfection as to proceeds) if he acts without knowledge that the specific paper or instrument is subject to a security interest; or

"(b) which is claimed merely as proceeds of inventory subject to a security interest (section 28:9--306) even though he knows that the specific paper or instrument is subject to the security interest.".

Sec. 26. D.C. Code, sec. 28:9--312 is amended to read as follows:

"Section 28:9--312. Priorities among conflicting security interests in the same collateral.

"(1) The rules of priority stated in other sections of this part and in the following sections shall govern when applicable: section 28:4--208 with respect to the security interests of collecting banks in items being collected, accompanying documents and proceeds; section 28:9--103 on security interests

D.C. Code
sec. 26

related to other jurisdictions; section 28:9--114 on consignments.

"(2) A perfected security interest in crops for new value given to enable the debtor to produce the crops during the production season and given not more than three months before the crops become growing crops by planting or otherwise takes priority over an earlier perfected security interest to the extent that such earlier interest secures obligations due more than six months before the crops become growing crops by planting or otherwise, even though the person giving new value had knowledge of the earlier security interest.

"(3) A perfected purchase money security interest in inventory has priority over a conflicting security interest in the same inventory and also has priority in identifiable cash proceeds received on or before the delivery of the inventory to a buyer if

"(a) the purchase money security interest is perfected at the time the debtor receives possession of the inventory; and

"(b) the purchase money secured party gives notification in writing to the holder of the conflicting security interest if the holder had filed a financing statement covering the same types of inventory (i) before the date of the filing made by the purchase money secured party, or (ii) before the

beginning of the twenty-one day period where the purchase money security interest is temporarily perfected without filing or possession (section 28:9--304(5)); and

"(c) the holder of the conflicting security interest receives the notification within five years before the debtor receives possession of the inventory; and

"(d) the notification states that the person giving the notice has or expects to acquire a purchase money security interest in inventory of the debtor, describing such inventory by item or type.

"(4) A purchase money security interest in collateral other than inventory has priority over a conflicting security interest in the same collateral or its proceeds if the purchase money security interest is perfected at the time the debtor receives possession of the collateral or within ten days thereafter.

"(5) In all cases not governed by other rules stated in this section (including cases of purchase money security interests which do not qualify for the special priorities set forth in subsections (3) and (4) of this section), priority between conflicting security interests in the same collateral shall be determined according to the following rules:

"(a) Conflicting security interests rank according to priority in time of filing or perfection.

Priority dates from the time a filing is first made covering the collateral or the time the security interest is first perfected, whichever is earlier, provided that there is no period thereafter when there is neither filing nor perfection.

"(b) So long as conflicting security interests are unperfected, the first to attach has priority.

"(6) For the purposes of subsection (5) a date of filing or perfection as to collateral is also a date of filing or perfection as to proceeds.

"(7) If future advances are made while a security interest is perfected by filing or the taking of possession, the security interest has the same priority for the purposes of subsection (5) with respect to the future advances as it does with respect to the first advance. If a commitment is made before or while the security interest is so perfected, the security interest has the same priority with respect to advances made pursuant thereto. In other cases a perfected security interest has priority from the date the advance is made.".

Sec. 27. D.C. Code, sec. 28:9--313 is amended to read as follows:

D.C.Code,
sec. 28:9--313

"Section 28:9--313. Priority of security
interests in fixtures.

"(1) In this section and in the provisions of

part 4 of this article referring to fixture filing,
unless the context otherwise requires

"(a) goods are 'fixtures' when they
become so related to particular real estate that an
interest in them arises under real estate law;

"(b) a 'fixtures filing' is the filing
in the office where a mortgage on the real estate would
be filed or recorded of a financing statement covering
goods which are or are to become fixtures and
conforming to the requirements of section 28:9-402(5);

"(c) a mortgage is a 'construction
mortgage' to the extent that it secures an obligation
incurred for the construction of an improvement on land
including the acquisition cost of the land, if the
recorded writing so indicates.

"(2) A security interest under this article
may be created in goods which are fixtures or may
continue in goods which become fixtures, but not
security interest exists under this article in ordinary
building materials incorporated into an improvement on
land.

"(3) This article does not prevent creation
of an encumbrance upon fixtures pursuant to real estate
law.

"(4) A perfected security interest in
fixtures has priority over the conflicting interest of
an encumbrancer or owner of the real estate where:

"(a) the security interest is a purchase money security interest, the interest of the encumbrancer or owner arises before the goods become fixtures, the security interest is perfected by a fixture filing before the goods become fixtures or within ten days thereafter, and the debtor has an interest of record in the real estate or is in possession of the real estate; or

"(b) the security interest is perfected by a fixture filing before the interest of the encumbrancer or owner is of record, the security interest has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner and the debtor has an interest of record in the real estate or is in possession of the real estate; or

"(c) the fixtures are readily removable factory or office machines or readily removable replacements of domestic appliances which are consumer goods, and before the goods become fixtures the security interest is perfected by any method permitted by this article; or

"(d) the conflicting interest is a lien on the real estate obtained by legal or equitable proceedings after the security interest was perfected by any method permitted by this article.

"(5) A security interest in fixtures, whether or not perfected, has priority over the conflicting

interest of an encumbrancer or owner of the real estate where:

"(a) the encumbrancer or owner has consented in writing to the security interest or has disclaimed an interest in the goods as fixtures; or

"(b) the debtor has a right to remove the goods as against the encumbrancer or owner. If the debtor's right terminates, the priority of the security interest continues for a reasonable time.

"(6) Notwithstanding subsection (4)(a) but otherwise subject to subsections (4) and (5), a security interest in fixtures is subordinate to a construction mortgage recorded before the goods become fixtures if the goods become fixtures before the completion of the construction. To the extent that it is given to refinance a construction mortgage, a mortgage has this priority to the same extent as the construction mortgage.

"(7) In cases not within the preceding subsections, a security interest in fixtures is subordinate to the conflicting interest of an encumbrancer or owner of the related real estate who is not the debtor.

"(8) When the secured party has priority over all owners and encumbrancers of the real estate, he may, on default, subject to the provisions of part 5, remove his collateral from the real estate but he must

reimburse any encumbrancer or owner of the real estate who is not the debtor and who has not otherwise agreed for the cost of repair of any physical injury, but not for any diminution in value of the real estate caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate security for the performance of this obligation.".

Sec. 28. D.C. Code, sec. 28:9--318 is amended to read as follows:

D.C.Code,
sec. 28:9-318

"Section 28:9--318. Defenses against assignee;
modification of contract
after notification of
assignment; term
prohibiting assignment
ineffective; identification
and proof of assignment.

"(1) Unless an account debtor has made an enforceable agreement not to assert defenses or claims arising out of a sale as provided in section 28:9--206 the rights of an assignee are subject to

"(a) all the terms of the contract between the account debtor and assignor and any defense or claim arising therefrom; and

"(b) any other defense or claim of the account debtor against the assignor which accrues

before the account debtor receives notification of the assignment.

"(2) So far as the right to payment or a part thereof under an assigned contract has not been fully earned by performance, and notwithstanding notification of the assignment, any modification of or substitution for the contract made in good faith and in accordance with reasonable commercial standards is effective against an assignee unless the account debtor has otherwise agreed but the assignee acquires corresponding rights under the modified or substituted contract. The assignment may provide that such modification or substitution is a breach by the assignor.

"(3) The account debtor is authorized to pay the assignor until the account debtor receives notification that the amount due or to become due has been assigned and that payment is to be made to the assignee. A notification which does not reasonably identify the rights assigned is ineffective. If requested by the account debtor, the assignee must seasonably furnish reasonable proof that the assignment has been made and unless he does so the account debtor may pay the assignor.

"(4) A term in any contract between an account debtor and an assignor is ineffective if it prohibits assignment of an account or prohibits

creation of a security interest in a general intangible for money due or to become due or requires the account debtor's consent to such assignment or security interest.".

Sec. 29. D.C. Code, sec. 28:9--401 is amended to read as follows:

D.C.Code,
sec. 28:9-401

"Section 28:9--401. Place of filing; erroneous filing; removal of collateral.

"(1) The proper place to file in order to perfect a security interest is, in all cases, in the office of the Recorder of Deeds of the District. In this article, 'filing officer' means said Recorder. When the collateral is timber to be cut or is minerals or the like (including oil and gas) or accounts subject to subsection (5) of section 28:9--103, or when the financing statement is filed as a fixture filing (section 28:9--313) and the collateral is goods which are or are to become fixtures, then the proper place to file in order to perfect a security interest is in the office of the Recorder of Deeds of the District where a mortgage on the real estate would be filed or recorded.

"(2) A filing which is made in good faith in an improper place or not in all of the places required by this section is nevertheless effective with regard to any collateral as to which the filing complied with the requirements of this Article and is also effective

with regard to collateral covered by the financing statement against any person who has knowledge of the contents of such financing statement.

"(3) A filing which is made in the proper place in the District continues effective even though the debtor's residence or place of business or the location of the collateral or its use, whichever controlled the original filing, is thereafter changed.

"(4) The rules stated in section 28:9-103 determine whether filing is necessary in the District."

Sec. 30. D.C. Code, sec. 28:9--402 is amended to read as follows:

D.C. Code,
sec. 28:9-

"Section 28:9--402. Formal requisites of financing statement; amendments; mortgage as financing statement.

"(1) A financing statement is sufficient if it gives the names of the debtor and the secured party, is signed by the debtor, gives an address of the secured party from which information concerning the security interest may be obtained, gives a mailing address of the debtor and contains a statement indicating the types, or describing the items, of collateral. A financing statement may be filed before a security agreement is made or a security interest otherwise attaches. When the financing statement

covers crops growing or to be grown the statement must also contain a description of the real estate concerned. When the financing statement covers timber to be cut or covers minerals or the like (including oil and gas) or accounts subject to section 28:9--103(5), or when the financing statement is filed as a fixture filing (section 28:9--313) and the collateral is goods which are or are to become fixtures, the statement must also comply with subsection (5). A copy of the security agreement is sufficient as a financing statement if it contains the above information and is signed by the debtor. A carbon, photographic or other reproduction of a security agreement or a financing statement is sufficient as a financing statement if the security agreement so provides or if the original has been filed in the District.

"(2) A financing statement which otherwise complies with subsection (1) is sufficient when it is signed by the secured party instead of the debtor if it is filed to perfect a security interest in

"(a) collateral already subject to a security interest in another jurisdiction when it is brought into the District, or when the debtor's location is changed to the District. Such a financing statement must state that the collateral was brought into the District or that the debtor's location was changed to the District under such circumstances; or

"(b) proceeds under section 28:9--306 if the security interest in the original collateral was perfected. Such a financing statement must describe the original collateral; or

"(c) collateral as to which the filing has lapsed; or

"(d) collateral acquired after a change of name, identity or corporate structure of the debtor (subsection (7)).

"(3) A form substantially as follows is sufficient to comply with subsection (1):

"Name of debtor (or assignor).....

Address.....

Name of secured party (or assignee)

Address.....

"1. This financing statement covers the following types (or items) of property:

(Describe).....

"2. (If collateral is crops) The above described crops are growing or are to be grown on:

(Describe Real Estate).....

"3. (If applicable) The above goods are to become fixtures on

(Describe Real Estate).....

and this financing statement is to be filed in the real estate records. (If the debtor does not have an

interest of record) The name of a record owner is

.....

"4. (If products of collateral are claimed) Products of the collateral are also covered.

(use whichever is applicable:)

.....

Signature of Debtor (or Assignor)

.....

Signature of Secured Party (or Assignee)

"(4) A financing statement may be amended by filing a writing signed by both the debtor and the secured party. An amendment does not extend the period of effectiveness of a financing statement. If any amendment adds collateral, it is effective as to the added collateral only from the filing date of the amendment. In this article, unless the context otherwise requires, the term 'financing statement' means the original financing statement and any amendments.

"(5) A financing statement covering timber to be cut or covering minerals or the like (including oil and gas) or accounts subject to section 28:9--103(5), or a financing statement filed as a fixture filing (section 28:9--313) where the debtor is not a transmitting utility, must show that it covers this type of collateral, must recite that it is to be filed in the real estate records, and the financing statement

must contain a description of the real estate sufficient if it were contained in a mortgage of the real estate to give constructive notice of the mortgage under the law of the District. If the debtor does not have an interest of record in the real estate, the financing statement must show the name of a record owner.

"(6) A mortgage is effective as a financing statement filed as a fixture filing from the date of its recording if (a) the goods are described in the mortgage by item or type, (b) the goods are or are to become fixtures related to the real estate described in the mortgage, (c) the mortgage complies with the requirements for a financing statement in this section other than a recital that it is to be filed in the real estate records, and (d) the mortgage is duly recorded. No fee with reference to the financing statement is required other than the regular recording and satisfaction fees with respect to the mortgage.

"(7) A financing statement sufficiently shows the name of the debtor if it gives the individual, partnership or corporate name of the debtor, whether or not it adds other trade names or the names of partners. Where the debtor so changes his name or in the case of an organization its name, identity or corporate structure that a filed financing statement becomes seriously misleading, the filing is not effective to

perfect a security interest in collateral acquired by the debtor more than four months after the change, unless a new appropriate financing statement is filed before the expiration of that time. A filed financing statement remains effective with respect to collateral transferred by the debtor even though the secured party knows of or consents to the transfer.

"(8) A financing statement substantially complying with the requirements of this section is effective even though it contains minor errors which are not seriously misleading.".

Sec. 31. D.C. Code, sec. 28:9--403 is amended to read as follows:

D.C.Code,
sec. 28:9-403

"Section 28:9--403. What constitutes filing;
duration of filing;
effect of lapsed filing;
duties of filing officer.

"(1) Presentation for filing of a financing statement and tender of the filing fee or acceptance of the statement by the filing officer constitutes filing under this article.

"(2) Except as provided in subsection (6) a filed financing statement is effective for a period of five years from the date of filing. The effectiveness of a filed financing statement lapses on the expiration of the five year period unless a continuation statement is filed prior to the lapse. If a security interest

perfected by filing exists at the time insolvency proceedings are commenced by or against the debtor, the security interest remains perfected until termination of the insolvency proceedings and thereafter for a period of sixty days or until expiration of the five year period, whichever occurs later. Upon lapse the security interest becomes unperfected, unless it is perfected without filing. If the security interest becomes unperfected upon lapse, it is deemed to have been unperfected as against a person who became a purchaser or lien creditor before lapse.

"(3) A continuation statement may be filed by the secured party within six months prior to the expiration of the five year period specified in subsection (2). Any such continuation statement must be signed by the secured party, identify the original statement by file number and state that the original statement is still effective. A continuation statement signed by a person other than the secured party of record must be accompanied by a separate written statement of assignment signed by the secured party of record and complying with subsection (2) of section 28:9--405, including payment of the required fee. Upon timely filing of the continuation statement, the effectiveness of the original statement is continued for five years after the last date to which the filing was effective whereupon it lapses in the same manner as

provided in subsection (2) unless another continuation statement is filed prior to such lapse. Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the original statement. Unless a statute on disposition of public records provides otherwise, the filing officer may remove a lapse statement from the files and destroy it immediately if he has retained a microfilm or other photographic record, or in other cases one year after the lapse. The filing officer shall so arrange matters by physical annexation of financing statements to continuation statements or other related filings, or by other means, that if he physically destroys the financing statements of a period more than five years past, those which have been continued by a continuation statement or which are still effective under subsection (6) shall be retained.

"(4) Except as provided in subsection (7) a filing officer shall mark each statement with a file number and with the date and hour of filing and shall hold the statement or a microfilm or other photographic copy thereof for public inspection. In addition the filing officer shall index the statements according to the name of the debtor and shall note in the index the file number and the address of the debtor given in the statement.

"(5) The uniform fee for filing, indexing and

furnishing filing data for an original or a continuation statement shall be \$2.00.

"(6) If the debtor is a transmitting utility (section 28:9--401(5)) and a filed financing statement so states, it is effective until a termination statement is filed. A real estate mortgage which is effective as a fixture filing under section 28:9--402(6) remains effective as a fixture filing until the mortgage is released or satisfied of record or its effectiveness otherwise terminates as to the real estate.

"(7) When a filing statement covers timber to be cut or covers minerals or the like (including oil and gas) or accounts subject to section 28:9--103(5), or is filed as a fixture filing, it shall be filed for record and the filing officer shall index it under the names of the debtor and any owner of record shown on the financing statement in the same fashion as if they were the mortgagors in a mortgage of the real estate described, and, to the extent that the law of the District provides for indexing of mortgages under the name of the mortgagee, under the name of the secured party as if he were the mortgagee thereunder, or where indexing is by description in the same fashion as if the financing statement were a mortgage of the real estate described.".

Sec. 32. D.C. Code, sec. 28:9--404 is amended to

D.C. Code
sec. 28:

read as follows:

"Section 28:9--404. Termination statement.

"(1) If a financing statement covering consumer goods is filed on or after the effective date of this act, then within one month or within ten days following written demand by the debtor after there is no outstanding secured obligation and no commitment to make advances, incur obligations or otherwise give value, the secured party must file with each filing officer with whom the financing statement was filed, a termination statement to the effect that he no longer claims a security interest under the financing statement, which shall be identified by file number. In other cases whenever there is no outstanding secured obligation and no commitment to make advances, incur obligations or otherwise give value, the secured party must on written demand by the debtor send the debtor, for each filing officer with whom the financing statement was filed, a termination statement to the effect that he no longer claims a security interest under the financing statement, which shall be identified by file number. A termination statement signed by a person other than the secured party of record must be accompanied by a separate written statement of assignment signed by the secured party of record complying with section 28:9--405(2), including payment of the required fee. If the affected secured

party fails to file such a termination statement as required by this subsection, or to send such a termination statement within ten days after proper demand therefor he shall be liable to the debtor for one hundred dollars, and in addition for any loss caused to the debtor by such failure.

"(2) On presentation to the filing office of such a termination statement he must note it in the index. If he has received the termination statement in duplicate, he shall return one copy of the termination statement to the secured party stamped to show the time of receipt thereof. If the filing officer has a microfilm or other photographic record of the financing statement, and of any related continuation statement, statement of assignment and statement of release, he may remove the originals from the files at any time after receipt of the termination statement, or if he has no such record, he may remove them from the files at any time after one year after receipt of the termination statement.

"(3) The uniform fee for filing and indexing a termination statement including sending or delivering the financing statement shall be \$2.00."

Sec. 33. D.C. Code, sec. 28:9--405 is amended to read as follows:

"Section 28:9--405. Assignment of security interest; duties of filing

D.C.
sec.

officer; fees.

"(1) A financing statement may disclose an assignment of a security interest in the collateral described in the financing statement by indication in the financing statement of the name and address of the assignee or by an assignment itself or a copy thereof on the face or back of the statement. On presentation to the filing officer of such a financing statement the filing officer shall mark the same as provided in section 28:9--403(4). The uniform fee for filing, indexing and furnishing filing data for a financing statement so indicating an assignment shall be \$2.00.

"(2) A secured party may assign of record all or part of his rights under a financing statement by the filing in the place where the original financing statement was filed of a separate written statement of assignment signed by the secured party of record and setting forth the name of the secured party of record and the debtor, the file number and the date of filing of the financing statement and the name and address of the assignee and containing a description of the collateral assigned. A copy of the assignment is sufficient as a separate statement if it complies with the preceding sentence. On presentation to the filing officer of such a separate statement, the filing officer shall mark such separate statement with the date and hour of the filing. He shall note the

assignment on the index of the financing statement, or in the case of a fixture filing, or a filing covering timber to be cut, or covering minerals or the like (including oil and gas) or accounts subject to section 28:9--103(5), he shall index the assignment under the name of the assignor as grantor and, to the extent that the law of the District provides for indexing the assignment of a mortgage under the name of the assignee, he shall index the assignment of the financing statement under the name of the assignee. The uniform fee for filing, indexing and furnishing filing data about such a separate statement of assignment shall be \$2.00. Notwithstanding the provisions of this subsection, an assignment of record of a security interest in a fixture contained in a mortgage effective as a fixture filing (section 28:9--402(6)) may be made only by an assignment of the mortgage in the manner provided by the law of the District of Columbia other than this act.

"(3) After the disclosure or filing of an assignment under this section, the assignee is the secured party of record.".

Sec. 34. D.C. Code, sec. 28:9--406 is amended to read as follows:

D.C.Code,
sec. 28:9-

"Section 28:9--406. Release of collateral; duties of filing officer; fees.

"A secured party of record may by his signed

statement release all or a part of any collateral described in a filed financing statement. The statement of release is sufficient if it contains a description of the collateral being released, the name and address of the debtor, the name and address of the secured party, and the file number of the financing statement. A statement of release signed by a person other than the secured party of record must be accompanied by a separate written statement of assignment assigned by the secured party of record and complying with section 28:9--405(2), including payment of the required fee. Upon presentation of such a statement of release to the filing officer he shall mark the statement with the hour and date of filing and shall note the same upon the margin of the index of the filing of the financing statement. The uniform fee for filing and noting such a statement of release shall be \$2.00.".

Sec. 35. Article 9, Part 4 of the Uniform Commercial Code, D.C. Code, sec. 28:9--401 et seq. is amended by adding to the end thereof the following new section to read as follows:

"Section 28:9--408. Financing statements covering consigned or leased goods.

New
D.C.Code,
sec. 28:9-40

"A consignor or lessor of goods may file a financing statement using the terms 'consignor,' 'consignee,' 'lessor,' 'lessee,' or the like instead of

the terms specified in section 28:9--402. The provisions of this part shall apply as appropriate to such a financing statement but its filing shall not of itself be a factor in determining whether or not the consignment or lease is intended as security (section 28:1--201(37)). However, if it is determined for other reason that the consignment or lease is so intended, a security interest of the consignor or lessor which attaches to the consigned or leased goods is perfected by such filing.*.

Sec. 36. D.C. Code, sec. 28:9--501 is amended to read as follows:

D.C.Code
sec. 28:9

"Section 28:9--501 Default; procedure when security agreement covers both real and personal property.

"(1) When a debtor is in default under a security agreement, a secured party has the rights and remedies provided in this part and except as limited by subsection (3) those provided in the security agreement. He may reduce his claim to judgment, foreclose or otherwise enforce the security interest by any available judicial procedure. If the collateral is documents the secured party may proceed either as to the documents or as to the goods covered thereby. A secured party in possession has the rights, remedies and duties provided in section 28:9--207. The rights

and remedies referred to in this subsection are cumulative.

"(2) After default, the debtor has the rights and remedies provided in his part, those provided in the security agreement and those provided in section 28:9--207.

"(3) To the extent that they give rights to the debtor and impose duties on the secured party, the rules stated in the subsections referred to below may not be waived or varied except as provided with respect to compulsory disposition of collateral (section 28:9--504(3) and section 28:9--505) and with respect to redemption of collateral (section 28:9--506) but the parties may by agreement determine the standards by which the fulfillment of these rights and duties is to be measured if such standards are not manifestly unreasonable:

"(a) section 28:9--502(2) and section 28:9--504(2) insofar as they require accounting for surplus proceeds of collateral;

"(b) section 28:9--504(3) and section 28:9--505(1) which deal with disposition of collateral;

"(c) section 28:9--505(2) which deals with acceptance of collateral as discharge of obligation;

"(d) section 28:9--506 which deals with redemption of collateral; and

"(e) section 28:9--507(1) which deals with the secured party's liability for failure to comply with this part.

"(4) If the security agreement covers both real and personal property, the secured party may proceed under this part as to the personal property or he may proceed as to both the real and the personal property in accordance with his rights and remedies in respect of the real property in which case the provisions of this part do not apply.

"(5) When a secured party has reduced his claim to judgment the lien of any levy which may be made upon his collateral by virtue of any execution based upon the judgment shall relate back to the date of the perfection of the security interest in such collateral. A judicial sale, pursuant to such execution, is a foreclosure of the security interest by judicial procedure within the meaning of this section, and the secured party may purchase at the sale and thereafter hold the collateral free of any other requirements of this article.".

Sec. 37. D.C. Code, sec. 28:9--502 is amended to read as follows:

D.C. Code
sec. 28

"Section 28:9--502. Collection rights of secured party.

"(1) When so agreed and in any event on default the secured party is entitled to notify an

account debtor or the obligor on an instrument to make payment to him whether or not the assignor was theretofore making collections on the collateral, and also to take control of any proceeds to which he is entitled under section 28:9--306.

"(2) A secured party who by agreement is entitled to charge back uncollected collateral or otherwise to full or limited recourse against the debtor and who undertakes to collect from the account debtors or obligors must proceed in a commercially reasonable manner and may deduct his reasonable expenses of realization from the collections. If the security agreement secures an indebtedness, the secured party must account to the debtor for any surplus, and unless otherwise agreed, the debtor is liable for any deficiency. But, if the underlying transaction was a sale of accounts or chattel paper, the debtor is entitled to any surplus or is liable for any deficiency only if the security agreement so provides.".

Sec. 38. D.C. Code, sec. 28:9--504 is amended to read as follows:

D.C.Code,
sec. 28:9-504

"Section 28:9--504. Secured party's right to dispose of collateral after default; effect of disposition.

"(1) A secured party after default may sell, lease or otherwise dispose of any or all of the

.C.Code
ec. 28:9-

collateral in its then condition or following any commercially reasonable preparation or processing. Any sale of goods is subject to the article on sales (article 2). The proceeds of disposition shall be applied in the order following to

"(a) the reasonable expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like and, to the extent provided for in the agreement and not prohibited by law, the reasonable attorneys' fees and legal expenses incurred by the secured party;

"(b) the satisfaction of indebtedness secured by the security interest under which the disposition is made;

"(c) the satisfaction of indebtedness secured by any subordinate security interest in the collateral if written notification of demand therefor is received before distribution of the proceeds is completed. If requested by the secured party, the holder of a subordinate security interest must reasonably furnish reasonable proof of his interest, and unless he does so, the secured party need not comply with his demand.

"(2) If the security interest secures an indebtedness, the secured party must account to the debtor for any surplus, and unless otherwise agreed, the debtor is liable for any deficiency. But if the

Original

underlying transaction was a sale of accounts or chattel paper, the debtor is entitled to any surplus or is liable for any deficiency only if the security agreement so provides.

"(3) Disposition of the collateral may be by public or private proceedings and may be made by way of one or more contracts. Sale or other disposition may be as a unit or in parcels and at any time and place and on any terms but every aspect of the disposition including the method, manner, time, place and terms must be commercially reasonable. Unless collateral is perishable or threatens to decline speedily in value or is a type customarily sold on a recognized market, reasonable notification of the time and place of any public sale or reasonable notification of the time after which any private sale or other intended disposition is to be made shall be sent by the secured party to the debtor, if, except in the case of consumer goods, he has not signed after default a statement renouncing or modifying his right to notification of sale. In the case of consumer goods no other notification need be sent. In other cases notification shall be sent to any other secured party from whom the secured party has received (before sending his notification to the debtor or before the debtor's renunciation of his rights) written notice of a claim of an interest in the collateral. The secured party

may buy at any public sale and if the collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations he may buy at private sale.

"(4) When collateral is disposed of by a secured party after default, the disposition transfers to a purchaser for value all of the debtor's rights therein, discharges the security interest under which it is made and any security interest or lien subordinate thereto. The purchaser takes free of all such rights and interests even though the secured party fails to comply with the requirements of this part or of any judicial proceedings;

"(a) in the case of a public sale, if the purchaser has no knowledge of any defects in the sale and if he does not buy in collusion with the secured party, other bidders or the person conducting the sale; or

"(b) in any other case, if the purchaser acts in good faith.

"(5) A person who is liable to a secured party under a guaranty, indorsement, repurchase agreement or the like and who receives a transfer of collateral from the secured party or is subrogated to his rights has thereafter the rights and duties of the secured party. Such a transfer of collateral is not a sale or disposition of the collateral under this

article.".

Sec. 39. D.C. Code, sec. 28:9--505 is amended to read as follows:

D.C.Code,
sec. 28:9-505

"Section 28:9--505. Compulsory disposition of collateral; acceptance of the collateral as discharge of obligation.

"(1) If the debtor has paid sixty per cent of the cash price in the case of a purchase money security interest in consumer goods or sixty per cent of the *loan in the case of another security interest in* consumer goods, and has not signed after default a statement renouncing or modifying his rights under this part a secured party who has taken possession of collateral must dispose of it under section 28:9--504 and if he fails to do so within ninety days after he takes possession the debtor at his option may recover in conversion or under section 28:9--507(1) on secured party's liability.

"(2) In any other case involving consumer goods or any other collateral a secured party in possession may, after default, propose to retain the collateral in satisfaction of the obligation. Written notice of such proposal shall be sent to the debtor if, except in the case of consumer goods, he has not signed after default a statement renouncing or modifying his rights under this subsection. In the case of consumer

goods no other notice need be given. In other cases notice shall be sent to any other secured party from whom the secured party has received (before sending his notice to the debtor or before the debtor's renunciation of his rights) written notice of a claim of an interest in the collateral. If the secured party receives objection in writing from a person entitled to receive notification within twenty-one days after the notice was sent, the secured party must dispose of the collateral under section 28:9--504. In the absence of such written objection the secured party may retain the collateral in satisfaction of the debtor's obligation.*.

Sec. 40. Subtitle I of D.C. title 28 is amended by adding at the end thereof the following new article to read as follows:

New
D.C.Code
title
subtitle
article

"Article 11. EFFECTIVE DATE AND TRANSITION

PROVISIONS

"Sec. 28:11--101. Effective date

"Sec. 28:11--102. (Omitted)

"Sec. 28:11--103. Transition to this act--
general rule

"Sec. 28:11--104. Transition provision on
change of requirement of
filing

"Sec. 28:11--105. Transition provision on
change of place of

filing

"Sec. 28:11--106. Required refilings

"Sec. 28:11--107. Transition provisions as
to priorities

"Sec. 28:11--108. Presumption that rule of
law continues unchanged"

"Section 28:11--101. Effective date

"The provisions of this act which amend article 9
and the provisions affecting secured transactions shall
become effective at 12:01 A.M. on the 181st day after
the effective date of this act."

"Section 28:11--102. (Omitted)

"Section 28:11--103. Transition to this
act--general rule.

"Transactions validly entered into after January
1, 1965 and before the effective date of this act (as
provided in section 28:11--101), and which were subject
to the provisions of articles 1 through 9 of the
Uniform Commercial Code, effective January 1, 1965, and
which would be subject to this act as amended if they
had been entered into after the effective date of this
act (as provided in section 28:11--101) and the rights,
duties and interests flowing from such transactions
remain valid after the latter date and may be
terminated, completed, consummated or enforced as
required or permitted by this act. Security interests
arising out of such transactions which are perfected

when this act becomes effective shall remain perfected until they lapse as provided in this act, and may be continued as permitted by this act, except as stated in section 28:11--105.

"Section 28:11--104. Transition provision on change of

requirement of filing.

"A security interest for the perfection of which filing or the taking of possession was required under article 9 of this subtitle, effective January 1, 1965, and which attached prior to the effective date of this act (as provided in section 28:11--101) but was not perfected shall be deemed perfected on such effective date of this act if this act permits perfection without filing or authorizes filing in the office or offices where a prior ineffective filing was made.

"Section 28:11--105. Transition provision on change of place of filing.

"(1) A financing statement or continuation statement filed prior to the effective date of this act (as provided in section 28:11--101) which shall not have lapsed prior to such effective date of this act shall remain effective for the period provided for in article 9 of this subtitle, effective January 1, 1965, but not less than five years after the filing.

"(2) With respect to any collateral acquired

by the debtor subsequent to the effective date of this act (as provided in section 28:11--101), any effective financing statement or continuation statement described in this section shall apply only if the filing or filings are in the office or offices that would be appropriate to perfect the security interests in the new collateral under this act.

"(3) The effectiveness of any financing statement or continuation statement filed prior to the effective date of this act (as provided in section 28:11--101) may be continued by a continuation statement as permitted by this act except that if this act requires a filing in an office where there was no previous financing statement, a new financing statement conforming to section 28:11--106 shall be filed in that office.

"(4) If the record of a mortgage of real estate would have been effective as a fixture filing of goods described therein if this act had been in effect on the date of recording the mortgage, the mortgage shall be deemed effective as a fixture filing as to such goods under section 28:9--402(6) of this act on the effective date of this act (as provided in section 28:11--101).

"Section 28:11--106. Required refilings.

"(1) If a security interest is perfected or has priority when this act takes effect (as provided in

section 28:11--101) as to all persons or as to certain persons without any filing or recording, and if the filing of a financing statement would be required for the perfection or priority of the security interest against those persons under this act, the perfection and priority rights of the security interest continue until three years after such effective date of this act. The perfection will then lapse unless a financing statement is filed as provided in subsection (4) or unless the security interest is perfected otherwise than by filing.

"(2) If a security interest is perfected when this act takes effect (as provided in section 28:11--101) under a law other than the Uniform Commercial Code which requires no further filing, refiling or recording to continue its perfection, perfection continues until and will lapse three years after this act takes effect, unless a financing statement is filed as provided in subsection (4) or unless the security interest is perfected otherwise than by filing, or unless the security interest is perfected otherwise than by filing, or unless under section 28:9--302(3) the other law continues to govern filing.

"(3) If a security interest is perfected by a filing, refiling or recording under a law repealed by this act which required further filing, refiling or

recording to continue its perfection, perfection continues and will lapse on the date provided by the law so repealed for such further filing, refiling or recording unless a financing statement is filed as provided in subsection (4) or unless the security interest is perfected otherwise than by filing.

"(4) A financing statement may be filed within six months before the perfection of a security interest would otherwise lapse. Any such financing statement may be signed by either the debtor or the secured party. It must identify the security agreement, statement or notice (however denominated in any statute or other law repealed or modified by this act), state the office where and the date when the last filing, refiling or recording, if any, was made with respect thereto, and the filing number, if any, or book and page, if any, of recording and further state that the security agreement, statement or notice, however denominated, in another filing office under the Uniform Commercial Code effective January 1, 1965, or under any statute or other law repealed or modified by this act is still effective. Section 28:9--401 and section 28:9--103 determine the proper place to file such a financing statement. Except as specified in this subsection, the provisions of section 28:9--403(3) for continuation statements apply to such a financing statement.

"Section 28:11--107. Transition provisions as to priorities.

"Except as otherwise provided in this article, the Uniform Commercial Code effective January 1, 1965, shall apply to any questions of priority if the positions of the parties were fixed prior to the effective date of this act (as provided in section 28:11--101). In other cases questions of priority shall be determined by this act.

"Section 28:11--108. Presumption that rule of law continues unchanged.

"Unless a change in law has clearly been made, the provisions of this act shall be deemed declaratory of the meaning of the Uniform Commercial Code effective January 1, 1965."

Sec. 41. Subtitle 1 of D.C. Code title 28 is amended by adding at the end of the table of contents the following chapter heading to read as follows: "11. Effective Date and Transition Provisions.....28:11--101".

Sec. 42. D.C. Code, sec. 28:2--316 is amended by adding to the end thereof a new section to read as follows:

"Section 28:2-316.1. Limitation of exclusion or modification of warranties consumers

"(1) The provisions of section 28:2--316 do

not apply to the sale of consumer goods, as defined by section 28:9--109, services, or both.

"(2) Any oral or written language used by a seller of consumer goods and services, which attempts to exclude or modify any implied warranties of merchantability or fitness for a particular purpose or to exclude or modify the consumer's remedies for breach of those warranties, is unenforceable. However, such merchant may recover from the manufacturer any damages resulting from breach of the implied warranty of merchantability or fitness for a particular purpose.

"(3) The provisions of subsection (2) do not apply to particular defects and limitations of consumer goods and services noted conspicuously in writing at the time of sale.

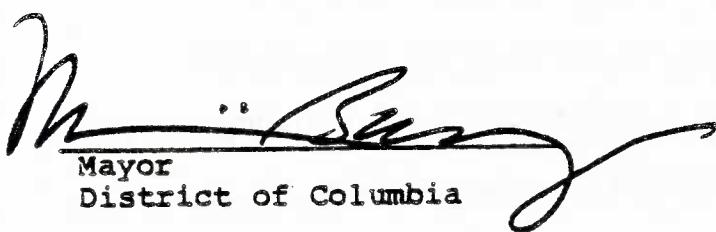
"(4) Any oral or written language used by a manufacturer of consumer goods, which attempts to limit or modify a consumer's remedies for breach of the manufacturer's express warranties is unenforceable, unless the manufacturer provided reasonable and expeditious means of performing the warranty obligations."

Sec. 43. This act shall take effect after a thirty (30)-day period of Congressional review following approval by the Mayor (or in the event of veto by the Mayor, action by the Council of the District of Columbia to override the veto) as provided

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in section 602(c)(1) of the District of Columbia
Self-Government and Governmental Reorganization Act,
approved December 24, 1973 (87 Stat. 813; D.C. Code,
sec. 1-233(c)(1)).


Marion D. Barry
Chairman
Council of the District of Columbia


Walter E. Washington
Mayor
District of Columbia

APPROVED: January 18, 1982

COUNCIL OF THE DISTRICT OF COLUMBIA



Council Period Four

First Session

DOCKET NO: B 4-89 Item on Consent CalendarACTION: Adopted First Reading, 11-24-81 VOICE VOTE: UnanimousAbsent: Wilson and Crawford ROLL CALL VOTE:

COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.
CHMN. DIXON					KANE					SHACKLETON				
WINTER					MASON					SPAULDING				
CLARKE					MOORE, JR.					WILSON				
CRAWFORD					RAY									
JARVIS					ROLARK									

X - Indicates Vote A.B. - Absent N.V. - Not Voting

CERTIFICATION OF RECORD

John G. Brown 1-4-82
 Secretary to the Council Date

 Item on Consent CalendarACTION: Adopted Final Reading, 12-8-81 VOICE VOTE: UnanimousAbsent: all present ROLL CALL VOTE:

COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.
CHMN. DIXON					KANE					SHACKLETON				
WINTER					MASON					SPAULDING				
CLARKE					MOORE, JR.					WILSON				
CRAWFORD					RAY									
JARVIS					ROLARK									

X - Indicates Vote A.B. - Absent N.V. - Not Voting

CERTIFICATION OF RECORD

John G. Brown 1-4-82
 Secretary to the Council Date

 Item on Consent Calendar

ACTION: _____

 VOICE VOTE: _____

Absent: _____

 ROLL CALL VOTE:

COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.
CHMN. DIXON					KANE					SHACKLETON				
WINTER					MASON					SPAULDING				
CLARKE					MOORE, JR.					WILSON				
CRAWFORD					RAY									
JARVIS					ROLARK									

X - Indicates Vote A.B. - Absent N.V. - Not Voting

CERTIFICATION OF RECORD

Secretary to the Council

Date