

EXCERPTS FROM NEW YORK STATE UNIFORM COMMERCIAL CODE
ARTICLE 9

Note: Only those statutory provisions relevant to accounts receivable transactions with business entities are summarized here.

Different rules may apply to sale or financing of consumer or health receivables, payment obligations which do not arise out of the purchase or sale of goods and services, or payment obligations evidenced by promissory notes or negotiable instruments.

Section 9--108. Sufficiency of Description.

(a) Sufficiency of description. A description of personal property is sufficient, whether or not it is specific, if it reasonably identifies what is described.

Section 9--108(b) Examples of reasonable identification.

A description of collateral reasonably identifies the collateral if it identifies the collateral by:

- (1) specific listing;
- (2) category;
- (3) except as otherwise provided in subsection (e), a type of collateral defined in this chapter;
- (4) quantity;
- (5) computational or allocational formula or procedure; or
- (6) any other method, if the identity of the collateral is objectively determinable.

Section 9--203 (a) Attachment.

A security interest attaches to collateral when it becomes enforceable against the debtor with respect to the collateral, unless an agreement expressly postpones the time of attachment.

Section 9--203 (b) Enforceability.

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

- (1) value has been given;
- (2) the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party; and
- (3) (A) the debtor has authenticated a security agreement that provides a description of the collateral

Section 9--203 (f) Proceeds and supporting obligations.

The attachment of a security interest in collateral gives the secured party the rights to (identifiable) proceeds and is also attachment of a security interest in a supporting obligation for the collateral.

Section 9--204(a) After-acquired collateral.

A security agreement may create or provide for a security interest in after-acquired collateral.

Section 9--204(c) Future advances and other value.

A security agreement may provide that collateral secures, or that accounts are sold in connection with, future advances or other value, whether or not the advances or value are given pursuant to commitment.

Section 9--322. Priorities among Conflicting Security Interests in Same Collateral.

(a) General priority rules. Except as otherwise provided in this section, priority among conflicting security interests in the same collateral is determined according to the following rules:

(1) Conflicting perfected security interests rank according to priority in time of filing or perfection. Priority dates from the earlier of the time a filing covering the collateral is first made or the security interest is first perfected, if there is no period thereafter when there is neither filing nor perfection.

(2) A perfected security interest has priority over a conflicting unperfected security interest

(3) The first security interest to attach or become effective has priority if conflicting security interests are unperfected.

Section 9--404. (a) Assignee's rights subject to terms, claims, and defenses; exceptions.

Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to subsection (b), the rights of an assignee are subject to:

(1) all terms of the agreement between the account debtor and assignor and any defense or claim in recoupment arising from the transaction that gave rise to the contract; and

(2) any other defense or claim of the account debtor against the assignor which accrues before the account debtor receives a notification of the assignment authenticated by the assignor or the assignee.

Section 9--404 (b) Account debtor's claim reduces amount owed to assignee.

The claim of an account debtor against an assignor may be asserted against an assignee under subsection (a) only to reduce the amount the account debtor owes.

Section 9--406 (a) Discharge of account debtor; effect of notification.

Subject to subsection (b), an account debtor on an account may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, authenticated by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.

Section 9--406 (b) When notification ineffective.

Notification is ineffective under subsection (a):

- (1) if it does not reasonably identify the rights assigned;
- or
- (3) at the option of an account debtor, if the notification notifies the account debtor to make less than the full amount of any installment or other periodic payment to the assignee, even if:
 - (A) only a portion of the account has been assigned to that assignee;
 - (B) a portion has been assigned to another assignee; or
 - (C) the account debtor knows that the assignment to that assignee is limited.

Section 9--406 (c) Proof of assignment.

If requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under subsection (a).

Section 9--406 (d) Term restricting assignment generally ineffective.

A term in an agreement between an account debtor and an assignor is ineffective to the extent that it:

- (1) prohibits, restricts, or requires the consent of the account debtor to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, the account; or
- (2) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the account.

Section 9--502(a) Sufficiency of financing statement.

A financing statement is sufficient only if it:

- (1) provides the name of the debtor;
- (2) provides the name of the secured party or a representative of the secured party;
- (3) indicates the collateral covered by the financing statement

Section 9--502. (d) Filing before security agreement or attachment.

A financing statement may be filed before a security agreement is made or a security interest otherwise attaches.

Section 9--504. Indication of Collateral.

A financing statement sufficiently indicates the collateral that it covers if the financing statement provides:

- (1) a description of the collateral pursuant to Section 9--108; or
- (2) an indication that the financing statement covers all assets or all personal property.

Section 9--509. Persons Entitled to File a Record.

(a) A person may file an initial financing statement only if:

(1) the debtor authorizes the filing in an authenticated record or pursuant to subsection (b).

(b) Security agreement as authorization. By authenticating or becoming bound as debtor by a security agreement, a debtor authorizes the filing of an initial financing statement, covering:

- 1) the collateral described in the security agreement; and
- 2) (identifiable) proceeds whether or not the security agreement expressly covers proceeds.