

# HB5303



## 103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB5303

Introduced 2/9/2024, by Rep. Daniel Didech

### SYNOPSIS AS INTRODUCED:

See Index

Amends the Uniform Commercial Code to adopt changes recommended by the Uniform Law Commission with respect to the addition of a Controllable Electronic Records Article and transitional provisions and the amendment of other provisions of the Code. Makes other changes. Effective January 1, 2025.

LRB103 39305 SPS 69459 b

A BILL FOR

1 AN ACT concerning commercial transactions.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 2. The Transmitters of Money Act is amended by  
5 changing Section 5 as follows:

6 (205 ILCS 657/5)

7 Sec. 5. Definitions. As used in this Act, unless the  
8 context otherwise requires, the words and phrases defined in  
9 this Section have the meanings set forth in this Section.

10 "Authorized seller" means a person not an employee of a  
11 licensee who engages in the business regulated by this Act on  
12 behalf of a licensee under a contract between that person and  
13 the licensee.

14 "Bill payment service" means the business of transmitting  
15 money on behalf of an Illinois resident for the purpose of  
16 paying the resident's bills.

17 "Controlling person" means a person owning or holding the  
18 power to vote 25% or more of the outstanding voting securities  
19 of a licensee or the power to vote the securities of another  
20 controlling person of the licensee. For purposes of  
21 determining the percentage of a licensee controlled by a  
22 controlling person, the person's interest shall be combined  
23 with the interest of any other person controlled, directly or

1 indirectly, by that person or by a spouse, parent, or child of  
2 that person.

3 "Department" means the Department of Financial  
4 Institutions.

5 "Director" means the Director of Financial Institutions.

6 "Licensee" means a person licensed under this Act.

7 "Location" means a place of business at which activity  
8 regulated by this Act occurs.

9 "Material litigation" means any litigation that, according  
10 to generally accepted accounting principles, is deemed  
11 significant to a licensee's financial health and would be  
12 required to be referenced in a licensee's annual audited  
13 financial statements, reports to shareholders, or similar  
14 documents.

15 "Money" means a medium of exchange that is authorized or  
16 adopted by a domestic or foreign government as a part of its  
17 currency and that is customarily used and accepted as a medium  
18 of exchange in the country of issuance. The term does not  
19 include an electronic record that is a medium of exchange  
20 recorded and transferable in a system that existed and  
21 operated for the medium of exchange before the medium of  
22 exchange was authorized or adopted by the government.

23 "Money transmitter" means a person who is located in or  
24 doing business in this State and who directly or through  
25 authorized sellers does any of the following in this State:

26 (1) Sells or issues payment instruments.

1           (2) Engages in the business of receiving money for  
2 transmission or transmitting money.

3           (3) Engages in the business of exchanging, for  
4 compensation, money of the United States Government or a  
5 foreign government to or from money of another government.

6           "Outstanding payment instrument" means, unless otherwise  
7 treated by or accounted for under generally accepted  
8 accounting principles on the books of the licensee, a payment  
9 instrument issued by the licensee that has been sold in the  
10 United States directly by the licensee or has been sold in the  
11 United States by an authorized seller of the licensee and  
12 reported to the licensee as having been sold, but has not been  
13 paid by or for the licensee.

14           "Payment instrument" means a check, draft, money order,  
15 traveler's check, stored value card, or other instrument or  
16 memorandum, written order or written receipt for the  
17 transmission or payment of money sold or issued to one or more  
18 persons whether or not that instrument or order is negotiable.  
19 Payment instrument does not include an instrument that is  
20 redeemable by the issuer in merchandise or service, a credit  
21 card voucher, or a letter of credit. A written order for the  
22 transmission or payment of money that results in the issuance  
23 of a check, draft, money order, traveler's check, or other  
24 instrument or memorandum is not a payment instrument.

25           "Person" means an individual, partnership, association,  
26 joint stock association, corporation, or any other form of

1 business organization.

2 "Stored value card" means any magnetic stripe card or  
3 other electronic payment instrument given in exchange for  
4 money and other similar consideration, including but not  
5 limited to checks, debit payments, money orders, drafts,  
6 credit payments, and traveler's checks, where the card or  
7 other electronic payment instrument represents a dollar value  
8 that the consumer can either use or give to another  
9 individual.

10 "Transmitting money" means the transmission of money by  
11 any means, including transmissions to or from locations within  
12 the United States or to and from locations outside of the  
13 United States by payment instrument, facsimile or electronic  
14 transfer, or otherwise, and includes bill payment services.

15 (Source: P.A. 92-400, eff. 1-1-02; 93-535, eff. 1-1-04.)

16 Section 5. The Uniform Commercial Code is amended by  
17 renumbering and changing Article 12 as added by Public Act  
18 85-997, by changing Sections 1-201, 1-204, 1-301, 1-306,  
19 2-102, 2-106, 2-201, 2-202, 2-203, 2-205, 2-209, 2A-102,  
20 2A-103, 2A-107, 2A-201, 2A-202, 2A-203, 2A-205, 2A-208, 3-104,  
21 3-105, 3-401, 3-604, 4A-103, 4A-201, 4A-202, 4A-203, 4A-207,  
22 4A-208, 4A-210, 4A-211, 4A-305, 5-104, 5-116, 7-102, 7-106,  
23 8-102, 8-103, 8-106, 8-110, 8-303, 9-102, 9-104, 9-105, 9-203,  
24 9-204, 9-207, 9-208, 9-209, 9-210, 9-301, 9-304, 9-305, 9-310,  
25 9-312, 9-313, 9-314, 9-316, 9-317, 9-323, 9-324, 9-330, 9-331,

1 9-332, 9-334, 9-341, 9-404, 9-406, 9-408, 9-509, 9-513, 9-601,  
2 9-605, 9-608, 9-611, 9-613, 9-614, 9-615, 9-616, 9-619, 9-620,  
3 9-621, 9-624, and 9-628, and by adding Articles 12 and 12A and  
4 Sections 9-105A, 9-107A, 9-107B, 9-306A, 9-306B, 9-314A, and  
5 9-326A as follows:

6 (810 ILCS 5/1-201) (from Ch. 26, par. 1-201)

7 Sec. 1-201. General Definitions.

8 (a) Unless the context otherwise requires, words or  
9 phrases defined in this Section, or in the additional  
10 definitions contained in other Articles of the Uniform  
11 Commercial Code that apply to particular Articles or parts  
12 thereof, have the meanings stated.

13 (b) Subject to definitions contained in other Articles of  
14 the Uniform Commercial Code that apply to particular Articles  
15 or parts thereof:

16 (1) "Action", in the sense of a judicial proceeding,  
17 includes recoupment, counterclaim, set-off, suit in  
18 equity, and any other proceeding in which rights are  
19 determined.

20 (2) "Aggrieved party" means a party entitled to pursue  
21 a remedy.

22 (3) "Agreement", as distinguished from "contract",  
23 means the bargain of the parties in fact, as found in their  
24 language or inferred from other circumstances, including  
25 course of performance, course of dealing, or usage of

1 trade as provided in Section 1-303.

2 (4) "Bank" means a person engaged in the business of  
3 banking and includes a savings bank, savings and loan  
4 association, credit union, and trust company.

5 (5) "Bearer" means a person in possession of a  
6 negotiable instrument, document of title, or certificated  
7 security that is payable to bearer or indorsed in blank.

8 (6) "Bill of lading" means a document evidencing the  
9 receipt of goods for shipment issued by a person engaged  
10 in the business of transporting or forwarding goods.

11 (7) "Branch" includes a separately incorporated  
12 foreign branch of a bank.

13 (8) "Burden of establishing" a fact means the burden  
14 of persuading the trier of fact that the existence of the  
15 fact is more probable than its nonexistence.

16 (9) "Buyer in ordinary course of business" means a  
17 person that buys goods in good faith, without knowledge  
18 that the sale violates the rights of another person in the  
19 goods, and in the ordinary course from a person, other  
20 than a pawnbroker, in the business of selling goods of  
21 that kind. A person buys goods in the ordinary course if  
22 the sale to the person comports with the usual or  
23 customary practices in the kind of business in which the  
24 seller is engaged or with the seller's own usual or  
25 customary practices. A person that sells oil, gas, or  
26 other minerals at the wellhead or minehead is a person in

1 the business of selling goods of that kind. A buyer in  
2 ordinary course of business may buy for cash, by exchange  
3 of other property, or on secured or unsecured credit, and  
4 may acquire goods or documents of title under a  
5 preexisting contract for sale. Only a buyer that takes  
6 possession of the goods or has a right to recover the goods  
7 from the seller under Article 2 may be a buyer in ordinary  
8 course of business. "Buyer in ordinary course of business"  
9 does not include a person that acquires goods in a  
10 transfer in bulk or as security for or in total or partial  
11 satisfaction of a money debt.

12 (10) "Conspicuous", with reference to a term, means so  
13 written, displayed, or presented that, based on the  
14 totality of the circumstances, a reasonable person against  
15 which it is to operate ought to have noticed it. Whether a  
16 term is "conspicuous" or not is a decision for the court.  
17 ~~Conspicuous terms include the following:~~

18 ~~(A) a heading in capitals equal to or greater in~~  
19 ~~size than the surrounding text, or in contrasting~~  
20 ~~type, font, or color to the surrounding text of the~~  
21 ~~same or lesser size; and~~

22 ~~(B) language in the body of a record or display in~~  
23 ~~larger type than the surrounding text, or in~~  
24 ~~contrasting type, font, or color to the surrounding~~  
25 ~~text of the same size, or set off from surrounding text~~  
26 ~~of the same size by symbols or other marks that call~~



1 ~~attention to the language.~~

2 (11) "Consumer" means an individual who enters into a  
3 transaction primarily for personal, family, or household  
4 purposes.

5 (12) "Contract", as distinguished from "agreement",  
6 means the total legal obligation that results from the  
7 parties' agreement as determined by the Uniform Commercial  
8 Code as supplemented by any other applicable laws.

9 (13) "Creditor" includes a general creditor, a secured  
10 creditor, a lien creditor, and any representative of  
11 creditors, including an assignee for the benefit of  
12 creditors, a trustee in bankruptcy, a receiver in equity,  
13 and an executor or administrator of an insolvent debtor's  
14 or assignor's estate.

15 (14) "Defendant" includes a person in the position of  
16 defendant in a counterclaim, cross-claim, or third-party  
17 claim.

18 (15) "Delivery", with respect to an electronic  
19 document of title, means voluntary transfer of control  
20 and, with respect to an instrument, document of title, or  
21 an authoritative tangible copy of a record evidencing  
22 chattel paper, means voluntary transfer of possession.

23 (16) "Document of title" includes bill of lading, dock  
24 warrant, dock receipt, warehouse receipt or order for the  
25 delivery of goods, and also any other document which in  
26 the regular course of business or financing is treated as

1 adequately evidencing that the person in possession of it  
2 is entitled to receive, hold, and dispose of the document  
3 and the goods it covers. To be a document of title, a  
4 document must purport to be issued by or addressed to a  
5 bailee and purport to cover goods in the bailee's  
6 possession which are either identified or are fungible  
7 portions of an identified mass.

8 (16A) "Electronic" means relating to technology having  
9 electrical, digital, magnetic, wireless, optical,  
10 electromagnetic, or similar capabilities.

11 (17) "Fault" means a default, breach, or wrongful act  
12 or omission.

13 (18) "Fungible goods" means:

14 (A) goods of which any unit, by nature or usage of  
15 trade, is the equivalent of any other like unit; or

16 (B) goods that by agreement are treated as  
17 equivalent.

18 (19) "Genuine" means free of forgery or  
19 counterfeiting.

20 (20) "Good faith" means honesty in fact in the conduct  
21 or transaction concerned.

22 (21) "Holder" means:

23 (A) the person in possession of a negotiable  
24 instrument that is payable either to bearer or to an  
25 identified person that is the person in possession; ~~or~~

26 (B) the person in possession of a document of

1 title if the goods are deliverable either to bearer or  
2 to the order of the person in possession; ~~or-~~

3 (C) the person in control, other than pursuant to  
4 Section 7-106(g), of a negotiable electronic document  
5 of title.

6 (22) "Insolvency proceeding" includes an assignment  
7 for the benefit of creditors or other proceeding intended  
8 to liquidate or rehabilitate the estate of the person  
9 involved.

10 (23) "Insolvent" means:

11 (A) having generally ceased to pay debts in the  
12 ordinary course of business other than as a result of  
13 bona fide dispute;

14 (B) being unable to pay debts as they become due;  
15 or

16 (C) being insolvent within the meaning of federal  
17 bankruptcy law.

18 (24) "Money" means a medium of exchange that is  
19 currently authorized or adopted by a domestic or foreign  
20 government. The term includes a monetary unit of account  
21 established by an intergovernmental organization or by  
22 agreement between two or more countries. The term does not  
23 include an electronic record that is a medium of exchange  
24 recorded and transferable in a system that existed and  
25 operated for the medium of exchange before the medium of  
26 exchange was authorized or adopted by the government.

1           (25) "Organization" means a person other than an  
2 individual.

3           (26) "Party", as distinguished from "third party",  
4 means a person that has engaged in a transaction or made an  
5 agreement subject to the Uniform Commercial Code.

6           (27) "Person" means an individual, corporation,  
7 business trust, estate, trust, partnership, limited  
8 liability company, association, joint venture, government,  
9 governmental subdivision, agency, or instrumentality,  
10 ~~public corporation,~~ or any other legal or commercial  
11 entity. The term includes a protected series, however  
12 denominated, of an entity if the protected series is  
13 established under law other than the Uniform Commercial  
14 Code that limits, or limits if conditions specified under  
15 the law are satisfied, the ability of a creditor of the  
16 entity or of any other protected series of the entity to  
17 satisfy a claim from assets of the protected series.

18           (28) "Present value" means the amount as of a date  
19 certain of one or more sums payable in the future,  
20 discounted to the date certain by use of either an  
21 interest rate specified by the parties if that rate is not  
22 manifestly unreasonable at the time the transaction is  
23 entered into or, if an interest rate is not so specified, a  
24 commercially reasonable rate that takes into account the  
25 facts and circumstances at the time the transaction is  
26 entered into.

1           (29) "Purchase" means taking by sale, lease, discount,  
2 negotiation, mortgage, pledge, lien, security interest,  
3 issue or reissue, gift, or any other voluntary transaction  
4 creating an interest in property.

5           (30) "Purchaser" means a person that takes by  
6 purchase.

7           (31) "Record" means information that is inscribed on a  
8 tangible medium or that is stored in an electronic or  
9 other medium and is retrievable in perceivable form.

10          (32) "Remedy" means any remedial right to which an  
11 aggrieved party is entitled with or without resort to a  
12 tribunal.

13          (33) "Representative" means a person empowered to act  
14 for another, including an agent, an officer of a  
15 corporation or association, and a trustee, executor, or  
16 administrator of an estate.

17          (34) "Right" includes remedy.

18          (35) "Security interest" means an interest in personal  
19 property or fixtures which secures payment or performance  
20 of an obligation. "Security interest" includes any  
21 interest of a consignor and a buyer of accounts, chattel  
22 paper, a payment intangible, or a promissory note in a  
23 transaction that is subject to Article 9. "Security  
24 interest" does not include the special property interest  
25 of a buyer of goods on identification of those goods to a  
26 contract for sale under Section 2-401, but a buyer may

1 also acquire a "security interest" by complying with  
2 Article 9. Except as otherwise provided in Section 2-505,  
3 the right of a seller or lessor of goods under Article 2 or  
4 2A to retain or acquire possession of the goods is not a  
5 "security interest", but a seller or lessor may also  
6 acquire a "security interest" by complying with Article 9.  
7 The retention or reservation of title by a seller of goods  
8 notwithstanding shipment or delivery to the buyer under  
9 Section 2-401 is limited in effect to a reservation of a  
10 "security interest". Whether a transaction in the form of  
11 a lease creates a "security interest" is determined  
12 pursuant to Section 1-203.

13 (36) "Send"    in connection with a ~~writing~~, record, or  
14 notification, ~~notice~~ means:

15 (A) to deposit in the mail    ~~or~~ deliver for  
16 transmission, or transmit by any other usual means of  
17 communication,    with postage or cost of transmission  
18 provided for, addressed ~~and properly addressed and, in~~  
19 ~~the case of an instrument, to an address specified~~  
20 ~~thereon or otherwise agreed, or if there be none to any~~  
21 address reasonable under the circumstances; or

22 (B) to cause the record or notification to be  
23 received within the time it would have been received  
24 if properly sent under subparagraph (A) ~~in any other~~  
25 ~~way to cause to be received any record or notice within~~  
26 ~~the time it would have arrived if properly sent.~~

1           (37) "Sign" means, with present intent to authenticate  
2 or adopt a record: "Signed" includes using any symbol  
3 executed or adopted with present intention to adopt or  
4 accept a writing.

5                     (A) execute or adopt a tangible symbol; or

6                     (B) attach to or logically associate with the  
7 record an electronic symbol, sound, or process.

8           "Signed", "signing", and "signature" have  
9 corresponding meanings.

10           (38) "State" means a State of the United States, the  
11 District of Columbia, Puerto Rico, the United States  
12 Virgin Islands, or any territory or insular possession  
13 subject to the jurisdiction of the United States.

14           (39) "Surety" includes a guarantor or other secondary  
15 obligor.

16           (40) "Term" means a portion of an agreement that  
17 relates to a particular matter.

18           (41) "Unauthorized signature" means a signature made  
19 without actual, implied, or apparent authority. The term  
20 includes a forgery.

21           (42) "Warehouse receipt" means a receipt issued by a  
22 person engaged in the business of storing goods for hire.

23           (43) "Writing" includes printing, typewriting, or any  
24 other intentional reduction to tangible form. "Written"  
25 has a corresponding meaning.

26 (Source: P.A. 95-895, eff. 1-1-09.)

1 (810 ILCS 5/1-204) (from Ch. 26, par. 1-204)

2 Sec. 1-204. Value. Except as otherwise provided in  
3 Articles 3, 4, 5, ~~and 6,~~ and 12, a person gives value for  
4 rights if the person acquires them:

5 (1) in return for a binding commitment to extend  
6 credit or for the extension of immediately available  
7 credit, whether or not drawn upon and whether or not a  
8 charge-back is provided for in the event of difficulties  
9 in collection;

10 (2) as security for, or in total or partial  
11 satisfaction of, a preexisting claim;

12 (3) by accepting delivery under a preexisting contract  
13 for purchase; or

14 (4) in return for any consideration sufficient to  
15 support a simple contract.

16 (Source: P.A. 95-895, eff. 1-1-09.)

17 (810 ILCS 5/1-301)

18 Sec. 1-301. Territorial applicability; parties' power to  
19 choose applicable law.

20 (a) Except as otherwise provided in this Section, when a  
21 transaction bears a reasonable relation to this State and also  
22 to another state or nation the parties may agree that the law  
23 either of this State or of such other state or nation shall  
24 govern their rights and duties.



1 (b) In the absence of an agreement effective under  
2 subsection (a), and except as provided in subsection (c), the  
3 Uniform Commercial Code applies to transactions bearing an  
4 appropriate relation to this State.

5 (c) If one of the following provisions of the Uniform  
6 Commercial Code specifies the applicable law, that provision  
7 governs and a contrary agreement is effective only to the  
8 extent permitted by the law so specified:

9 (1) Section 2-402;

10 (2) Sections 2A-105 and 2A-106;

11 (3) Section 4-102;

12 (4) Section 4A-507;

13 (5) Section 5-116;

14 (6) Section 8-110;

15 (7) Sections 9-301 through 9-307;~~i-~~

16 (8) Section 12-107.

17 (Source: P.A. 95-895, eff. 1-1-09.)

18 (810 ILCS 5/1-306)

19 Sec. 1-306. Waiver or renunciation of claim or right after  
20 breach. A claim or right arising out of an alleged breach may  
21 be discharged in whole or in part without consideration by  
22 agreement of the aggrieved party in a signed ~~an authenticated~~  
23 record.

24 (Source: P.A. 95-895, eff. 1-1-09.)

1 (810 ILCS 5/2-102) (from Ch. 26, par. 2-102)  
2 Sec. 2-102. Scope; certain security and other transactions  
3 excluded from this Article.

4 (1) Unless the context otherwise requires, and except as  
5 provided in subsection (3), this Article applies to  
6 transactions in goods and, in the case of a hybrid  
7 transaction, it applies to the extent provided in subsection  
8 (2).

9 (2) In a hybrid transaction:

10 (a) If the sale-of-goods aspects do not predominate,  
11 only the provisions of this Article which relate primarily  
12 to the sale-of-goods aspects of the transaction apply, and  
13 the provisions that relate primarily to the transaction as  
14 a whole do not apply.

15 (b) If the sale-of-goods aspects predominate, this  
16 Article applies to the transaction but does not preclude  
17 application in appropriate circumstances of other law to  
18 aspects of the transaction that do not relate to the sale  
19 of goods.

20 (3) This Article does not:

21 (a) apply to a transaction that, even though in the  
22 form of an unconditional contract to sell or present sale,  
23 operates only to create a security interest; or

24 (b) impair or repeal a statute regulating sales to  
25 consumers, farmers, or other specified classes of buyers.

26 ~~Unless the context otherwise requires, this Article~~

1 ~~applies to transactions in goods; it does not apply to any~~  
2 ~~transaction which although in the form of an unconditional~~  
3 ~~contract to sell or present sale is intended to operate only as~~  
4 ~~a security transaction nor does this Article impair or repeal~~  
5 ~~any statute regulating sales to consumers, farmers or other~~  
6 ~~specified classes of buyers.~~

7 (Source: Laws 1961, p. 2101.)

8 (810 ILCS 5/2-106) (from Ch. 26, par. 2-106)

9 Sec. 2-106. Definitions: "contract"; "agreement";  
10 "contract for sale"; "sale"; "present sale"; "conforming" to  
11 contract; "termination"; "cancellation"; "hybrid  
12 transaction".

13 (1) In this Article unless the context otherwise requires  
14 "contract" and "agreement" are limited to those relating to  
15 the present or future sale of goods. "Contract for sale"  
16 includes both a present sale of goods and a contract to sell  
17 goods at a future time. A "sale" consists in the passing of  
18 title from the seller to the buyer for a price (Section 2-401).  
19 A "present sale" means a sale which is accomplished by the  
20 making of the contract.

21 (2) Goods or conduct including any part of a performance  
22 are "conforming" or conform to the contract when they are in  
23 accordance with the obligations under the contract.

24 (3) "Termination" occurs when either party pursuant to a  
25 power created by agreement or law puts an end to the contract

1 otherwise than for its breach. On "termination" all  
2 obligations which are still executory on both sides are  
3 discharged but any right based on prior breach or performance  
4 survives.

5 (4) "Cancellation" occurs when either party puts an end to  
6 the contract for breach by the other and its effect is the same  
7 as that of "termination" except that the cancelling party also  
8 retains any remedy for breach of the whole contract or any  
9 unperformed balance.

10 (5) "Hybrid transaction" means a single transaction  
11 involving a sale of goods and:

12 (a) the provision of services;

13 (b) a lease of other goods; or

14 (c) a sale, lease, or license of property other than  
15 goods.

16 (Source: Laws 1961, 1st SS., p. 7.)

17 (810 ILCS 5/2-201) (from Ch. 26, par. 2-201)

18 Sec. 2-201. Formal requirements; statute of frauds.

19 (1) Except as otherwise provided in this Section a  
20 contract for the sale of goods for the price of \$500 or more is  
21 not enforceable by way of action or defense unless there is a  
22 record ~~some writing~~ sufficient to indicate that a contract for  
23 sale has been made between the parties and signed by the party  
24 against whom enforcement is sought or by the party's ~~his~~  
25 authorized agent or broker. A record ~~writing~~ is not

1 insufficient because it omits or incorrectly states a term  
2 agreed upon but the contract is not enforceable under this  
3 subsection ~~paragraph~~ beyond the quantity of goods shown in the  
4 record ~~such writing~~.

5 (2) Between merchants if within a reasonable time a record  
6 ~~writing~~ in confirmation of the contract and sufficient against  
7 the sender is received and the party receiving it has reason to  
8 know its contents, it satisfies the requirements of subsection  
9 (1) against the ~~such~~ party unless ~~written~~ notice in a record of  
10 objection to its contents is given within 10 days after it is  
11 received.

12 (3) A contract which does not satisfy the requirements of  
13 subsection (1) but which is valid in other respects is  
14 enforceable

15 (a) if the goods are to be specially manufactured for  
16 the buyer and are not suitable for sale to others in the  
17 ordinary course of the seller's business and the seller,  
18 before notice of repudiation is received and under  
19 circumstances which reasonably indicate that the goods are  
20 for the buyer, has made either a substantial beginning of  
21 their manufacture or commitments for their procurement; or

22 (b) if the party against whom enforcement is sought  
23 admits in his pleading, testimony or otherwise in court  
24 that a contract for sale was made, but the contract is not  
25 enforceable under this provision beyond the quantity of  
26 goods admitted; or

1 (c) with respect to goods for which payment has been  
2 made and accepted or which have been received and accepted  
3 (Section 2-606).

4 (Source: Laws 1961, 1st SS., p. 7.)

5 (810 ILCS 5/2-202) (from Ch. 26, par. 2-202)

6 Sec. 2-202. Final ~~written~~ expression: parol or extrinsic  
7 evidence. Terms with respect to which the confirmatory  
8 memoranda of the parties agree or which are otherwise set  
9 forth in a record writing intended by the parties as a final  
10 expression of their agreement with respect to such terms as  
11 are included therein may not be contradicted by evidence of  
12 any prior agreement or of a contemporaneous oral agreement but  
13 may be explained or supplemented:

14 (a) by course of performance, course of dealing, or  
15 usage of trade (Section 1-303); and

16 (b) by evidence of consistent additional terms unless  
17 the court finds the record writing to have been intended  
18 also as a complete and exclusive statement of the terms of  
19 the agreement.

20 (Source: P.A. 95-895, eff. 1-1-09.)

21 (810 ILCS 5/2-203) (from Ch. 26, par. 2-203)

22 Sec. 2-203. Seals inoperative. The affixing of a seal to a  
23 record writing evidencing a contract for sale or an offer to  
24 buy or sell goods does not constitute the record writing a

1 sealed instrument and the law with respect to sealed  
2 instruments does not apply to such a contract or offer.

3 (Source: Laws 1961, p. 2101.)

4 (810 ILCS 5/2-205) (from Ch. 26, par. 2-205)

5 Sec. 2-205. Firm offers. An offer by a merchant to buy or  
6 sell goods in a signed record ~~writing~~ which by its terms gives  
7 assurance that it will be held open is not revocable, for lack  
8 of consideration, during the time stated or if no time is  
9 stated for a reasonable time, but in no event may such period  
10 of irrevocability exceed 3 months; but any such term of  
11 assurance on a form supplied by the offeree must be separately  
12 signed by the offeror.

13 (Source: Laws 1961, 1st SS., p. 7.)

14 (810 ILCS 5/2-209) (from Ch. 26, par. 2-209)

15 Sec. 2-209. Modification, rescission, and waiver.

16 (1) An agreement modifying a contract within this Article  
17 needs no consideration to be binding.

18 (2) A signed agreement which excludes modification or  
19 rescission except by a signed writing or other signed record  
20 cannot be otherwise modified or rescinded, but except as  
21 between merchants such a requirement on a form supplied by the  
22 merchant must be separately signed by the other party.

23 (3) The requirements of the statute of frauds section of  
24 this Article (Section 2-201) must be satisfied if the contract

1 as modified is within its provisions.

2 (4) Although an attempt at modification or rescission does  
3 not satisfy the requirements of subsection (2) or (3) it can  
4 operate as a waiver.

5 (5) A party who has made a waiver affecting an executory  
6 portion of the contract may retract the waiver by reasonable  
7 notification received by the other party that strict  
8 performance will be required of any term waived, unless the  
9 retraction would be unjust in view of a material change of  
10 position in reliance on the waiver.

11 (Source: Laws 1961, 1st SS., p. 7.)

12 (810 ILCS 5/2A-102) (from Ch. 26, par. 2A-102)

13 Sec. 2A-102. Scope.

14 (1) This Article applies to any transaction, regardless of  
15 form, that creates a lease and, in the case of a hybrid lease,  
16 it applies to the extent provided in subsection (2).

17 (2) In a hybrid lease:

18 (a) if the lease-of-goods aspects do not predominate:

19 (i) only the provisions of this Article that  
20 relate primarily to the lease-of-goods aspects of the  
21 transaction apply, and the provisions that relate  
22 primarily to the transaction as a whole do not apply;

23 (ii) Section 2A-209 applies if the lease is a  
24 finance lease; and

25 (iii) Section 2A-407 applies to the promises of



1           the lessee in a finance lease to the extent the  
2           promises are consideration for the right to possession  
3           and use of the leased goods; and  
4           (b) if the lease-of-goods aspects predominate, this  
5           Article applies to the transaction, but does not preclude  
6           application in appropriate circumstances of other law to  
7           aspects of the lease that do not relate to the lease of  
8           goods.

9           (Source: P.A. 87-493.)

10           (810 ILCS 5/2A-103) (from Ch. 26, par. 2A-103)

11           Sec. 2A-103. Definitions and index of definitions.

12           (1) In this Article unless the context otherwise requires:

13                 (a) "Buyer in ordinary course of business" means a  
14           person who, in good faith and without knowledge that the  
15           sale to him or her is in violation of the ownership rights  
16           or security interest or leasehold interest of a third  
17           party in the goods, buys in ordinary course from a person  
18           in the business of selling goods of that kind but does not  
19           include a pawnbroker. "Buying" may be for cash or by  
20           exchange of other property or on secured or unsecured  
21           credit and includes acquiring goods or documents of title  
22           under a pre-existing contract for sale but does not  
23           include a transfer in bulk or as security for or in total  
24           or partial satisfaction of a money debt.

25                 (b) "Cancellation" occurs when either party puts an

1 end to the lease contract for default by the other party.

2 (c) "Commercial unit" means such a unit of goods as by  
3 commercial usage is a single whole for purposes of lease  
4 and division of which materially impairs its character or  
5 value on the market or in use. A commercial unit may be a  
6 single article, as a machine, or a set of articles, as a  
7 suite of furniture or a line of machinery, or a quantity,  
8 as a gross or carload, or any other unit treated in use or  
9 in the relevant market as a single whole.

10 (d) "Conforming" goods or performance under a lease  
11 contract means goods or performance that are in accordance  
12 with the obligations under the lease contract.

13 (e) "Consumer lease" means a lease that a lessor  
14 regularly engaged in the business of leasing or selling  
15 makes to a lessee who is an individual and who takes under  
16 the lease primarily for a personal, family, or household  
17 purpose, if the total payments to be made under the lease  
18 contract, excluding payments for options to renew or buy,  
19 do not exceed \$40,000.

20 (f) "Fault" means wrongful act, omission, breach, or  
21 default.

22 (g) "Finance lease" means a lease with respect to  
23 which:

24 (i) the lessor does not select, manufacture, or  
25 supply the goods;

26 (ii) the lessor acquires the goods or the right to

1 possession and use of the goods in connection with the  
2 lease; and

3 (iii) one of the following occurs:

4 (A) the lessee receives a copy of the contract  
5 by which the lessor acquired the goods or the  
6 right to possession and use of the goods before  
7 signing the lease contract;

8 (B) the lessee's approval of the contract by  
9 which the lessor acquired the goods or the right  
10 to possession and use of the goods is a condition  
11 to effectiveness of the lease contract;

12 (C) the lessee, before signing the lease  
13 contract, receives an accurate and complete  
14 statement designating the promises and warranties,  
15 and any disclaimers of warranties, limitations or  
16 modifications of remedies, or liquidated damages,  
17 including those of a third party, such as the  
18 manufacturer of the goods, provided to the lessor  
19 by the person supplying the goods in connection  
20 with or as part of the contract by which the lessor  
21 acquired the goods or the right to possession and  
22 use of the goods; or

23 (D) if the lease is not a consumer lease, the  
24 lessor, before the lessee signs the lease  
25 contract, informs the lessee in writing (a) of the  
26 identity of the person supplying the goods to the

1 lessor, unless the lessee has selected that person  
2 and directed the lessor to acquire the goods or  
3 the right to possession and use of the goods from  
4 that person, (b) that the lessee is entitled under  
5 this Article to the promises and warranties,  
6 including those of any third party, provided to  
7 the lessor by the person supplying the goods in  
8 connection with or as part of the contract by  
9 which the lessor acquired the goods or the right  
10 to possession and use of the goods, and (c) that  
11 the lessee may communicate with the person  
12 supplying the goods to the lessor and receive an  
13 accurate and complete statement of those promises  
14 and warranties, including any disclaimers and  
15 limitations of them or of remedies.

16 (h) "Goods" means all things that are movable at the  
17 time of identification to the lease contract, or are  
18 fixtures (Section 2A-309), but the term does not include  
19 money, documents, instruments, accounts, chattel paper,  
20 general intangibles, or minerals or the like, including  
21 oil and gas, before extraction. The term also includes the  
22 unborn young of animals.

23 (h.1) "Hybrid lease" means a single transaction  
24 involving a lease of goods and:

25 (i) the provision of services;

26 (ii) a sale of other goods; or

1                   (iii) a sale, lease, or license of property other  
2                   than goods.

3           (i) "Installment lease contract" means a lease  
4 contract that authorizes or requires the delivery of goods  
5 in separate lots to be separately accepted, even though  
6 the lease contract contains a clause "each delivery is a  
7 separate lease" or its equivalent.

8           (j) "Lease" means a transfer of the right to  
9 possession and use of goods for a term in return for  
10 consideration, but a sale, including a sale on approval or  
11 a sale or return, or retention or creation of a security  
12 interest is not a lease. Unless the context clearly  
13 indicates otherwise, the term includes a sublease.

14           (k) "Lease agreement" means the bargain, with respect  
15 to the lease, of the lessor and the lessee in fact as found  
16 in their language or by implication from other  
17 circumstances including course of dealing or usage of  
18 trade or course of performance as provided in this  
19 Article. Unless the context clearly indicates otherwise,  
20 the term includes a sublease agreement.

21           (l) "Lease contract" means the total legal obligation  
22 that results from the lease agreement as affected by this  
23 Article and any other applicable rules of law. Unless the  
24 context clearly indicates otherwise, the term includes a  
25 sublease contract.

26           (m) "Leasehold interest" means the interest of the

1 lessor or the lessee under a lease contract.

2 (n) "Lessee" means a person who acquires the right to  
3 possession and use of goods under a lease. Unless the  
4 context clearly indicates otherwise, the term includes a  
5 sublessee.

6 (o) "Lessee in ordinary course of business" means a  
7 person who in good faith and without knowledge that the  
8 lease to him or her is in violation of the ownership rights  
9 or security interest or leasehold interest of a third  
10 party in the goods leases in ordinary course from a person  
11 in the business of selling or leasing goods of that kind  
12 but does not include a pawnbroker. "Leasing" may be for  
13 cash or by exchange of other property or on secured or  
14 unsecured credit and includes acquiring goods or documents  
15 of title under a pre-existing lease contract but does not  
16 include a transfer in bulk or as security for or in total  
17 or partial satisfaction of a money debt.

18 (p) "Lessor" means a person who transfers the right to  
19 possession and use of goods under a lease. Unless the  
20 context clearly indicates otherwise, the term includes a  
21 sublessor.

22 (q) "Lessor's residual interest" means the lessor's  
23 interest in the goods after expiration, termination, or  
24 cancellation of the lease contract.

25 (r) "Lien" means a charge against or interest in goods  
26 to secure payment of a debt or performance of an

1 obligation, but the term does not include a security  
2 interest.

3 (s) "Lot" means a parcel or a single article that is  
4 the subject matter of a separate lease or delivery,  
5 whether or not it is sufficient to perform the lease  
6 contract.

7 (t) "Merchant lessee" means a lessee that is a  
8 merchant with respect to goods of the kind subject to the  
9 lease.

10 (u) "Present value" means the amount as of a date  
11 certain of one or more sums payable in the future,  
12 discounted to the date certain. The discount is determined  
13 by the interest rate specified by the parties if the rate  
14 was not manifestly unreasonable at the time the  
15 transaction was entered into; otherwise, the discount is  
16 determined by a commercially reasonable rate that takes  
17 into account the facts and circumstances of each case at  
18 the time the transaction was entered into.

19 (v) "Purchase" includes taking by sale, lease,  
20 mortgage, security interest, pledge, gift, or any other  
21 voluntary transaction creating an interest in goods.

22 (w) "Sublease" means a lease of goods the right to  
23 possession and use of which was acquired by the lessor as a  
24 lessee under an existing lease.

25 (x) "Supplier" means a person from whom a lessor buys  
26 or leases goods to be leased under a finance lease.

1           (y) "Supply contract" means a contract under which a  
2           lessor buys or leases goods to be leased.

3           (z) "Termination" occurs when either party pursuant to  
4           a power created by agreement or law puts an end to the  
5           lease contract otherwise than for default.

6           (2) Other definitions applying to this Article and the  
7           Sections in which they appear are:

8                 "Accessions". Section 2A-310(1).

9                 "Construction mortgage". Section 2A-309(1)(d).

10                "Encumbrance". Section 2A-309(1)(e).

11                "Fixtures". Section 2A-309(1)(a).

12                "Fixture filing". Section 2A-309(1)(b).

13                "Purchase money lease". Section 2A-309(1)(c).

14           (3) The following definitions in other Articles apply to  
15           this Article:

16                "Account". Section 9-102(a)(2).

17                "Between merchants". Section 2-104(3).

18                "Buyer". Section 2-103(1)(a).

19                "Chattel paper". Section 9-102(a)(11).

20                "Consumer goods". Section 9-102(a)(23).

21                "Document". Section 9-102(a)(30).

22                "Entrusting". Section 2-403(3).

23                "General intangible". Section 9-102(a)(42).

24                "Good faith". Section 2-103(1)(b).

25                "Instrument". Section 9-102(a)(47).

26                "Merchant". Section 2-104(1).



1 "Mortgage". Section 9-102(a) (55).

2 "Pursuant to commitment". Section 9-102(a) (69).

3 "Receipt". Section 2-103(1) (c).

4 "Sale". Section 2-106(1).

5 "Sale on approval". Section 2-326.

6 "Sale or return". Section 2-326.

7 "Seller". Section 2-103(1) (d).

8 (4) In addition, Article 1 contains general definitions  
9 and principles of construction and interpretation applicable  
10 throughout this Article.

11 (Source: P.A. 97-1034, eff. 7-1-13.)

12 (810 ILCS 5/2A-107) (from Ch. 26, par. 2A-107)

13 Sec. 2A-107. Waiver or renunciation of claim or right  
14 after default. Any claim or right arising out of an alleged  
15 default or breach of warranty may be discharged in whole or in  
16 part without consideration by a ~~written~~ waiver or renunciation  
17 in a signed record ~~and~~ delivered by the aggrieved party.

18 (Source: P.A. 87-493.)

19 (810 ILCS 5/2A-201) (from Ch. 26, par. 2A-201)

20 Sec. 2A-201. Statute of frauds.

21 (1) A lease contract is not enforceable by way of action or  
22 defense unless:

23 (a) the total payments to be made under the lease  
24 contract, excluding payments for options to renew or buy,

1 are less than \$1,000; or

2 (b) there is a record ~~writing~~, signed by the party  
3 against whom enforcement is sought or by that party's  
4 authorized agent, sufficient to indicate that a lease  
5 contract has been made between the parties and to describe  
6 the goods leased and the lease term.

7 (2) Any description of leased goods or of the lease term is  
8 sufficient and satisfies subsection (1)(b), whether or not it  
9 is specific, if it reasonably identifies what is described.

10 (3) A record ~~writing~~ is not insufficient because it omits  
11 or incorrectly states a term agreed upon, but the lease  
12 contract is not enforceable under subsection (1)(b) beyond the  
13 lease term and the quantity of goods shown in the record  
14 ~~writing~~.

15 (4) A lease contract that does not satisfy the  
16 requirements of subsection (1), but which is valid in other  
17 respects, is enforceable:

18 (a) if the goods are to be specially manufactured or  
19 obtained for the lessee and are not suitable for lease or  
20 sale to others in the ordinary course of the lessor's  
21 business, and the lessor, before notice of repudiation is  
22 received and under circumstances that reasonably indicate  
23 that the goods are for the lessee, has made either a  
24 substantial beginning of their manufacture or commitments  
25 for their procurement;

26 (b) if the party against whom enforcement is sought

1 admits in that party's pleading, testimony, or otherwise  
2 in court that a lease contract was made, but the lease  
3 contract is not enforceable under this provision beyond  
4 the quantity of goods admitted; or

5 (c) with respect to goods that have been received and  
6 accepted by the lessee.

7 (5) The lease term under a lease contract referred to in  
8 subsection (4) is:

9 (a) if there is a record ~~writing~~ signed by the party  
10 against whom enforcement is sought or by that party's  
11 authorized agent specifying the lease term, the term so  
12 specified;

13 (b) if the party against whom enforcement is sought  
14 admits in that party's pleading, testimony, or otherwise  
15 in court a lease term, the term so admitted; or

16 (c) a reasonable lease term.

17 (Source: P.A. 87-493.)

18 (810 ILCS 5/2A-202) (from Ch. 26, par. 2A-202)

19 Sec. 2A-202. Final ~~written~~ expression; parol or extrinsic  
20 evidence. Terms with respect to which the confirmatory  
21 memoranda of the parties agree or which are otherwise set  
22 forth in a record ~~writing~~ intended by the parties as a final  
23 expression of their agreement with respect to such terms as  
24 are included therein may not be contradicted by evidence of  
25 any prior agreement or of a contemporaneous oral agreement but

1 may be explained or supplemented:

2 (a) by course of dealing or usage of trade or by course  
3 of performance; and

4 (b) by evidence of consistent additional terms unless  
5 the court finds the record ~~writing~~ to have been intended  
6 also as a complete and exclusive statement of the terms of  
7 the agreement.

8 (Source: P.A. 87-493.)

9 (810 ILCS 5/2A-203) (from Ch. 26, par. 2A-203)

10 Sec. 2A-203. Seals inoperative. The affixing of a seal to  
11 a record ~~writing~~ evidencing a lease contract or an offer to  
12 enter into a lease contract does not render the record ~~writing~~  
13 a sealed instrument and the law with respect to sealed  
14 instruments does not apply to the lease contract or offer.

15 (Source: P.A. 87-493.)

16 (810 ILCS 5/2A-205) (from Ch. 26, par. 2A-205)

17 Sec. 2A-205. Firm offers. An offer by a merchant to lease  
18 goods to or from another person in a signed record ~~writing~~ that  
19 by its terms gives assurance it will be held open is not  
20 revocable, for lack of consideration, during the time stated  
21 or, if no time is stated, for a reasonable time, but in no  
22 event may the period of irrevocability exceed 3 months. Any  
23 such term of assurance on a form supplied by the offeree must  
24 be separately signed by the offeror.

1 (Source: P.A. 87-493.)

2 (810 ILCS 5/2A-208) (from Ch. 26, par. 2A-208)

3 Sec. 2A-208. Modification, rescission, and waiver.

4 (1) An agreement modifying a lease contract needs no  
5 consideration to be binding.

6 (2) A signed lease agreement that excludes modification or  
7 rescission except by a signed record ~~writing~~ may not be  
8 otherwise modified or rescinded, but, except as between  
9 merchants, such a requirement on a form supplied by a merchant  
10 must be separately signed by the other party.

11 (3) Although an attempt at modification or rescission does  
12 not satisfy the requirements of subsection (2), it may operate  
13 as a waiver.

14 (4) A party who has made a waiver affecting an executory  
15 portion of a lease contract may retract the waiver by  
16 reasonable notification received by the other party that  
17 strict performance will be required of any term waived, unless  
18 the retraction would be unjust in view of a material change of  
19 position in reliance on the waiver.

20 (Source: P.A. 87-493.)

21 (810 ILCS 5/3-104) (from Ch. 26, par. 3-104)

22 Sec. 3-104. Negotiable instrument.

23 (a) Except as provided in subsections (c) and (d),  
24 "negotiable instrument" means an unconditional promise or

1 order to pay a fixed amount of money, with or without interest  
2 or other charges described in the promise or order, if it:

3 (1) is payable to bearer or to order at the time it is  
4 issued or first comes into possession of a holder;

5 (2) is payable on demand or at a definite time; and

6 (3) does not state any other undertaking or  
7 instruction by the person promising or ordering payment to  
8 do any act in addition to the payment of money, but the  
9 promise or order may contain (i) an undertaking or power  
10 to give, maintain, or protect collateral to secure  
11 payment, (ii) an authorization or power to the holder to  
12 confess judgment or realize on or dispose of collateral,  
13 ~~or~~ (iii) a waiver of the benefit of any law intended for  
14 the advantage or protection of any obligor, (iv) a term  
15 that specifies the law that governs the promise or order,  
16 or (v) an undertaking to resolve in a specified forum a  
17 dispute concerning the promise or order.

18 (b) "Instrument" means a negotiable instrument.

19 (c) An order that meets all of the requirements of  
20 subsection (a), except paragraph (1), and otherwise falls  
21 within the definition of "check" in subsection (f) is a  
22 negotiable instrument and a check.

23 (d) A promise or order other than a check is not an  
24 instrument if, at the time it is issued or first comes into  
25 possession of a holder, it contains a conspicuous statement,  
26 however expressed, to the effect that the promise or order is

1 not negotiable or is not an instrument governed by this  
2 Article.

3 (e) An instrument is a "note" if it is a promise and is a  
4 "draft" if it is an order. If an instrument falls within the  
5 definition of both "note" and "draft", a person entitled to  
6 enforce the instrument may treat it as either.

7 (f) "Check" means (i) a draft, other than a documentary  
8 draft, payable on demand and drawn on a bank or (ii) a  
9 cashier's check or teller's check. An instrument may be a  
10 check even though it is described on its face by another term,  
11 such as "money order".

12 (g) "Cashier's check" means a draft with respect to which  
13 the drawer and drawee are the same bank or branches of the same  
14 bank.

15 (h) "Teller's check" means a draft drawn by a bank (i) on  
16 another bank, or (ii) payable at or through a bank.

17 (i) "Traveler's check" means an instrument that (i) is  
18 payable on demand, (ii) is drawn on or payable at or through a  
19 bank, (iii) is designated by the term "traveler's check" or by  
20 a substantially similar term, and (iv) requires, as a  
21 condition to payment, a countersignature by a person whose  
22 specimen signature appears on the instrument.

23 (j) "Certificate of deposit" means an instrument  
24 containing an acknowledgment by a bank that a sum of money has  
25 been received by the bank and a promise by the bank to repay  
26 the sum of money. A certificate of deposit is a note of the

1 bank.

2 (Source: P.A. 87-582; 87-1135.)

3 (810 ILCS 5/3-105) (from Ch. 26, par. 3-105)

4 Sec. 3-105. Issue of instrument.

5 (a) "Issue" means:

6 (1) the first delivery of an instrument by the maker  
7 or drawer, whether to a holder or nonholder, for the  
8 purpose of giving rights on the instrument to any person;  
9 or

10 (2) if agreed by the payee, the first transmission by  
11 the drawer to the payee of an image of an item and  
12 information derived from the item that enables the  
13 depository bank to collect the item by transferring or  
14 presenting under federal law an electronic check.

15 (b) An unissued instrument, or an unissued incomplete  
16 instrument that is completed, is binding on the maker or  
17 drawer, but nonissuance is a defense. An instrument that is  
18 conditionally issued or is issued for a special purpose is  
19 binding on the maker or drawer, but failure of the condition or  
20 special purpose to be fulfilled is a defense.

21 (c) "Issuer" applies to issued and unissued instruments  
22 and means a maker or drawer of an instrument.

23 (Source: P.A. 87-582; 87-1135.)

24 (810 ILCS 5/3-401) (from Ch. 26, par. 3-401)



1           Sec. 3-401. Signature necessary for liability on  
2 instrument. ~~(a)~~ A person is not liable on an instrument unless  
3 (i) the person signed the instrument, or (ii) the person is  
4 represented by an agent or representative who signed the  
5 instrument and the signature is binding on the represented  
6 person under Section 3-402.

7           ~~(b) A signature may be made (i) manually or by means of a~~  
8 ~~device or machine, and (ii) by the use of any name, including~~  
9 ~~any trade or assumed name, or by a word, mark, or symbol~~  
10 ~~executed or adopted by a person with present intention to~~  
11 ~~authenticate a writing.~~

12           (Source: P.A. 87-582; 87-1135.)

13           (810 ILCS 5/3-604) (from Ch. 26, par. 3-604)

14           Sec. 3-604. Discharge by cancellation or renunciation.

15           (a) A person entitled to enforce an instrument, with or  
16 without consideration, may discharge the obligation of a party  
17 to pay the instrument (i) by an intentional voluntary act,  
18 such as surrender of the instrument to the party, destruction,  
19 mutilation, or cancellation of the instrument, cancellation or  
20 striking out of the party's signature, or the addition of  
21 words to the instrument indicating discharge, or (ii) by  
22 agreeing not to sue or otherwise renouncing rights against the  
23 party by a signed record writing. The obligation of a party to  
24 pay a check is not discharged solely by destruction of the  
25 check in connection with a process in which information is

1 extracted from the check and an image of the check is made and,  
2 subsequently, the information and image are transmitted for  
3 payment.

4 (b) Cancellation or striking out of an indorsement  
5 pursuant to subsection (a) does not affect the status and  
6 rights of a party derived from the indorsement.

7 (Source: P.A. 87-582; 87-1135.)

8 (810 ILCS 5/4A-103) (from Ch. 26, par. 4A-103)

9 Sec. 4A-103. Payment order; definitions.

10 (a) In this Article:

11 (1) "Payment order" means an instruction of a sender  
12 to a receiving bank, transmitted orally or in a record,  
13 ~~electronically, or in writing,~~ to pay, or to cause another  
14 bank to pay, a fixed or determinable amount of money to a  
15 beneficiary if:

16 (i) the instruction does not state a condition to  
17 payment to the beneficiary other than time of payment,

18 (ii) the receiving bank is to be reimbursed by  
19 debiting an account of, or otherwise receiving payment  
20 from, the sender, and

21 (iii) the instruction is transmitted by the sender  
22 directly to the receiving bank or to an agent, funds  
23 transfer system, or communication system for  
24 transmittal to the receiving bank.

25 (2) "Beneficiary" means the person to be paid by the

1 beneficiary's bank.

2 (3) "Beneficiary's bank" means the bank identified in  
3 a payment order in which an account of the beneficiary is  
4 to be credited pursuant to the order or which otherwise is  
5 to make payment to the beneficiary if the order does not  
6 provide for payment to an account.

7 (4) "Receiving bank" means the bank to which the  
8 sender's instruction is addressed.

9 (5) "Sender" means the person giving the instruction  
10 to the receiving bank.

11 (b) If an instruction complying with subsection (a)(1) is  
12 to make more than one payment to a beneficiary, the  
13 instruction is a separate payment order with respect to each  
14 payment.

15 (c) A payment order is issued when it is sent to the  
16 receiving bank.

17 (Source: P.A. 86-1291.)

18 (810 ILCS 5/4A-201) (from Ch. 26, par. 4A-201)

19 Sec. 4A-201. Security procedure. "Security procedure"  
20 means a procedure established by agreement of a customer and a  
21 receiving bank for the purpose of (i) verifying that a payment  
22 order or communication amending or cancelling a payment order  
23 is that of the customer, or (ii) detecting error in the  
24 transmission or the content of the payment order or  
25 communication. A security procedure may impose an obligation

1 on the receiving bank or the customer and may require the use  
2 of algorithms or other codes, identifying words, ~~or~~ numbers,  
3 symbols, sounds, biometrics, encryption, callback procedures,  
4 or similar security devices. Comparison of a signature on a  
5 payment order or communication with an authorized specimen  
6 signature of the customer or requiring a payment order to be  
7 sent from a known email address, IP address, or telephone  
8 number is not by itself a security procedure.

9 (Source: P.A. 86-1291.)

10 (810 ILCS 5/4A-202) (from Ch. 26, par. 4A-202)

11 Sec. 4A-202. Authorized and verified payment orders.

12 (a) A payment order received by the receiving bank is the  
13 authorized order of the person identified as sender if that  
14 person authorized the order or is otherwise bound by it under  
15 the law of agency.

16 (b) If a bank and its customer have agreed that the  
17 authenticity of payment orders issued to the bank in the name  
18 of the customer as sender will be verified pursuant to a  
19 security procedure, a payment order received by the receiving  
20 bank is effective as the order of the customer, whether or not  
21 authorized, if (i) the security procedure is a commercially  
22 reasonable method of providing security against unauthorized  
23 payment orders, and (ii) the bank proves that it accepted the  
24 payment order in good faith and in compliance with the bank's  
25 obligations under the security procedure and any ~~written~~

1 agreement or instruction of the customer, evidenced by a  
2 record, restricting acceptance of payment orders issued in the  
3 name of the customer. The bank is not required to follow an  
4 instruction that violates an ~~a written~~ agreement with the  
5 customer, evidenced by a record, or notice of which is not  
6 received at a time and in a manner affording the bank a  
7 reasonable opportunity to act on it before the payment order  
8 is accepted.

9 (c) Commercial reasonableness of a security procedure is a  
10 question of law to be determined by considering the wishes of  
11 the customer expressed to the bank, the circumstances of the  
12 customer known to the bank, including the size, type, and  
13 frequency of payment orders normally issued by the customer to  
14 the bank, alternative security procedures offered to the  
15 customer, and security procedures in general use by customers  
16 and receiving banks similarly situated. A security procedure  
17 is deemed to be commercially reasonable if (i) the security  
18 procedure was chosen by the customer after the bank offered,  
19 and the customer refused, a security procedure that was  
20 commercially reasonable for that customer, and (ii) the  
21 customer expressly agreed in a record ~~writing~~ to be bound by  
22 any payment order, whether or not authorized, issued in its  
23 name and accepted by the bank in compliance with the bank's  
24 obligations under the security procedure chosen by the  
25 customer.

26 (d) The term "sender" in this Article includes the

1 customer in whose name a payment order is issued if the order  
2 is the authorized order of the customer under subsection (a),  
3 or it is effective as the order of the customer under  
4 subsection (b).

5 (e) This Section applies to amendments and cancellations  
6 of payment orders to the same extent it applies to payment  
7 orders.

8 (f) Except as provided in this Section and in Section  
9 4A-203(a)(1), rights and obligations arising under this  
10 Section or Section 4A-203 may not be varied by agreement.

11 (Source: P.A. 86-1291.)

12 (810 ILCS 5/4A-203) (from Ch. 26, par. 4A-203)

13 Sec. 4A-203. Unenforceability of certain verified payment  
14 orders.

15 (a) If an accepted payment order is not, under Section  
16 4A-202(a), an authorized order of a customer identified as  
17 sender, but is effective as an order of the customer pursuant  
18 to Section 4A-202(b), the following rules apply:

19 (1) By express ~~written~~ agreement evidenced by a  
20 record, the receiving bank may limit the extent to which  
21 it is entitled to enforce or retain payment of the payment  
22 order.

23 (2) The receiving bank is not entitled to enforce or  
24 retain payment of the payment order if the customer proves  
25 that the order was not caused, directly or indirectly, by

1 a person (i) entrusted at any time with duties to act for  
2 the customer with respect to payment orders or the  
3 security procedure, or (ii) who obtained access to  
4 transmitting facilities of the customer or who obtained,  
5 from a source controlled by the customer and without  
6 authority of the receiving bank, information facilitating  
7 breach of the security procedure, regardless of how the  
8 information was obtained or whether the customer was at  
9 fault. Information includes any access device, computer  
10 software, or the like.

11 (b) This Section applies to amendments of payment orders  
12 to the same extent it applies to payment orders.

13 (Source: P.A. 86-1291.)

14 (810 ILCS 5/4A-207) (from Ch. 26, par. 4A-207)

15 Sec. 4A-207. Misdescription of beneficiary.

16 (a) Subject to subsection (b), if, in a payment order  
17 received by the beneficiary's bank, the name, bank account  
18 number, or other identification of the beneficiary refers to a  
19 nonexistent or unidentifiable person or account, no person has  
20 rights as a beneficiary of the order and acceptance of the  
21 order cannot occur.

22 (b) If a payment order received by the beneficiary's bank  
23 identifies the beneficiary both by name and by an identifying  
24 or bank account number and the name and number identify  
25 different persons, the following rules apply:

1           (1) Except as otherwise provided in subsection (c), if  
2           the beneficiary's bank does not know that the name and  
3           number refer to different persons, it may rely on the  
4           number as the proper identification of the beneficiary of  
5           the order. The beneficiary's bank need not determine  
6           whether the name and number refer to the same person.

7           (2) If the beneficiary's bank pays the person  
8           identified by name or knows that the name and number  
9           identify different persons, no person has rights as  
10          beneficiary except the person paid by the beneficiary's  
11          bank if that person was entitled to receive payment from  
12          the originator of the funds transfer. If no person has  
13          rights as beneficiary, acceptance of the order cannot  
14          occur.

15          (c) If (i) a payment order described in subsection (b) is  
16          accepted, (ii) the originator's payment order described the  
17          beneficiary inconsistently by name and number, and (iii) the  
18          beneficiary's bank pays the person identified by number as  
19          permitted by subsection (b) (1), the following rules apply:

20               (1) If the originator is a bank, the originator is  
21               obligated to pay its order.

22               (2) If the originator is not a bank and proves that the  
23               person identified by number was not entitled to receive  
24               payment from the originator, the originator is not obliged  
25               to pay its order unless the originator's bank proves that  
26               the originator, before acceptance of the originator's



1 order, had notice that payment of a payment order issued  
2 by the originator might be made by the beneficiary's bank  
3 on the basis of an identifying or bank account number  
4 event if it identifies a person different from the named  
5 beneficiary. Proof of notice may be made by any admissible  
6 evidence. The originator's bank satisfies the burden of ~~as~~  
7 proof if it proves that the originator, before the payment  
8 order was accepted, signed a record writing stating the  
9 information to which the notice relates.

10 (d) In a case governed by subsection (b)(1), if the  
11 beneficiary's bank rightfully pays the person identified by  
12 number and that person was not entitled to receive payment  
13 from the originator, the amount paid may be recovered from  
14 that person to the extent allowed by the law governing mistake  
15 and restitution as follows:

16 (1) If the originator is obligated to pay its payment  
17 order as stated in subsection (c), the originator has the  
18 right to recover.

19 (2) If the originator is not a bank and is not  
20 obligated to pay its payment order, the originator's bank  
21 has the right to recover.

22 (Source: P.A. 86-1291.)

23 (810 ILCS 5/4A-208) (from Ch. 26, par. 4A-208)

24 Sec. 4A-208. Misdescription of intermediary bank or  
25 beneficiary's bank.

1           (a) This subsection applies to a payment order identifying  
2 an intermediary bank or the beneficiary's bank only by an  
3 identifying number.

4           (1) The receiving bank may rely on the number as the  
5 proper identification of the intermediary or beneficiary's  
6 bank and need not determine whether the number identifies  
7 a bank.

8           (2) The sender is obliged to compensate the receiving  
9 bank for any loss and expenses incurred by the receiving  
10 bank as a result of its reliance on the number in executing  
11 or attempting to execute the order.

12          (b) This subsection applies to a payment order identifying  
13 an intermediary bank or the beneficiary's bank both by name  
14 and an identifying number if the name and number identify  
15 different persons.

16          (1) If the sender is a bank, the receiving bank may  
17 rely on the number as the proper identification of the  
18 intermediary or beneficiary's bank if the receiving bank,  
19 when it executes the sender's order, does not know that  
20 the name and number identify different persons. The  
21 receiving bank need not determine whether the name and  
22 number refer to the same person or whether the number  
23 refers to a bank. The sender is obliged to compensate the  
24 receiving bank for any loss and expenses incurred by the  
25 receiving bank as a result of its reliance on the number in  
26 executing or attempting to execute the order.

1           (2) If the sender is not a bank and the receiving bank  
2 proves that the sender, before the payment order was  
3 accepted, had notice that the receiving bank might rely on  
4 the number as the proper identification of the  
5 intermediary or beneficiary's bank even if it identifies a  
6 person different from the bank identified by name, the  
7 rights and obligations of the sender and the receiving  
8 bank are governed by subsection (b)(1), as though the  
9 sender were a bank. Proof of notice may be made by any  
10 admissible evidence. The receiving bank satisfies the  
11 burden of proof if it proves that the sender, before the  
12 payment order was accepted, signed a record ~~writing~~  
13 stating the information to which the notice relates.

14           (3) Regardless of whether the sender is a bank, the  
15 receiving bank may rely on the name as the proper  
16 identification of the intermediary or beneficiary's bank  
17 if the receiving bank, at the time it executes the  
18 sender's order, does not know that the name and number  
19 identify different persons. The receiving bank need not  
20 determine whether the name and number refer to the same  
21 person.

22           (4) If the receiving bank knows that the name and  
23 number identify different persons, reliance on either the  
24 name or the number in executing the sender's payment order  
25 is a breach of the obligation stated in Section  
26 4A-302(a)(1).

1 (Source: P.A. 86-1291.)

2 (810 ILCS 5/4A-210) (from Ch. 26, par. 4A-210)

3 Sec. 4A-210. Rejection of payment order.

4 (a) A payment order is rejected by the receiving bank by a  
5 notice of rejection transmitted to the sender orally~~7~~  
6 ~~electronically~~, or in a record ~~writing~~. A notice of rejection  
7 need not use any particular words and is sufficient if it  
8 indicates that the receiving bank is rejecting the order or  
9 will not execute or pay the order. Rejection is effective when  
10 the notice is given if transmission is by a means that is  
11 reasonable in the circumstances. If notice of rejection is  
12 given by a means that is not reasonable, rejection is  
13 effective when the notice is received. If an agreement of the  
14 sender and receiving bank establishes the means to be used to  
15 reject a payment order, (i) any means complying with the  
16 agreement is reasonable and (ii) any means not complying is  
17 not reasonable unless no significant delay in receipt of the  
18 notice resulted from the use of the noncomplying means.

19 (b) This subsection applies if a receiving bank other than  
20 the beneficiary's bank fails to execute a payment order  
21 despite the existence on the execution date of a withdrawable  
22 credit balance in an authorized account of the sender  
23 sufficient to cover the order. If the sender does not receive  
24 notice of rejection of the order on the execution date and the  
25 authorized account of the sender does not bear interest, the

1 bank is obliged to pay interest to the sender on the amount of  
2 the order for the number of days elapsing after the execution  
3 date to the earlier of the day the order is canceled pursuant  
4 to Section 4A-211(d) or the day the sender receives notice or  
5 learns that the order was not executed, counting the final day  
6 of the period as an elapsed day. If the withdrawable credit  
7 balance during that period falls below the amount of the  
8 order, the amount of interest is reduced accordingly.

9 (c) If a receiving bank suspends payments, all unaccepted  
10 payment orders issued to it are deemed rejected at the time the  
11 bank suspends payments.

12 (d) Acceptance of a payment order precludes a later  
13 rejection of the order. Rejection of a payment order precludes  
14 a later acceptance of the order.

15 (Source: P.A. 86-1291.)

16 (810 ILCS 5/4A-211) (from Ch. 26, par. 4A-211)

17 Sec. 4A-211. Cancellation and amendment of payment order.

18 (a) A communication of the sender of a payment order  
19 cancelling or amending the order may be transmitted to the  
20 receiving bank orally, ~~electronically,~~ or in a record writing.  
21 If a security procedure is in effect between the sender and the  
22 receiving bank, the communication is not effective to cancel  
23 or amend the order unless the communication is verified  
24 pursuant to the security procedure or the bank agrees to the  
25 cancellation or amendment.

1           (b) Subject to subsection (a), a communication by the  
2 sender cancelling or amending a payment order is effective to  
3 cancel or amend the order if notice of the communication is  
4 received at a time and in a manner affording the receiving bank  
5 a reasonable opportunity to act on the communication before  
6 the bank accepts the payment order.

7           (c) After a payment order has been accepted, cancellation  
8 or amendment of the order is not effective unless the  
9 receiving bank agrees or a funds transfer system rule allows  
10 cancellation or amendment without agreement of the bank.

11           (1) With respect to a payment order accepted by a  
12 receiving bank other than the beneficiary's bank,  
13 cancellation or amendment is not effective unless a  
14 conforming cancellation or amendment of the payment order  
15 issued by the receiving bank is also made.

16           (2) With respect to a payment order accepted by the  
17 beneficiary's bank, cancellation or amendment is not  
18 effective unless the order was issued in execution of an  
19 unauthorized payment order, or because of a mistake by a  
20 sender in the funds transfer which resulted in the  
21 issuance of a payment order (i) that is a duplicate of a  
22 payment order previously issued by the sender, (ii) that  
23 orders payment to a beneficiary not entitled to receive  
24 payment from the originator, or (iii) that orders payment  
25 in an amount greater than the amount the beneficiary was  
26 entitled to receive from the originator. If the payment

1 order is canceled or amended, the beneficiary's bank is  
2 entitled to recover from the beneficiary any amount paid  
3 to the beneficiary to the extent allowed by the law  
4 governing mistake and restitution.

5 (d) An unaccepted payment order is canceled by operation  
6 of law at the close of the fifth funds transfer business day of  
7 the receiving bank after the execution date or payment date of  
8 the order.

9 (e) A canceled payment order cannot be accepted. If an  
10 accepted payment order is canceled, the acceptance is  
11 nullified and no person has any right or obligation based on  
12 the acceptance. Amendment of a payment order is deemed to be  
13 cancellation of the original order at the time of amendment  
14 and issue of a new payment order in the amended form at the  
15 same time.

16 (f) Unless otherwise provided in an agreement of the  
17 parties or in a funds transfer system rule, if the receiving  
18 bank, after accepting a payment order, agrees to cancellation  
19 or amendment of the order by the sender or is bound by a funds  
20 transfer system rule allowing cancellation or amendment  
21 without the bank's agreement, the sender, whether or not  
22 cancellation or amendment is effective, is liable to the bank  
23 for any loss and expenses, including reasonable attorney's  
24 fees, incurred by the bank as a result of the cancellation or  
25 amendment or attempted cancellation or amendment.

26 (g) A payment order is not revoked by the death or legal

1 incapacity of the sender unless the receiving bank knows of  
2 the death or of an adjudication of incapacity by a court of  
3 competent jurisdiction and has reasonable opportunity to act  
4 before acceptance of the order.

5 (h) A funds transfer system rule is not effective to the  
6 extent it conflicts with subsection (c) (2).

7 (Source: P.A. 97-813, eff. 7-13-12.)

8 (810 ILCS 5/4A-305) (from Ch. 26, par. 4A-305)

9 Sec. 4A-305. Liability for late or improper execution or  
10 failure to execute payment order.

11 (a) If a funds transfer is completed but execution of a  
12 payment order by the receiving bank in breach of Section  
13 4A-302 results in delay in payment to the beneficiary, the  
14 bank is obliged to pay interest to either the originator or the  
15 beneficiary of the funds transfer for the period of delay  
16 caused by the improper execution. Except as provided in  
17 subsection (c), additional damages are not recoverable.

18 (b) If execution of a payment order by a receiving bank in  
19 breach of Section 4A-302 results in (i) noncompletion of the  
20 funds transfer, (ii) failure to use an intermediary bank  
21 designated by the originator, or (iii) issuance of a payment  
22 order that does not comply with the terms of the payment order  
23 of the originator, the bank is liable to the originator for its  
24 expenses in the funds transfer and for incidental expenses and  
25 interest losses, to the extent not covered by subsection (a),



1 resulting from the improper execution. Except as provided in  
2 subsection (c), additional damages are not recoverable.

3 (c) In addition to the amounts payable under subsections  
4 (a) and (b), damages, including consequential damages, are  
5 recoverable to the extent provided in an express ~~written~~  
6 agreement of the receiving bank, evidenced by a record.

7 (d) If a receiving bank fails to execute a payment order it  
8 was obliged by express agreement to execute, the receiving  
9 bank is liable to the sender for its expenses in the  
10 transaction and for incidental expenses and interest losses  
11 resulting from the failure to execute. Additional damages,  
12 including consequential damages, are recoverable to the extent  
13 provided in an express ~~written~~ agreement of the receiving  
14 bank, evidenced by a record, but are not otherwise  
15 recoverable.

16 (e) Reasonable attorney's fees are recoverable if demand  
17 for compensation under subsection (a) or (b) is made and  
18 refused before an action is brought on the claim. If a claim is  
19 made for breach of an agreement under subsection (d) and the  
20 agreement does not provide for damages, reasonable attorney's  
21 fees are recoverable if demand for compensation under  
22 subsection (d) is made and refused before an action is brought  
23 on the claim.

24 (f) Except as stated in this Section, the liability of a  
25 receiving bank under subsections (a) and (b) may not be varied  
26 by agreement.

1 (Source: P.A. 86-1291.)

2 (810 ILCS 5/5-104) (from Ch. 26, par. 5-104)

3 Sec. 5-104. Formal requirements. A letter of credit,  
4 confirmation, advice, transfer, amendment, or cancellation may  
5 be issued in any form that is a signed record ~~and is~~  
6 ~~authenticated (i) by a signature or (ii) in accordance with~~  
7 ~~the agreement of the parties or the standard practice referred~~  
8 ~~to in Section 5-108(e).~~

9 (Source: P.A. 89-534, eff. 1-1-97.)

10 (810 ILCS 5/5-116) (from Ch. 26, par. 5-116)

11 Sec. 5-116. Choice of law and forum.

12 (a) The liability of an issuer, nominated person, or  
13 adviser for action or omission is governed by the law of the  
14 jurisdiction chosen by an agreement in the form of a record  
15 signed ~~or otherwise authenticated~~ by the affected parties ~~in~~  
16 ~~the manner provided in Section 5-104~~ or by a provision in the  
17 person's letter of credit, confirmation, or other undertaking.  
18 The jurisdiction whose law is chosen need not bear any  
19 relation to the transaction.

20 (b) Unless subsection (a) applies, the liability of an  
21 issuer, nominated person, or adviser for action or omission is  
22 governed by the law of the jurisdiction in which the person is  
23 located. The person is considered to be located at the address  
24 indicated in the person's undertaking. If more than one

1 address is indicated, the person is considered to be located  
2 at the address from which the person's undertaking was issued.

3 (c) For the purpose of jurisdiction, choice of law, and  
4 recognition of interbranch letters of credit, but not  
5 enforcement of a judgment, all branches of a bank are  
6 considered separate juridical entities and a bank is  
7 considered to be located at the place where its relevant  
8 branch is considered to be located under ~~this~~ subsection (d).

9 (d) A branch of a bank is considered to be located at the  
10 address indicated in the branch's undertaking. If more than  
11 one address is indicated, the branch is considered to be  
12 located at the address from which the undertaking was issued.

13 (e) ~~(e)~~ Except as otherwise provided in this subsection,  
14 the liability of an issuer, nominated person, or adviser is  
15 governed by any rules of custom or practice, such as the  
16 Uniform Customs and Practice for Documentary Credits, to which  
17 the letter of credit, confirmation, or other undertaking is  
18 expressly made subject. If (i) this Article would govern the  
19 liability of an issuer, nominated person, or adviser under  
20 subsection (a) or (b), (ii) the relevant undertaking  
21 incorporates rules of custom or practice, and (iii) there is  
22 conflict between this Article and those rules as applied to  
23 that undertaking, those rules govern except to the extent of  
24 any conflict with the nonvariable provisions specified in  
25 Section 5-103(c).

26 (f) ~~(d)~~ If there is conflict between this Article and

1 Article 3, 4, 4A, or 9, this Article governs.

2 (g) ~~(e)~~ The forum for settling disputes arising out of an  
3 undertaking within this Article may be chosen in the manner  
4 and with the binding effect that governing law may be chosen in  
5 accordance with subsection (a).

6 (Source: P.A. 89-534, eff. 1-1-97.)

7 (810 ILCS 5/7-102) (from Ch. 26, par. 7-102)

8 Sec. 7-102. Definitions and index of definitions.

9 (a) In this Article, unless the context otherwise  
10 requires:

11 (1) "Bailee" means a person that by a warehouse  
12 receipt, bill of lading, or other document of title  
13 acknowledges possession of goods and contracts to deliver  
14 them.

15 (2) "Carrier" means a person that issues a bill of  
16 lading.

17 (3) "Consignee" means a person named in a bill of  
18 lading to which or to whose order the bill promises  
19 delivery.

20 (4) "Consignor" means a person named in a bill of  
21 lading as the person from which the goods have been  
22 received for shipment.

23 (5) "Delivery order" means a record that contains an  
24 order to deliver goods directed to a warehouse, carrier,  
25 or other person that in the ordinary course of business

1 issues warehouse receipts or bills of lading.

2 (6) "Good faith" means honesty in fact and the  
3 observance of reasonable commercial standards of fair  
4 dealing.

5 (7) "Goods" means all things that are treated as  
6 movable for the purposes of a contract for storage or  
7 transportation.

8 (8) "Issuer" means a bailee that issues a document of  
9 title or, in the case of an unaccepted delivery order, the  
10 person that orders the possessor of goods to deliver. The  
11 term includes a person for which an agent or employee  
12 purports to act in issuing a document if the agent or  
13 employee has real or apparent authority to issue  
14 documents, even if the issuer did not receive any goods,  
15 the goods were misdescribed, or in any other respect the  
16 agent or employee violated the issuer's instructions.

17 (9) "Person entitled under the document" means the  
18 holder, in the case of a negotiable document of title, or  
19 the person to which delivery of the goods is to be made by  
20 the terms of, or pursuant to instructions in a record  
21 under, a nonnegotiable document of title.

22 (10) (Reserved). ~~"Record" means information that is~~  
23 ~~inscribed on a tangible medium or that is stored in an~~  
24 ~~electronic or other medium and is retrievable in~~  
25 ~~perceivable form.~~

26 (11) (Reserved). ~~"Sign" means, with present intent to~~

1 ~~authenticate or adopt a record:~~

2 ~~(A) to execute or adopt a tangible symbol; or~~

3 ~~(B) to attach to or logically associate with the~~  
4 ~~record an electronic sound, symbol, or process.~~

5 (12) "Shipper" means a person that enters into a  
6 contract of transportation with a carrier.

7 (13) "Warehouse" means a person engaged in the  
8 business of storing goods for hire. The owner of a  
9 self-service storage facility as defined in the  
10 Self-Service Storage Facility Act is not a warehouse for  
11 the purposes of this Article.

12 (b) Definitions in other Articles applying to this Article  
13 and the Sections in which they appear are:

14 (1) "Contract for sale", Section 2-106.

15 (2) "Lessee in the ordinary course of business",  
16 Section 2A-103.

17 (3) "Receipt" of goods, Section 2-103.

18 (c) In addition, Article 1 contains general definitions  
19 and principles of construction and interpretation applicable  
20 throughout this Article.

21 (Source: P.A. 95-895, eff. 1-1-09.)

22 (810 ILCS 5/7-106)

23 Sec. 7-106. Control of electronic document of title.

24 (a) A person has control of an electronic document of  
25 title if a system employed for evidencing the transfer of

1 interests in the electronic document reliably establishes that  
2 person as the person to which the electronic document was  
3 issued or transferred.

4 (b) A system satisfies subsection (a), and a person has ~~is~~  
5 ~~deemed to have~~ control of an electronic document of title, if  
6 the document is created, stored, and transferred ~~assigned~~ in  
7 ~~such~~ a manner that:

8 (1) a single authoritative copy of the document exists  
9 which is unique, identifiable, and, except as otherwise  
10 provided in paragraphs (4), (5), and (6), unalterable;

11 (2) the authoritative copy identifies the person  
12 asserting control as:

13 (A) the person to which the document was issued;

14 or

15 (B) if the authoritative copy indicates that the  
16 document has been transferred, the person to which the  
17 document was most recently transferred;

18 (3) the authoritative copy is communicated to and  
19 maintained by the person asserting control or its  
20 designated custodian;

21 (4) copies or amendments that add or change an  
22 identified transferee ~~assignee~~ of the authoritative copy  
23 can be made only with the consent of the person asserting  
24 control;

25 (5) each copy of the authoritative copy and any copy  
26 of a copy is readily identifiable as a copy that is not the

1 authoritative copy; and

2 (6) any amendment of the authoritative copy is readily  
3 identifiable as authorized or unauthorized.

4 (c) A system satisfies subsection (a), and a person has  
5 control of an electronic document of title, if an  
6 authoritative electronic copy of the document, a record  
7 attached to or logically associated with the electronic copy,  
8 or a system in which the electronic copy is recorded:

9 (1) enables the person readily to identify each  
10 electronic copy as either an authoritative copy or a  
11 nonauthoritative copy;

12 (2) enables the person readily to identify itself in  
13 any way, including by name, identifying number,  
14 cryptographic key, office, or account number, as the  
15 person to which each authoritative electronic copy was  
16 issued or transferred; and

17 (3) gives the person exclusive power, subject to  
18 subsection (d), to:

19 (A) prevent others from adding or changing the  
20 person to which each authoritative electronic copy has  
21 been issued or transferred; and

22 (B) transfer control of each authoritative  
23 electronic copy.

24 (d) Subject to subsection (e), a power is exclusive under  
25 subsection (c) (3) (A) and (B) even if:

26 (1) the authoritative electronic copy, a record



1 attached to or logically associated with the authoritative  
2 electronic copy, or a system in which the authoritative  
3 electronic copy is recorded limits the use of the document  
4 of title or has a protocol that is programmed to cause a  
5 change, including a transfer or loss of control; or

6 (2) the power is shared with another person.

7 (e) A power of a person is not shared with another person  
8 under subsection (d) (2) and the person's power is not  
9 exclusive if:

10 (1) the person can exercise the power only if the  
11 power also is exercised by the other person; and

12 (2) the other person:

13 (A) can exercise the power without exercise of the  
14 power by the person; or

15 (B) is the transferor to the person of an interest  
16 in the document of title.

17 (f) If a person has the powers specified in subsection  
18 (c) (3) (A) and (B), the powers are presumed to be exclusive.

19 (g) A person has control of an electronic document of  
20 title if another person, other than the transferor to the  
21 person of an interest in the document:

22 (1) has control of the document and acknowledges that  
23 it has control on behalf of the person; or

24 (2) obtains control of the document after having  
25 acknowledged that it will obtain control of the document  
26 on behalf of the person.

1       (h) A person that has control under this Section is not  
2       required to acknowledge that it has control on behalf of  
3       another person.

4       (i) If a person acknowledges that it has or will obtain  
5       control on behalf of another person, unless the person  
6       otherwise agrees or law other than this Article or Article 9  
7       otherwise provides, the person does not owe any duty to the  
8       other person and is not required to confirm the acknowledgment  
9       to any other person.

10       (Source: P.A. 95-895, eff. 1-1-09.)

11       (810 ILCS 5/8-102) (from Ch. 26, par. 8-102)

12       Sec. 8-102. Definitions.

13       (a) In this Article:

14               (1) "Adverse claim" means a claim that a claimant has  
15               a property interest in a financial asset and that it is a  
16               violation of the rights of the claimant for another person  
17               to hold, transfer, or deal with the financial asset.

18               (2) "Bearer form," as applied to a certificated  
19               security, means a form in which the security is payable to  
20               the bearer of the security certificate according to its  
21               terms but not by reason of an indorsement.

22               (3) "Broker" means a person defined as a broker or  
23               dealer under the federal securities laws, but without  
24               excluding a bank acting in that capacity.

25               (4) "Certificated security" means a security that is

1 represented by a certificate.

2 (5) "Clearing corporation" means:

3 (i) a person that is registered as a "clearing  
4 agency" under the federal securities laws;

5 (ii) a federal reserve bank; or

6 (iii) any other person that provides clearance or  
7 settlement services with respect to financial assets  
8 that would require it to register as a clearing agency  
9 under the federal securities laws but for an exclusion  
10 or exemption from the registration requirement, if its  
11 activities as a clearing corporation, including  
12 promulgation of rules, are subject to regulation by a  
13 federal or state governmental authority.

14 (6) "Communicate" means to:

15 (i) send a signed record ~~writing~~; or

16 (ii) transmit information by any mechanism agreed  
17 upon by the persons transmitting and receiving the  
18 information.

19 (7) "Entitlement holder" means a person identified in  
20 the records of a securities intermediary as the person  
21 having a security entitlement against the securities  
22 intermediary. If a person acquires a security entitlement  
23 by virtue of Section 8-501(b)(2) or (3), that person is  
24 the entitlement holder.

25 (8) "Entitlement order" means a notification  
26 communicated to a securities intermediary directing

1 transfer or redemption of a financial asset to which the  
2 entitlement holder has a security entitlement.

3 (9) "Financial asset," except as otherwise provided in  
4 Section 8-103, means:

5 (i) a security;

6 (ii) an obligation of a person or a share,  
7 participation, or other interest in a person or in  
8 property or an enterprise of a person, which is, or is  
9 of a type, dealt in or traded on financial markets, or  
10 which is recognized in any area in which it is issued  
11 or dealt in as a medium for investment; or

12 (iii) any property that is held by a securities  
13 intermediary for another person in a securities  
14 account if the securities intermediary has expressly  
15 agreed with the other person that the property is to be  
16 treated as a financial asset under this Article. As  
17 context requires, the term means either the interest  
18 itself or the means by which a person's claim to it is  
19 evidenced, including a certificated or uncertificated  
20 security, a security certificate, or a security  
21 entitlement.

22 (10) "Good faith," for purposes of the obligation of  
23 good faith in the performance or enforcement of contracts  
24 or duties within this Article, means honesty in fact and  
25 the observance of reasonable commercial standards of fair  
26 dealing.

1           (11) "Indorsement" means a signature that alone or  
2 accompanied by other words is made on a security  
3 certificate in registered form or on a separate document  
4 for the purpose of assigning, transferring, or redeeming  
5 the security or granting a power to assign, transfer, or  
6 redeem it.

7           (12) "Instruction" means a notification communicated  
8 to the issuer of an uncertificated security which directs  
9 that the transfer of the security be registered or that  
10 the security be redeemed.

11           (13) "Registered form," as applied to a certificated  
12 security, means a form in which:

13                 (i) the security certificate specifies a person  
14 entitled to the security; and

15                 (ii) a transfer of the security may be registered  
16 upon books maintained for that purpose by or on behalf  
17 of the issuer, or the security certificate so states.

18           (14) "Securities intermediary" means:

19                 (i) a clearing corporation; or

20                 (ii) a person, including a bank or broker, that in  
21 the ordinary course of its business maintains  
22 securities accounts for others and is acting in that  
23 capacity.

24           (15) "Security," except as otherwise provided in  
25 Section 8-103, means an obligation of an issuer or a  
26 share, participation, or other interest in an issuer or in

1 property or an enterprise of an issuer:

2 (i) which is represented by a security certificate  
3 in bearer or registered form, or the transfer of which  
4 may be registered upon books maintained for that  
5 purpose by or on behalf of the issuer;

6 (ii) which is one of a class or series or by its  
7 terms is divisible into a class or series of shares,  
8 participations, interests, or obligations; and

9 (iii) which:

10 (A) is, or is of a type, dealt in or traded on  
11 securities exchanges or securities markets; or

12 (B) is a medium for investment and by its  
13 terms expressly provides that it is a security  
14 governed by this Article.

15 (16) "Security certificate" means a certificate  
16 representing a security.

17 (17) "Security entitlement" means the rights and  
18 property interest of an entitlement holder with respect to  
19 a financial asset specified in Part 5.

20 (18) "Uncertificated security" means a security that  
21 is not represented by a certificate.

22 (b) The following other definitions in applying to this  
23 Article and other Articles apply to this Article ~~the Sections~~  
24 ~~in which they appear are:~~

25 Appropriate person

Section 8-107

1	Control	Section 8-106
2	<u>Controllable account</u>	<u>Section 9-102</u>
3	<u>Controllable electronic</u>	
4	<u>record</u>	<u>Section 12-102</u>
5	<u>Controllable payment</u>	
6	<u>intangible</u>	<u>Section 9-102</u>
7	Delivery	Section 8-301
8	Investment company security	Section 8-103
9	Issuer	Section 8-201
10	Overissue	Section 8-210
11	Protected purchaser	Section 8-303
12	Securities account	Section 8-501

13 (c) In addition, Article 1 contains general definitions  
14 and principles of construction and interpretation applicable  
15 throughout this Article.

16 (d) The characterization of a person, business, or  
17 transaction for purposes of this Article does not determine  
18 the characterization of the person, business, or transaction  
19 for purposes of any other law, regulation, or rule.

20 (Source: P.A. 89-364, eff. 1-1-96.)

21 (810 ILCS 5/8-103) (from Ch. 26, par. 8-103)

22 Sec. 8-103. Rules for determining whether certain  
23 obligations and interests are securities or financial assets.

24 (a) A share or similar equity interest issued by a

1 corporation, business trust, joint stock company, or similar  
2 entity is a security.

3 (b) An "investment company security" is a security.  
4 "Investment company security" means a share or similar equity  
5 interest issued by an entity that is registered as an  
6 investment company under the federal investment company laws,  
7 an interest in a unit investment trust that is so registered,  
8 or a face-amount certificate issued by a face-amount  
9 certificate company that is so registered. Investment company  
10 security does not include an insurance policy or endowment  
11 policy or annuity contract issued by an insurance company.

12 (c) An interest in a partnership or limited liability  
13 company is not a security unless it is dealt in or traded on  
14 securities exchanges or in securities markets, its terms  
15 expressly provide that it is a security governed by this  
16 Article, or it is an investment company security. However, an  
17 interest in a partnership or limited liability company is a  
18 financial asset if it is held in a securities account.

19 (d) A writing that is a security certificate is governed  
20 by this Article and not by Article 3, even though it also meets  
21 the requirements of that Article. However, a negotiable  
22 instrument governed by Article 3 is a financial asset if it is  
23 held in a securities account.

24 (e) An option or similar obligation issued by a clearing  
25 corporation to its participants is not a security, but is a  
26 financial asset.



1 (f) A commodity contract, as defined in Section  
2 9-102(a)(15), is not a security or a financial asset.

3 (g) A document of title is not a financial asset unless  
4 Section 8-102(a)(9)(iii) applies.

5 (h) A controllable account, controllable electronic  
6 record, or controllable payment intangible is not a financial  
7 asset unless Section 8-102(a)(9)(iii) applies.

8 (Source: P.A. 95-895, eff. 1-1-09.)

9 (810 ILCS 5/8-106) (from Ch. 26, par. 8-106)  
10 Sec. 8-106. Control.

11 (a) A purchaser has "control" of a certificated security  
12 in bearer form if the certificated security is delivered to  
13 the purchaser.

14 (b) A purchaser has "control" of a certificated security  
15 in registered form if the certificated security is delivered  
16 to the purchaser, and:

17 (1) the certificate is indorsed to the purchaser or in  
18 blank by an effective indorsement; or

19 (2) the certificate is registered in the name of the  
20 purchaser, upon original issue or registration of transfer  
21 by the issuer.

22 (c) A purchaser has "control" of an uncertificated  
23 security if:

24 (1) the uncertificated security is delivered to the  
25 purchaser; or

1 (2) the issuer has agreed that it will comply with  
2 instructions originated by the purchaser without further  
3 consent by the registered owner.

4 (d) A purchaser has "control" of a security entitlement  
5 if:

6 (1) the purchaser becomes the entitlement holder;

7 (2) the securities intermediary has agreed that it  
8 will comply with entitlement orders originated by the  
9 purchaser without further consent by the entitlement  
10 holder; or

11 (3) another person, other than the transferor to the  
12 purchaser of an interest in the security entitlement: ~~has~~  
13 ~~control of the security entitlement on behalf of the~~  
14 ~~purchaser or, having previously acquired control of the~~  
15 ~~security entitlement, acknowledges that it has control on~~  
16 ~~behalf of the purchaser.~~

17 (A) has control of the security entitlement and  
18 acknowledges that it has control on behalf of the  
19 purchaser; or

20 (B) obtains control of the security entitlement  
21 after having acknowledged that it will obtain control  
22 of the security entitlement on behalf of the  
23 purchaser.

24 (e) If an interest in a security entitlement is granted by  
25 the entitlement holder to the entitlement holder's own  
26 securities intermediary, the securities intermediary has

1 control.

2 (f) A purchaser who has satisfied the requirements of  
3 subsection (c) or (d) has control even if the registered owner  
4 in the case of subsection (c) or the entitlement holder in the  
5 case of subsection (d) retains the right to make substitutions  
6 for the uncertificated security or security entitlement, to  
7 originate instructions or entitlement orders to the issuer or  
8 securities intermediary, or otherwise to deal with the  
9 uncertificated security or security entitlement.

10 (g) An issuer or a securities intermediary may not enter  
11 into an agreement of the kind described in subsection (c)(2)  
12 or (d)(2) without the consent of the registered owner or  
13 entitlement holder, but an issuer or a securities intermediary  
14 is not required to enter into such an agreement even though the  
15 registered owner or entitlement holder so directs. An issuer  
16 or securities intermediary that has entered into such an  
17 agreement is not required to confirm the existence of the  
18 agreement to another party unless requested to do so by the  
19 registered owner or entitlement holder.

20 (h) A person that has control under this Section is not  
21 required to acknowledge that it has control on behalf of a  
22 purchaser.

23 (i) If a person acknowledges that it has or will obtain  
24 control on behalf of a purchaser, unless the person otherwise  
25 agrees or law other than this Article or Article 9 otherwise  
26 provides, the person does not owe any duty to the purchaser and

1 is not required to confirm the acknowledgment to any other  
2 person.

3 (Source: P.A. 95-331, eff. 8-21-07.)

4 (810 ILCS 5/8-110)

5 Sec. 8-110. Applicability; choice of law.

6 (a) The local law of the issuer's jurisdiction, as  
7 specified in subsection (d), governs:

8 (1) the validity of a security;

9 (2) the rights and duties of the issuer with respect  
10 to registration of transfer;

11 (3) the effectiveness of registration of transfer by  
12 the issuer;

13 (4) whether the issuer owes any duties to an adverse  
14 claimant to a security; and

15 (5) whether an adverse claim can be asserted against a  
16 person to whom transfer of a certificated or  
17 uncertificated security is registered or a person who  
18 obtains control of an uncertificated security.

19 (b) The local law of the securities intermediary's  
20 jurisdiction, as specified in subsection (e), governs:

21 (1) acquisition of a security entitlement from the  
22 securities intermediary;

23 (2) the rights and duties of the securities  
24 intermediary and entitlement holder arising out of a  
25 security entitlement;

1           (3) whether the securities intermediary owes any  
2 duties to an adverse claimant to a security entitlement;  
3 and

4           (4) whether an adverse claim can be asserted against a  
5 person who acquires a security entitlement from the  
6 securities intermediary or a person who purchases a  
7 security entitlement or interest therein from an  
8 entitlement holder.

9           (c) The local law of the jurisdiction in which a security  
10 certificate is located at the time of delivery governs whether  
11 an adverse claim can be asserted against a person to whom the  
12 security certificate is delivered.

13           (d) "Issuer's jurisdiction" means the jurisdiction under  
14 which the issuer of the security is organized or, if permitted  
15 by the law of that jurisdiction, the law of another  
16 jurisdiction specified by the issuer. An issuer organized  
17 under the law of this State may specify the law of another  
18 jurisdiction as the law governing the matters specified in  
19 subsection (a) (2) through (5).

20           (e) The following rules determine a "securities  
21 intermediary's jurisdiction" for purposes of this Section:

22           (1) If an agreement between the securities  
23 intermediary and its entitlement holder governing the  
24 securities account expressly provides that a particular  
25 jurisdiction is the securities intermediary's jurisdiction  
26 for purposes of this Part, this Article, or this Act, that

1 jurisdiction is the securities intermediary's  
2 jurisdiction.

3 (2) If paragraph (1) does not apply and an agreement  
4 between the securities intermediary and its entitlement  
5 holder governing the securities account expressly provides  
6 that the agreement is governed by the law of a particular  
7 jurisdiction, that jurisdiction is the securities  
8 intermediary's jurisdiction.

9 (3) If neither paragraph (1) nor paragraph (2) applies  
10 and an agreement between the securities intermediary and  
11 its entitlement holder governing the securities account  
12 expressly provides that the securities account is  
13 maintained at an office in a particular jurisdiction, that  
14 jurisdiction is the securities intermediary's  
15 jurisdiction.

16 (4) If none of the preceding paragraphs applies, the  
17 securities intermediary's jurisdiction is the jurisdiction  
18 in which the office identified in an account statement as  
19 the office serving the entitlement holder's account is  
20 located.

21 (5) If none of the preceding paragraphs applies, the  
22 securities intermediary's jurisdiction is the jurisdiction  
23 in which the chief executive office of the securities  
24 intermediary is located.

25 (f) A securities intermediary's jurisdiction is not  
26 determined by the physical location of certificates

1 representing financial assets, or by the jurisdiction in which  
2 is organized the issuer of the financial asset with respect to  
3 which an entitlement holder has a security entitlement, or by  
4 the location of facilities for data processing or other record  
5 keeping concerning the account.

6 (g) The local law of the issuer's jurisdiction or the  
7 securities intermediary's jurisdiction governs a matter or  
8 transaction specified in subsection (a) or (b) even if the  
9 matter or transaction does not bear any relation to the  
10 jurisdiction.

11 (Source: P.A. 91-893, eff. 7-1-01.)

12 (810 ILCS 5/8-303) (from Ch. 26, par. 8-303)

13 Sec. 8-303. Protected purchaser.

14 (a) "Protected purchaser" means a purchaser of a  
15 certificated or uncertificated security, or of an interest  
16 therein, who:

17 (1) gives value;

18 (2) does not have notice of any adverse claim to the  
19 security; and

20 (3) obtains control of the certificated or  
21 uncertificated security.

22 (b) ~~A In addition to acquiring the rights of a purchaser, a~~  
23 protected purchaser also acquires its interest in the security  
24 free of any adverse claim.

25 (Source: P.A. 89-364, eff. 1-1-96.)

1 (810 ILCS 5/9-102) (from Ch. 26, par. 9-102)

2 Sec. 9-102. Definitions and index of definitions.

3 (a) Article 9 definitions. In this Article:

4 (1) "Accession" means goods that are physically united  
5 with other goods in such a manner that the identity of the  
6 original goods is not lost.

7 (2) "Account", except as used in "account for",  
8 "account statement", "account to", "commodity account" in  
9 paragraph (14), "customer's account", "deposit account" in  
10 paragraph (29), "on account of", and "statement of  
11 account", means a right to payment of a monetary  
12 obligation, whether or not earned by performance, (i) for  
13 property that has been or is to be sold, leased, licensed,  
14 assigned, or otherwise disposed of, (ii) for services  
15 rendered or to be rendered, (iii) for a policy of  
16 insurance issued or to be issued, (iv) for a secondary  
17 obligation incurred or to be incurred, (v) for energy  
18 provided or to be provided, (vi) for the use or hire of a  
19 vessel under a charter or other contract, (vii) arising  
20 out of the use of a credit or charge card or information  
21 contained on or for use with the card, or (viii) as  
22 winnings in a lottery or other game of chance operated or  
23 sponsored by a State, governmental unit of a State, or  
24 person licensed or authorized to operate the game by a  
25 State or governmental unit of a State. The term includes



1       controllable accounts and health-care-insurance  
2       receivables. The term does not include (i) ~~rights to~~  
3       ~~payment evidenced by chattel paper or an instrument,~~ (ii)  
4       commercial tort claims, (iii) deposit accounts, (iv)  
5       investment property, (v) letter-of-credit rights or  
6       letters of credit, ~~or~~ (vi) rights to payment for money or  
7       funds advanced or sold, other than rights arising out of  
8       the use of a credit or charge card or information  
9       contained on or for use with the card, or (vii) rights to  
10      payment evidenced by an instrument.

11       (3) "Account debtor" means a person obligated on an  
12      account, chattel paper, or general intangible. The term  
13      does not include persons obligated to pay a negotiable  
14      instrument, even if the negotiable instrument evidences  
15      ~~constitutes part of~~ chattel paper.

16       (4) "Accounting", except as used in "accounting for",  
17      means a record:

18           (A) signed ~~authenticated~~ by a secured party;

19           (B) indicating the aggregate unpaid secured  
20      obligations as of a date not more than 35 days earlier  
21      or 35 days later than the date of the record; and

22           (C) identifying the components of the obligations  
23      in reasonable detail.

24       (5) "Agricultural lien" means an interest, other than  
25      a security interest, in farm products:

26           (A) which secures payment or performance of an

1 obligation for goods or services furnished in  
2 connection with a debtor's farming operation;

3 (B) which is created by statute in favor of a  
4 person that in the ordinary course of its business  
5 furnished goods or services to a debtor in connection  
6 with a debtor's farming operation; and

7 (C) whose effectiveness does not depend on the  
8 person's possession of the personal property.

9 (6) "As-extracted collateral" means:

10 (A) oil, gas, or other minerals that are subject  
11 to a security interest that:

12 (i) is created by a debtor having an interest  
13 in the minerals before extraction; and

14 (ii) attaches to the minerals as extracted; or

15 (B) accounts arising out of the sale at the  
16 wellhead or minehead of oil, gas, or other minerals in  
17 which the debtor had an interest before extraction.

18 (7) (Reserved). ~~"Authenticate" means:~~

19 ~~(A) to sign; or~~

20 ~~(B) with present intent to adopt or accept a~~  
21 ~~record, to attach to or logically associate with the~~  
22 ~~record an electronic sound, symbol, or process.~~

23 (7A) "Assignee", except as used in "assignee for  
24 benefit of creditors", means a person (i) in whose favor a  
25 security interest that secures an obligation is created or  
26 provided for under a security agreement, whether or not

1 the obligation is outstanding or (ii) to which an account,  
2 chattel paper, payment intangible, or promissory note has  
3 been sold. The term includes a person to which a security  
4 interest has been transferred by a secured party.

5 (7B) "Assignor" means a person that (i) under a  
6 security agreement creates or provides for a security  
7 interest that secures an obligation or (ii) sells an  
8 account, chattel paper, payment intangible, or promissory  
9 note. The term includes a secured party that has  
10 transferred a security interest to another person.

11 (8) "Bank" means an organization that is engaged in  
12 the business of banking. The term includes savings banks,  
13 savings and loan associations, credit unions, and trust  
14 companies.

15 (9) "Cash proceeds" means proceeds that are money,  
16 checks, deposit accounts, or the like.

17 (10) "Certificate of title" means a certificate of  
18 title with respect to which a statute provides for the  
19 security interest in question to be indicated on the  
20 certificate as a condition or result of the security  
21 interest's obtaining priority over the rights of a lien  
22 creditor with respect to the collateral. The term includes  
23 another record maintained as an alternative to a  
24 certificate of title by the governmental unit that issues  
25 certificates of title if a statute permits the security  
26 interest in question to be indicated on the record as a

1 condition or result of the security interest's obtaining  
2 priority over the rights of a lien creditor with respect  
3 to the collateral.

4 (11) "Chattel paper" means:

5 (A) a right to payment of a monetary obligation  
6 secured by specific goods, if the right to payment and  
7 security agreement are evidenced by a record; or

8 (B) a right to payment of a monetary obligation  
9 owed by a lessee under a lease agreement with respect  
10 to specific goods and a monetary obligation owed by  
11 the lessee in connection with the transaction giving  
12 rise to the lease, if:

13 (i) the right to payment and lease agreement  
14 are evidenced by a record; and

15 (ii) the predominant purpose of the  
16 transaction giving rise to the lease was to give  
17 the lessee the right to possession and use of the  
18 goods.

19 The term does not include a right to payment arising out of a  
20 charter or other contract involving the use or hire of a  
21 vessel or a right to payment arising out of the use of a  
22 credit or charge card or information contained on or for  
23 use with the card.

24 ~~a record or records that evidence both a monetary obligation~~  
25 ~~and a security interest in specific goods, a security~~  
26 ~~interest in specific goods and software used in the goods,~~

~~a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specified goods and a license of software used in the goods. In this paragraph, "monetary obligation" means a monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary obligation with respect to software used in the goods. The term does not include (i) charters or other contracts involving the use or hire of a vessel or (ii) records that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.~~

(12) "Collateral" means the property subject to a security interest or agricultural lien. The term includes:

(A) proceeds to which a security interest attaches;

(B) accounts, chattel paper, payment intangibles, and promissory notes that have been sold; and

(C) goods that are the subject of a consignment.

(13) "Commercial tort claim" means a claim arising in tort with respect to which:

(A) the claimant is an organization; or

(B) the claimant is an individual and the claim:

(i) arose in the course of the claimant's

1 business or profession; and

2 (ii) does not include damages arising out of  
3 personal injury to or the death of an individual.

4 (14) "Commodity account" means an account maintained  
5 by a commodity intermediary in which a commodity contract  
6 is carried for a commodity customer.

7 (15) "Commodity contract" means a commodity futures  
8 contract, an option on a commodity futures contract, a  
9 commodity option, or another contract if the contract or  
10 option is:

11 (A) traded on or subject to the rules of a board of  
12 trade that has been designated as a contract market  
13 for such a contract pursuant to federal commodities  
14 laws; or

15 (B) traded on a foreign commodity board of trade,  
16 exchange, or market, and is carried on the books of a  
17 commodity intermediary for a commodity customer.

18 (16) "Commodity customer" means a person for which a  
19 commodity intermediary carries a commodity contract on its  
20 books.

21 (17) "Commodity intermediary" means a person that:

22 (A) is registered as a futures commission merchant  
23 under federal commodities law; or

24 (B) in the ordinary course of its business  
25 provides clearance or settlement services for a board  
26 of trade that has been designated as a contract market

1           pursuant to federal commodities law.

2           (18) "Communicate" means:

3                   (A) to send a written or other tangible record;

4                   (B) to transmit a record by any means agreed upon  
5 by the persons sending and receiving the record; or

6                   (C) in the case of transmission of a record to or  
7 by a filing office, to transmit a record by any means  
8 prescribed by filing-office rule.

9           (19) "Consignee" means a merchant to which goods are  
10 delivered in a consignment.

11           (20) "Consignment" means a transaction, regardless of  
12 its form, in which a person delivers goods to a merchant  
13 for the purpose of sale and:

14                   (A) the merchant:

15                           (i) deals in goods of that kind under a name  
16 other than the name of the person making delivery;

17                           (ii) is not an auctioneer; and

18                           (iii) is not generally known by its creditors  
19 to be substantially engaged in selling the goods  
20 of others;

21                   (B) with respect to each delivery, the aggregate  
22 value of the goods is \$1,000 or more at the time of  
23 delivery;

24                   (C) the goods are not consumer goods immediately  
25 before delivery; and

26                   (D) the transaction does not create a security

1 interest that secures an obligation.

2 (21) "Consignor" means a person that delivers goods to  
3 a consignee in a consignment.

4 (22) "Consumer debtor" means a debtor in a consumer  
5 transaction.

6 (23) "Consumer goods" means goods that are used or  
7 bought for use primarily for personal, family, or  
8 household purposes.

9 (24) "Consumer-goods transaction" means a consumer  
10 transaction in which:

11 (A) an individual incurs an obligation primarily  
12 for personal, family, or household purposes; and

13 (B) a security interest in consumer goods secures  
14 the obligation.

15 (25) "Consumer obligor" means an obligor who is an  
16 individual and who incurred the obligation as part of a  
17 transaction entered into primarily for personal, family,  
18 or household purposes.

19 (26) "Consumer transaction" means a transaction in  
20 which (i) an individual incurs an obligation primarily for  
21 personal, family, or household purposes, (ii) a security  
22 interest secures the obligation, and (iii) the collateral  
23 is held or acquired primarily for personal, family, or  
24 household purposes. The term includes consumer-goods  
25 transactions.

26 (27) "Continuation statement" means an amendment of a



1 financing statement which:

2 (A) identifies, by its file number, the initial  
3 financing statement to which it relates; and

4 (B) indicates that it is a continuation statement  
5 for, or that it is filed to continue the effectiveness  
6 of, the identified financing statement.

7 (27A) "Controllable account" means an account  
8 evidenced by a controllable electronic record that  
9 provides that the account debtor undertakes to pay the  
10 person that has control under Section 12-105 of the  
11 controllable electronic record.

12 (27B) "Controllable payment intangible" means a  
13 payment intangible evidenced by a controllable electronic  
14 record that provides that the account debtor undertakes to  
15 pay the person that has control under Section 12-105 of  
16 the controllable electronic record.

17 (28) "Debtor" means:

18 (A) a person having an interest, other than a  
19 security interest or other lien, in the collateral,  
20 whether or not the person is an obligor;

21 (B) a seller of accounts, chattel paper, payment  
22 intangibles, or promissory notes; or

23 (C) a consignee.

24 (29) "Deposit account" means a demand, time, savings,  
25 passbook, nonnegotiable certificates of deposit,  
26 uncertificated certificates of deposit, nontransferable

1 ~~nontransferrable~~ certificates of deposit, or similar  
2 account maintained with a bank. The term does not include  
3 investment property or accounts evidenced by an  
4 instrument.

5 (30) "Document" means a document of title or a receipt  
6 of the type described in Section 7-201(b).

7 (31) (Reserved). ~~"Electronic chattel paper" means~~  
8 ~~chattel paper evidenced by a record or records consisting~~  
9 ~~of information stored in an electronic medium.~~

10 (31A) "Electronic money" means money in an electronic  
11 form.

12 (32) "Encumbrance" means a right, other than an  
13 ownership interest, in real property. The term includes  
14 mortgages and other liens on real property.

15 (33) "Equipment" means goods other than inventory,  
16 farm products, or consumer goods.

17 (34) "Farm products" means goods, other than standing  
18 timber, with respect to which the debtor is engaged in a  
19 farming operation and which are:

20 (A) crops grown, growing, or to be grown,  
21 including:

22 (i) crops produced on trees, vines, and  
23 bushes; and

24 (ii) aquatic goods produced in aquacultural  
25 operations;

26 (B) livestock, born or unborn, including aquatic

1 goods produced in aquacultural operations;

2 (C) supplies used or produced in a farming  
3 operation; or

4 (D) products of crops or livestock in their  
5 unmanufactured states.

6 (35) "Farming operation" means raising, cultivating,  
7 propagating, fattening, grazing, or any other farming,  
8 livestock, or aquacultural operation.

9 (36) "File number" means the number assigned to an  
10 initial financing statement pursuant to Section 9-519(a).

11 (37) "Filing office" means an office designated in  
12 Section 9-501 as the place to file a financing statement.

13 (38) "Filing-office rule" means a rule adopted  
14 pursuant to Section 9-526.

15 (39) "Financing statement" means a record or records  
16 composed of an initial financing statement and any filed  
17 record relating to the initial financing statement.

18 (40) "Fixture filing" means the filing of a financing  
19 statement covering goods that are or are to become  
20 fixtures and satisfying Section 9-502(a) and (b). The term  
21 includes the filing of a financing statement covering  
22 goods of a transmitting utility which are or are to become  
23 fixtures.

24 (41) "Fixtures" means goods that have become so  
25 related to particular real property that an interest in  
26 them arises under real property law.

1           (42) "General intangible" means any personal property,  
2 including things in action, other than accounts, chattel  
3 paper, commercial tort claims, deposit accounts,  
4 documents, goods, instruments, investment property,  
5 letter-of-credit rights, letters of credit, money, and  
6 oil, gas, or other minerals before extraction. The term  
7 includes controllable electronic records, payment  
8 intangibles, and software.

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

12           (44) "Goods" means all things that are movable when a  
13 security interest attaches. The term includes (i)  
14 fixtures, (ii) standing timber that is to be cut and  
15 removed under a conveyance or contract for sale, (iii) the  
16 unborn young of animals, (iv) crops grown, growing, or to  
17 be grown, even if the crops are produced on trees, vines,  
18 or bushes, and (v) manufactured homes. The term also  
19 includes a computer program embedded in goods and any  
20 supporting information provided in connection with a  
21 transaction relating to the program if (i) the program is  
22 associated with the goods in such a manner that it  
23 customarily is considered part of the goods, or (ii) by  
24 becoming the owner of the goods, a person acquires a right  
25 to use the program in connection with the goods. The term  
26 does not include a computer program embedded in goods that

1 consist solely of the medium in which the program is  
2 embedded. The term also does not include accounts, chattel  
3 paper, commercial tort claims, deposit accounts,  
4 documents, general intangibles, instruments, investment  
5 property, letter-of-credit rights, letters of credit,  
6 money, or oil, gas, or other minerals before extraction.

7 (45) "Governmental unit" means a subdivision, agency,  
8 department, county, parish, municipality, or other unit of  
9 the government of the United States, a State, or a foreign  
10 country. The term includes an organization having a  
11 separate corporate existence if the organization is  
12 eligible to issue debt on which interest is exempt from  
13 income taxation under the laws of the United States.

14 (46) "Health-care-insurance receivable" means an  
15 interest in or claim under a policy of insurance which is a  
16 right to payment of a monetary obligation for health-care  
17 goods or services provided.

18 (47) "Instrument" means a negotiable instrument or any  
19 other writing that evidences a right to the payment of a  
20 monetary obligation, is not itself a security agreement or  
21 lease, and is of a type that in ordinary course of business  
22 is transferred by delivery with any necessary indorsement  
23 or assignment. The term does not include (i) investment  
24 property, (ii) letters of credit, (iii) nonnegotiable  
25 certificates of deposit, (iv) uncertificated certificates  
26 of deposit, (v) nontransferable ~~nontransferrable~~

1 certificates of deposit, ~~or~~ (vi) writings that evidence a  
2 right to payment arising out of the use of a credit or  
3 charge card or information contained on or for use with  
4 the card, or (vii) writings that evidence chattel paper.

5 (48) "Inventory" means goods, other than farm  
6 products, which:

7 (A) are leased by a person as lessor;

8 (B) are held by a person for sale or lease or to be  
9 furnished under a contract of service;

10 (C) are furnished by a person under a contract of  
11 service; or

12 (D) consist of raw materials, work in process, or  
13 materials used or consumed in a business.

14 (49) "Investment property" means a security, whether  
15 certificated or uncertificated, security entitlement,  
16 securities account, commodity contract, or commodity  
17 account.

18 (50) "Jurisdiction of organization", with respect to a  
19 registered organization, means the jurisdiction under  
20 whose law the organization is formed or organized.

21 (51) "Letter-of-credit right" means a right to payment  
22 or performance under a letter of credit, whether or not  
23 the beneficiary has demanded or is at the time entitled to  
24 demand payment or performance. The term does not include  
25 the right of a beneficiary to demand payment or  
26 performance under a letter of credit.

1 (52) "Lien creditor" means:

2 (A) a creditor that has acquired a lien on the  
3 property involved by attachment, levy, or the like;

4 (B) an assignee for benefit of creditors from the  
5 time of assignment;

6 (C) a trustee in bankruptcy from the date of the  
7 filing of the petition; or

8 (D) a receiver in equity from the time of  
9 appointment.

10 (53) "Manufactured home" means a structure,  
11 transportable in one or more sections, which, in the  
12 traveling mode, is eight body feet or more in width or 40  
13 body feet or more in length, or, when erected on site, is  
14 320 or more square feet, and which is built on a permanent  
15 chassis and designed to be used as a dwelling with or  
16 without a permanent foundation when connected to the  
17 required utilities, and includes the plumbing, heating,  
18 air-conditioning, and electrical systems contained  
19 therein. The term includes any structure that meets all of  
20 the requirements of this paragraph except the size  
21 requirements and with respect to which the manufacturer  
22 voluntarily files a certification required by the United  
23 States Secretary of Housing and Urban Development and  
24 complies with the standards established under Title 42 of  
25 the United States Code. The term "manufactured home" does  
26 not include campers and recreational vehicles.

1 (54) "Manufactured-home transaction" means a secured  
2 transaction:

3 (A) that creates a purchase-money security  
4 interest in a manufactured home, other than a  
5 manufactured home held as inventory; or

6 (B) in which a manufactured home, other than a  
7 manufactured home held as inventory, is the primary  
8 collateral.

9 (54A) "Money" has the meaning in Section 1-201(b)(24),  
10 but does not include (i) a deposit account or (ii) money in  
11 an electronic form that cannot be subjected to control  
12 under Section 9-105A.

13 (55) "Mortgage" means a consensual interest in real  
14 property, including fixtures, which secures payment or  
15 performance of an obligation.

16 (56) "New debtor" means a person that becomes bound as  
17 debtor under Section 9-203(d) by a security agreement  
18 previously entered into by another person.

19 (57) "New value" means (i) money, (ii) money's worth  
20 in property, services, or new credit, or (iii) release by  
21 a transferee of an interest in property previously  
22 transferred to the transferee. The term does not include  
23 an obligation substituted for another obligation.

24 (58) "Noncash proceeds" means proceeds other than cash  
25 proceeds.

26 (59) "Obligor" means a person that, with respect to an



1 obligation secured by a security interest in or an  
2 agricultural lien on the collateral, (i) owes payment or  
3 other performance of the obligation, (ii) has provided  
4 property other than the collateral to secure payment or  
5 other performance of the obligation, or (iii) is otherwise  
6 accountable in whole or in part for payment or other  
7 performance of the obligation. The term does not include  
8 issuers or nominated persons under a letter of credit.

9 (60) "Original debtor", except as used in Section  
10 9-310(c), means a person that, as debtor, entered into a  
11 security agreement to which a new debtor has become bound  
12 under Section 9-203(d).

13 (61) "Payment intangible" means a general intangible  
14 under which the account debtor's principal obligation is a  
15 monetary obligation. The term includes a controllable  
16 payment intangible.

17 (62) "Person related to", with respect to an  
18 individual, means:

19 (A) the spouse of the individual;

20 (B) a brother, brother-in-law, sister, or  
21 sister-in-law of the individual;

22 (C) an ancestor or lineal descendant of the  
23 individual or the individual's spouse; or

24 (D) any other relative, by blood or marriage, of  
25 the individual or the individual's spouse who shares  
26 the same home with the individual.

1           (63) "Person related to", with respect to an  
2 organization, means:

3           (A) a person directly or indirectly controlling,  
4 controlled by, or under common control with the  
5 organization;

6           (B) an officer or director of, or a person  
7 performing similar functions with respect to, the  
8 organization;

9           (C) an officer or director of, or a person  
10 performing similar functions with respect to, a person  
11 described in subparagraph (A);

12           (D) the spouse of an individual described in  
13 subparagraph (A), (B), or (C); or

14           (E) an individual who is related by blood or  
15 marriage to an individual described in subparagraph  
16 (A), (B), (C), or (D) and shares the same home with the  
17 individual.

18           (64) "Proceeds", except as used in Section 9-609(b),  
19 means the following property:

20           (A) whatever is acquired upon the sale, lease,  
21 license, exchange, or other disposition of collateral;

22           (B) whatever is collected on, or distributed on  
23 account of, collateral;

24           (C) rights arising out of collateral;

25           (D) to the extent of the value of collateral,  
26 claims arising out of the loss, nonconformity, or

1 interference with the use of, defects or infringement  
2 of rights in, or damage to, the collateral; or

3 (E) to the extent of the value of collateral and to  
4 the extent payable to the debtor or the secured party,  
5 insurance payable by reason of the loss or  
6 nonconformity of, defects or infringement of rights  
7 in, or damage to, the collateral.

8 (65) "Promissory note" means an instrument that  
9 evidences a promise to pay a monetary obligation, does not  
10 evidence an order to pay, and does not contain an  
11 acknowledgment by a bank that the bank has received for  
12 deposit a sum of money or funds.

13 (66) "Proposal" means a record signed ~~authenticated~~ by  
14 a secured party which includes the terms on which the  
15 secured party is willing to accept collateral in full or  
16 partial satisfaction of the obligation it secures pursuant  
17 to Sections 9-620, 9-621, and 9-622.

18 (67) "Public-finance transaction" means a secured  
19 transaction in connection with which:

20 (A) debt securities are issued;

21 (B) all or a portion of the securities issued have  
22 an initial stated maturity of at least 20 years; and

23 (C) the debtor, obligor, secured party, account  
24 debtor or other person obligated on collateral,  
25 assignor or assignee of a secured obligation, or  
26 assignor or assignee of a security interest is a State

1 or a governmental unit of a State.

2 (68) "Public organic record" means a record that is  
3 available to the public for inspection and is:

4 (A) a record consisting of the record initially  
5 filed with or issued by a State or the United States to  
6 form or organize an organization and any record filed  
7 with or issued by the State or the United States which  
8 amends or restates the initial record;

9 (B) an organic record of a business trust  
10 consisting of the record initially filed with a State  
11 and any record filed with the State which amends or  
12 restates the initial record, if a statute of the State  
13 governing business trusts requires that the record be  
14 filed with the State; or

15 (C) a record consisting of legislation enacted by  
16 the legislature of a State or the Congress of the  
17 United States which forms or organizes an  
18 organization, any record amending the legislation, and  
19 any record filed with or issued by the State or the  
20 United States which amends or restates the name of the  
21 organization.

22 (69) "Pursuant to commitment", with respect to an  
23 advance made or other value given by a secured party,  
24 means pursuant to the secured party's obligation, whether  
25 or not a subsequent event of default or other event not  
26 within the secured party's control has relieved or may

1           relieve the secured party from its obligation.

2           (70) "Record", except as used in "for record", "of  
3           record", "record or legal title", and "record owner",  
4           means information that is inscribed on a tangible medium  
5           or which is stored in an electronic or other medium and is  
6           retrievable in perceivable form.

7           (71) "Registered organization" means an organization  
8           formed or organized solely under the law of a single State  
9           or the United States by the filing of a public organic  
10          record with, the issuance of a public organic record by,  
11          or the enactment of legislation by the State or the United  
12          States. The term includes a business trust that is formed  
13          or organized under the law of a single State if a statute  
14          of the State governing business trusts requires that the  
15          business trust's organic record be filed with the State.

16          (72) "Secondary obligor" means an obligor to the  
17          extent that:

18                 (A) the obligor's obligation is secondary; or

19                 (B) the obligor has a right of recourse with  
20                 respect to an obligation secured by collateral against  
21                 the debtor, another obligor, or property of either.

22          (73) "Secured party" means:

23                 (A) a person in whose favor a security interest is  
24                 created or provided for under a security agreement,  
25                 whether or not any obligation to be secured is  
26                 outstanding;

1 (B) a person that holds an agricultural lien;

2 (C) a consignor;

3 (D) a person to which accounts, chattel paper,  
4 payment intangibles, or promissory notes have been  
5 sold;

6 (E) a trustee, indenture trustee, agent,  
7 collateral agent, or other representative in whose  
8 favor a security interest or agricultural lien is  
9 created or provided for; or

10 (F) a person that holds a security interest  
11 arising under Section 2-401, 2-505, 2-711(3),  
12 2A-508(5), 4-210, or 5-118.

13 (74) "Security agreement" means an agreement that  
14 creates or provides for a security interest.

15 (75) (Reserved). ~~"Send", in connection with a record~~  
16 ~~or notification, means:~~

17 ~~(A) to deposit in the mail, deliver for~~  
18 ~~transmission, or transmit by any other usual means of~~  
19 ~~communication, with postage or cost of transmission~~  
20 ~~provided for, addressed to any address reasonable~~  
21 ~~under the circumstances; or~~

22 ~~(B) to cause the record or notification to be~~  
23 ~~received within the time that it would have been~~  
24 ~~received if properly sent under subparagraph (A).~~

25 (76) "Software" means a computer program and any  
26 supporting information provided in connection with a

1 transaction relating to the program. The term does not  
2 include a computer program that is included in the  
3 definition of goods.

4 (77) "State" means a State of the United States, the  
5 District of Columbia, Puerto Rico, the United States  
6 Virgin Islands, or any territory or insular possession  
7 subject to the jurisdiction of the United States.

8 (78) "Supporting obligation" means a letter-of-credit  
9 right or secondary obligation that supports the payment or  
10 performance of an account, chattel paper, a document, a  
11 general intangible, an instrument, or investment property.

12 (79) (Reserved). ~~"Tangible chattel paper" means~~  
13 ~~chattel paper evidenced by a record or records consisting~~  
14 ~~of information that is inscribed on a tangible medium.~~

15 (79A) "Tangible money" means money in a tangible form.

16 (80) "Termination statement" means an amendment of a  
17 financing statement which:

18 (A) identifies, by its file number, the initial  
19 financing statement to which it relates; and

20 (B) indicates either that it is a termination  
21 statement or that the identified financing statement  
22 is no longer effective.

23 (81) "Transmitting utility" means a person primarily  
24 engaged in the business of:

25 (A) operating a railroad, subway, street railway,  
26 or trolley bus;

1 (B) transmitting communications electrically,  
2 electromagnetically, or by light;

3 (C) transmitting goods by pipeline or sewer; or

4 (D) transmitting or producing and transmitting  
5 electricity, steam, gas, or water.

6 (b) Definitions in other Articles. "Control" as provided  
7 in Section 7-106 and the following definitions in other  
8 Articles apply to this Article:

9 "Applicant". Section 5-102.

10 "Beneficiary". Section 5-102.

11 "Broker". Section 8-102.

12 "Certificated security". Section 8-102.

13 "Check". Section 3-104.

14 "Clearing corporation". Section 8-102.

15 "Contract for sale". Section 2-106.

16 "Controllable electronic record". Section 12-102.

17 "Customer". Section 4-104.

18 "Entitlement holder". Section 8-102.

19 "Financial asset". Section 8-102.

20 "Holder in due course". Section 3-302.

21 "Issuer" (with respect to a letter of credit or  
22 letter-of-credit right). Section 5-102.

23 "Issuer" (with respect to a security). Section 8-201.

24 "Issuer" (with respect to documents of title). Section  
25 7-102.

26 "Lease". Section 2A-103.



1 "Lease agreement". Section 2A-103.  
2 "Lease contract". Section 2A-103.  
3 "Leasehold interest". Section 2A-103.  
4 "Lessee". Section 2A-103.  
5 "Lessee in ordinary course of business". Section 2A-103.  
6 "Lessor". Section 2A-103.  
7 "Lessor's residual interest". Section 2A-103.  
8 "Letter of credit". Section 5-102.  
9 "Merchant". Section 2-104.  
10 "Negotiable instrument". Section 3-104.  
11 "Nominated person". Section 5-102.  
12 "Note". Section 3-104.  
13 "Proceeds of a letter of credit". Section 5-114.  
14 "Protected purchaser". Section 8-303.  
15 "Prove". Section 3-103.  
16 "Qualifying purchaser". Section 12-102.  
17 "Sale". Section 2-106.  
18 "Securities account". Section 8-501.  
19 "Securities intermediary". Section 8-102.  
20 "Security". Section 8-102.  
21 "Security certificate". Section 8-102.  
22 "Security entitlement". Section 8-102.  
23 "Uncertificated security". Section 8-102.  
24 (c) Article 1 definitions and principles. Article 1  
25 contains general definitions and principles of construction  
26 and interpretation applicable throughout this Article.

1 (Source: P.A. 97-1034, eff. 7-1-13; 98-749, eff. 7-16-14.)

2 (810 ILCS 5/9-104) (from Ch. 26, par. 9-104)

3 Sec. 9-104. Control of deposit account.

4 (a) Requirements for control. A secured party has control  
5 of a deposit account if:

6 (1) the secured party is the bank with which the  
7 deposit account is maintained;

8 (2) the debtor, secured party, and bank have agreed in  
9 a signed ~~an authenticated~~ record that the bank will comply  
10 with instructions originated by the secured party  
11 directing disposition of the funds in the deposit account  
12 without further consent by the debtor; ~~or~~

13 (3) the secured party becomes the bank's customer with  
14 respect to the deposit account; or

15 (4) another person, other than the debtor:

16 (A) has control of the deposit account and  
17 acknowledges that it has control on behalf of the  
18 secured party; or

19 (B) obtains control of the deposit account after  
20 having acknowledged that it will obtain control of the  
21 deposit account on behalf of the secured party.

22 (b) Debtor's right to direct disposition. A secured party  
23 that has satisfied subsection (a) has control, even if the  
24 debtor retains the right to direct the disposition of funds  
25 from the deposit account.

1 (Source: P.A. 91-893, eff. 7-1-01.)

2 (810 ILCS 5/9-105) (from Ch. 26, par. 9-105)

3 Sec. 9-105. Control of electronic copy of record  
4 evidencing chattel paper.

5 (a) General rule: control of electronic copy of record  
6 evidencing chattel paper. A purchaser has control of an  
7 authoritative electronic copy of a record evidencing chattel  
8 paper if a system employed for evidencing the assignment of  
9 interests in the chattel paper reliably establishes the  
10 purchaser as the person to which the authoritative electronic  
11 copy was assigned.

12 (b) Single authoritative copy. A system satisfies  
13 subsection (a) if the record or records evidencing the chattel  
14 paper are created, stored, and assigned in a manner that:

15 (1) a single authoritative copy of the record or  
16 records exists which is unique, identifiable, and, except  
17 as otherwise provided in paragraphs (4), (5), and (6),  
18 unalterable;

19 (2) the authoritative copy identifies the purchaser as  
20 the assignee of the record or records;

21 (3) the authoritative copy is communicated to and  
22 maintained by the purchaser or its designated custodian;

23 (4) copies or amendments that add or change an  
24 identified assignee of the authoritative copy can be made  
25 only with the consent of the purchaser;

1           (5) each copy of the authoritative copy and any copy  
2           of a copy is readily identifiable as a copy that is not the  
3           authoritative copy; and

4           (6) any amendment of the authoritative copy is readily  
5           identifiable as authorized or unauthorized.

6           (c) One or more authoritative copies. A system satisfies  
7           subsection (a), and a purchaser has control of an  
8           authoritative electronic copy of a record evidencing chattel  
9           paper, if the electronic copy, a record attached to or  
10           logically associated with the electronic copy, or a system in  
11           which the electronic copy is recorded:

12           (1) enables the purchaser readily to identify each  
13           electronic copy as either an authoritative copy or a  
14           nonauthoritative copy;

15           (2) enables the purchaser readily to identify itself  
16           in any way, including by name, identifying number,  
17           cryptographic key, office, or account number, as the  
18           assignee of the authoritative electronic copy; and

19           (3) gives the purchaser exclusive power, subject to  
20           subsection (d), to:

21           (A) prevent others from adding or changing an  
22           identified assignee of the authoritative electronic  
23           copy; and

24           (B) transfer control of the authoritative  
25           electronic copy.

26           (d) Meaning of exclusive. Subject to subsection (e), a

1 power is exclusive under subsection (c) (3) (A) and (B) even if:

2 (1) the authoritative electronic copy, a record  
3 attached to or logically associated with the authoritative  
4 electronic copy, or a system in which the authoritative  
5 electronic copy is recorded limits the use of the  
6 authoritative electronic copy or has a protocol programmed  
7 to cause a change, including a transfer or loss of  
8 control; or

9 (2) the power is shared with another person.

10 (e) When power not shared with another person. A power of a  
11 purchaser is not shared with another person under subsection  
12 (d) (2) and the purchaser's power is not exclusive if:

13 (1) the purchaser can exercise the power only if the  
14 power also is exercised by the other person; and

15 (2) the other person:

16 (A) can exercise the power without exercise of the  
17 power by the purchaser; or

18 (B) is the transferor to the purchaser of an  
19 interest in the chattel paper.

20 (f) Presumption of exclusivity of certain powers. If a  
21 purchaser has the powers specified in subsection (c) (3) (A) and  
22 (B), the powers are presumed to be exclusive.

23 (g) Obtaining control through another person. A purchaser  
24 has control of an authoritative electronic copy of a record  
25 evidencing chattel paper if another person, other than the  
26 transferor to the purchaser of an interest in the chattel

1 paper:

2 (1) has control of the authoritative electronic copy  
3 and acknowledges that it has control on behalf of the  
4 purchaser; or

5 (2) obtains control of the authoritative electronic  
6 copy after having acknowledged that it will obtain control  
7 of the electronic copy on behalf of the purchaser.

8 ~~(a) General rule: Control of electronic chattel paper. A~~  
9 ~~secured party has control of electronic chattel paper if a~~  
10 ~~system employed for evidencing the transfer of interests in~~  
11 ~~the chattel paper reliably establishes the secured party as~~  
12 ~~the person to which the chattel paper was assigned.~~

13 ~~(b) Specific facts giving control. A system satisfies~~  
14 ~~subsection (a) if the record or records comprising the chattel~~  
15 ~~paper are created, stored, and assigned in such a manner that:~~

16 ~~(1) a single authoritative copy of the record or~~  
17 ~~records exists which is unique, identifiable and, except~~  
18 ~~as otherwise provided in paragraphs (4), (5), and (6),~~  
19 ~~unalterable;~~

20 ~~(2) the authoritative copy identifies the secured~~  
21 ~~party as the assignee of the record or records;~~

22 ~~(3) the authoritative copy is communicated to and~~  
23 ~~maintained by the secured party or its designated~~  
24 ~~custodian;~~

25 ~~(4) copies or amendments that add or change an~~  
26 ~~identified assignee of the authoritative copy can be made~~

1 ~~only with the consent of the secured party;~~

2 ~~(5) each copy of the authoritative copy and any copy~~  
3 ~~of a copy is readily identifiable as a copy that is not the~~  
4 ~~authoritative copy; and~~

5 ~~(6) any amendment of the authoritative copy is readily~~  
6 ~~identifiable as authorized or unauthorized.~~

7 (Source: P.A. 97-1034, eff. 7-1-13.)

8 (810 ILCS 5/9-105A new)

9 Sec. 9-105A. Control of electronic money.

10 (a) General rule: control of electronic money. A person  
11 has control of electronic money if:

12 (1) the electronic money, a record attached to or  
13 logically associated with the electronic money, or a  
14 system in which the electronic money is recorded gives the  
15 person:

16 (A) power to avail itself of substantially all the  
17 benefit from the electronic money; and

18 (B) exclusive power, subject to subsection (b),  
19 to:

20 (i) prevent others from availing themselves of  
21 substantially all the benefit from the electronic  
22 money; and

23 (ii) transfer control of the electronic money  
24 to another person or cause another person to  
25 obtain control of other electronic money as a

1 result of the transfer of the electronic money;

2 and

3 (2) the electronic money, a record attached to or  
4 logically associated with the electronic money, or a  
5 system in which the electronic money is recorded enables  
6 the person readily to identify itself in any way,  
7 including by name, identifying number, cryptographic key,  
8 office, or account number, as having the powers under  
9 paragraph (1).

10 (b) Meaning of exclusive. Subject to subsection (c), a  
11 power is exclusive under subsection (a) (1) (B) (i) and (ii) even  
12 if:

13 (1) the electronic money, a record attached to or  
14 logically associated with the electronic money, or a  
15 system in which the electronic money is recorded limits  
16 the use of the electronic money or has a protocol  
17 programmed to cause a change, including a transfer or loss  
18 of control; or

19 (2) the power is shared with another person.

20 (c) When power not shared with another person. A power of a  
21 person is not shared with another person under subsection  
22 (b) (2) and the person's power is not exclusive if:

23 (1) the person can exercise the power only if the  
24 power also is exercised by the other person; and

25 (2) the other person:

26 (A) can exercise the power without exercise of the



1           power by the person; or

2                   (B) is the transferor to the person of an interest  
3           in the electronic money.

4           (d) Presumption of exclusivity of certain powers. If a  
5           person has the powers specified in subsection (a) (1) (B) (i) and  
6           (ii), the powers are presumed to be exclusive.

7           (e) Control through another person. A person has control  
8           of electronic money if another person, other than the  
9           transferor to the person of an interest in the electronic  
10          money:

11                   (1) has control of the electronic money and  
12                   acknowledges that it has control on behalf of the person;  
13                   or

14                   (2) obtains control of the electronic money after  
15                   having acknowledged that it will obtain control of the  
16                   electronic money on behalf of the person.

17           (810 ILCS 5/9-107A new)

18           Sec. 9-107A. Control of controllable electronic record,  
19           controllable account, or controllable payment intangible.

20           (a) Control under Section 12-105. A secured party has  
21           control of a controllable electronic record as provided in  
22           Section 12-105.

23           (b) Control of controllable account and controllable  
24           payment intangible. A secured party has control of a  
25           controllable account or controllable payment intangible if the

1 secured party has control of the controllable electronic  
2 record that evidences the controllable account or controllable  
3 payment intangible.

4 (810 ILCS 5/9-107B new)

5 Sec. 9-107B. No requirement to acknowledge or confirm; no  
6 duties.

7 (a) No requirement to acknowledge. A person that has  
8 control under Section 9-104, 9-105, or 9-105A is not required  
9 to acknowledge that it has control on behalf of another  
10 person.

11 (b) No duties or confirmation. If a person acknowledges  
12 that it has or will obtain control on behalf of another person,  
13 unless the person otherwise agrees or law other than this  
14 Article otherwise provides, the person does not owe any duty  
15 to the other person and is not required to confirm the  
16 acknowledgment to any other person.

17 (810 ILCS 5/9-203) (from Ch. 26, par. 9-203)

18 Sec. 9-203. Attachment and enforceability of security  
19 interest; proceeds; supporting obligations; formal requisites.

20 (a) Attachment. A security interest attaches to collateral  
21 when it becomes enforceable against the debtor with respect to  
22 the collateral, unless an agreement expressly postpones the  
23 time of attachment.

24 (b) Enforceability. Except as otherwise provided in

1 subsections (c) through (i), a security interest is  
2 enforceable against the debtor and third parties with respect  
3 to the collateral only if:

4 (1) value has been given;

5 (2) the debtor has rights in the collateral or the  
6 power to transfer rights in the collateral to a secured  
7 party; and

8 (3) one of the following conditions is met:

9 (A) the debtor has signed ~~authenticated~~ a security  
10 agreement that provides a description of the  
11 collateral and, if the security interest covers timber  
12 to be cut, a description of the land concerned;

13 (B) the collateral is not a certificated security  
14 and is in the possession of the secured party under  
15 Section 9-313 pursuant to the debtor's security  
16 agreement;

17 (C) the collateral is a certificated security in  
18 registered form and the security certificate has been  
19 delivered to the secured party under Section 8-301  
20 pursuant to the debtor's security agreement; ~~or~~

21 (D) the collateral is controllable accounts,  
22 controllable electronic records, controllable payment  
23 intangibles, deposit accounts, electronic documents,  
24 electronic money, ~~electronic chattel paper,~~ investment  
25 property, or letter-of-credit rights, ~~or electronic~~  
26 ~~documents,~~ and the secured party has control under

1 Section 7-106, 9-104, 9-105A, ~~9-105~~, 9-106, ~~or~~ 9-107,  
2 or 9-107A pursuant to the debtor's security agreement;  
3 or.

4 (E) the collateral is chattel paper and the  
5 secured party has possession and control under Section  
6 9-314A pursuant to the debtor's security agreement.

7 (c) Other UCC provisions. Subsection (b) is subject to  
8 Section 4-210 on the security interest of a collecting bank,  
9 Section 5-118 on the security interest of a letter-of-credit  
10 issuer or nominated person, Section 9-110 on a security  
11 interest arising under Article 2 or 2A, and Section 9-206 on  
12 security interests in investment property.

13 (d) When person becomes bound by another person's security  
14 agreement. A person becomes bound as debtor by a security  
15 agreement entered into by another person if, by operation of  
16 law other than this Article or by contract:

17 (1) the security agreement becomes effective to create  
18 a security interest in the person's property; or

19 (2) the person becomes generally obligated for the  
20 obligations of the other person, including the obligation  
21 secured under the security agreement, and acquires or  
22 succeeds to all or substantially all of the assets of the  
23 other person.

24 (e) Effect of new debtor becoming bound. If a new debtor  
25 becomes bound as debtor by a security agreement entered into  
26 by another person:

1           (1) the agreement satisfies subsection (b)(3) with  
2           respect to existing or after-acquired property of the new  
3           debtor to the extent the property is described in the  
4           agreement; and

5           (2) another agreement is not necessary to make a  
6           security interest in the property enforceable.

7           (f) Proceeds and supporting obligations. The attachment of  
8           a security interest in collateral gives the secured party the  
9           rights to proceeds provided by Section 9-315 and is also  
10          attachment of a security interest in a supporting obligation  
11          for the collateral.

12          (g) Lien securing right to payment. The attachment of a  
13          security interest in a right to payment or performance secured  
14          by a security interest or other lien on personal or real  
15          property is also attachment of a security interest in the  
16          security interest, mortgage, or other lien.

17          (h) Security entitlement carried in securities account.  
18          The attachment of a security interest in a securities account  
19          is also attachment of a security interest in the security  
20          entitlements carried in the securities account.

21          (i) Commodity contracts carried in commodity account. The  
22          attachment of a security interest in a commodity account is  
23          also attachment of a security interest in the commodity  
24          contracts carried in the commodity account.

25          (Source: P.A. 95-895, eff. 1-1-09.)

1 (810 ILCS 5/9-204) (from Ch. 26, par. 9-204)

2 Sec. 9-204. After-acquired property; future advances.

3 (a) After-acquired collateral. Except as otherwise  
4 provided in subsection (b), a security agreement may create or  
5 provide for a security interest in after-acquired collateral.

6 (b) When after-acquired property clause not effective.  
7 Subject to subsection (b.1), a ~~A~~ security interest does not  
8 attach under a term constituting an after-acquired property  
9 clause to:

10 (1) consumer goods, other than an accession when given  
11 as additional security, unless the debtor acquires rights  
12 in them within 10 days after the secured party gives  
13 value; or

14 (2) a commercial tort claim.

15 (b.1) Limitation on subsection (b). Subsection (b) does  
16 not prevent a security interest from attaching:

17 (1) to consumer goods as proceeds under Section  
18 9-315(a) or commingled goods under Section 9-336(c);

19 (2) to a commercial tort claim as proceeds under  
20 Section 9-315(a); or

21 (3) under an after-acquired property clause to  
22 property that is proceeds of consumer goods or a  
23 commercial tort claim.

24 (c) Future advances and other value. A security agreement  
25 may provide that collateral secures, or that accounts, chattel  
26 paper, payment intangibles, or promissory notes are sold in

1 connection with, future advances or other value, whether or  
2 not the advances or value are given pursuant to commitment.

3 (Source: P.A. 91-893, eff. 7-1-01.)

4 (810 ILCS 5/9-207) (from Ch. 26, par. 9-207)

5 Sec. 9-207. Rights and duties of secured party having  
6 possession or control of collateral.

7 (a) Duty of care when secured party in possession. Except  
8 as otherwise provided in subsection (d), a secured party shall  
9 use reasonable care in the custody and preservation of  
10 collateral in the secured party's possession. In the case of  
11 chattel paper or an instrument, reasonable care includes  
12 taking necessary steps to preserve rights against prior  
13 parties unless otherwise agreed.

14 (b) Expenses, risks, duties, and rights when secured party  
15 in possession. Except as otherwise provided in subsection (d),  
16 if a secured party has possession of collateral:

17 (1) reasonable expenses, including the cost of  
18 insurance and payment of taxes or other charges, incurred  
19 in the custody, preservation, use, or operation of the  
20 collateral are chargeable to the debtor and are secured by  
21 the collateral;

22 (2) the risk of accidental loss or damage is on the  
23 debtor to the extent of a deficiency in any effective  
24 insurance coverage;

25 (3) the secured party shall keep the collateral

1 identifiable, but fungible collateral may be commingled;  
2 and

3 (4) the secured party may use or operate the  
4 collateral:

5 (A) for the purpose of preserving the collateral  
6 or its value;

7 (B) as permitted by an order of a court having  
8 competent jurisdiction; or

9 (C) except in the case of consumer goods, in the  
10 manner and to the extent agreed by the debtor.

11 (c) Duties and rights when secured party in possession or  
12 control. Except as otherwise provided in subsection (d), a  
13 secured party having possession of collateral or control of  
14 collateral under Section 7-106, 9-104, 9-105, 9-105A, 9-106,  
15 ~~or~~ 9-107, or 9-107A:

16 (1) may hold as additional security any proceeds,  
17 except money or funds, received from the collateral;

18 (2) shall apply money or funds received from the  
19 collateral to reduce the secured obligation, unless  
20 remitted to the debtor; and

21 (3) may create a security interest in the collateral.

22 (d) Buyer of certain rights to payment. If the secured  
23 party is a buyer of accounts, chattel paper, payment  
24 intangibles, or promissory notes or a consignor:

25 (1) subsection (a) does not apply unless the secured  
26 party is entitled under an agreement:



1 (A) to charge back uncollected collateral; or  
2 (B) otherwise to full or limited recourse against  
3 the debtor or a secondary obligor based on the  
4 nonpayment or other default of an account debtor or  
5 other obligor on the collateral; and

6 (2) subsections (b) and (c) do not apply.

7 (Source: P.A. 95-895, eff. 1-1-09.)

8 (810 ILCS 5/9-208) (from Ch. 26, par. 9-208)

9 Sec. 9-208. Additional duties of secured party having  
10 control of collateral.

11 (a) Applicability of Section. This Section applies to  
12 cases in which there is no outstanding secured obligation and  
13 the secured party is not committed to make advances, incur  
14 obligations, or otherwise give value.

15 (b) Duties of secured party after receiving demand from  
16 debtor. Within 10 days after receiving a signed ~~an~~  
17 ~~authenticated~~ demand by the debtor:

18 (1) a secured party having control of a deposit  
19 account under Section 9-104(a)(2) shall send to the bank  
20 with which the deposit account is maintained a signed  
21 record ~~an authenticated statement~~ that releases the bank  
22 from any further obligation to comply with instructions  
23 originated by the secured party;

24 (2) a secured party having control of a deposit  
25 account under Section 9-104(a)(3) shall:

1 (A) pay the debtor the balance on deposit in the  
2 deposit account; or

3 (B) transfer the balance on deposit into a deposit  
4 account in the debtor's name;

5 (3) a secured party, other than a buyer, having  
6 control under Section 9-105 of an authoritative electronic  
7 copy of a record evidencing chattel paper shall transfer  
8 control of the electronic copy to the debtor or a person  
9 designated by the debtor; ~~a secured party, other than a~~  
10 ~~buyer, having control of electronic chattel paper under~~  
11 ~~Section 9-105 shall:~~

12 ~~(A) communicate the authoritative copy of the~~  
13 ~~electronic chattel paper to the debtor or its~~  
14 ~~designated custodian;~~

15 ~~(B) if the debtor designates a custodian that is~~  
16 ~~the designated custodian with which the authoritative~~  
17 ~~copy of the electronic chattel paper is maintained for~~  
18 ~~the secured party, communicate to the custodian an~~  
19 ~~authenticated record releasing the designated~~  
20 ~~custodian from any further obligation to comply with~~  
21 ~~instructions originated by the secured party and~~  
22 ~~instructing the custodian to comply with instructions~~  
23 ~~originated by the debtor; and~~

24 ~~(C) take appropriate action to enable the debtor~~  
25 ~~or its designated custodian to make copies of or~~  
26 ~~revisions to the authoritative copy which add or~~

1 ~~change an identified assignee of the authoritative~~  
2 ~~copy without the consent of the secured party;~~

3 (4) a secured party having control of investment  
4 property under Section 8-106(d) (2) or 9-106(b) shall send  
5 to the securities intermediary or commodity intermediary  
6 with which the security entitlement or commodity contract  
7 is maintained a signed ~~an authenticated~~ record that  
8 releases the securities intermediary or commodity  
9 intermediary from any further obligation to comply with  
10 entitlement orders or directions originated by the secured  
11 party;

12 (5) a secured party having control of a  
13 letter-of-credit right under Section 9-107 shall send to  
14 each person having an unfulfilled obligation to pay or  
15 deliver proceeds of the letter of credit to the secured  
16 party a signed ~~an authenticated~~ release from any further  
17 obligation to pay or deliver proceeds of the letter of  
18 credit to the secured party; ~~and~~

19 (6) a secured party having control under Section 7-106  
20 of an authoritative electronic copy of an electronic  
21 document of title shall transfer control of the electronic  
22 copy to the debtor or a person designated by the debtor; ~~a~~  
23 ~~secured party having control of an electronic document~~  
24 ~~shall:~~

25 (7) a secured party having control under Section  
26 9-105A of electronic money shall transfer control of the

1 electronic money to the debtor or a person designated by  
2 the debtor; and

3 (8) a secured party having control under Section  
4 12-105 of a controllable electronic record, other than a  
5 buyer of a controllable account or controllable payment  
6 intangible evidenced by the controllable electronic  
7 record, shall transfer control of the controllable  
8 electronic record to the debtor or a person designated by  
9 the debtor.

10 ~~(A) give control of the electronic document to the~~  
11 ~~debtor or its designated custodian;~~

12 ~~(B) if the debtor designates a custodian that is~~  
13 ~~the designated custodian with which the authoritative~~  
14 ~~copy of the electronic document is maintained for the~~  
15 ~~secured party, communicate to the custodian an~~  
16 ~~authenticated record releasing the designated~~  
17 ~~custodian from any further obligation to comply with~~  
18 ~~instructions originated by the secured party and~~  
19 ~~instructing the custodian to comply with instructions~~  
20 ~~originated by the debtor; and~~

21 ~~(C) take appropriate action to enable the debtor~~  
22 ~~or its designated custodian to make copies of or~~  
23 ~~revisions to the authoritative copy which add or~~  
24 ~~change an identified assignee of the authoritative~~  
25 ~~copy without the consent of the secured party.~~

26 (Source: P.A. 95-895, eff. 1-1-09.)

1 (810 ILCS 5/9-209)

2 Sec. 9-209. Duties of secured party if account debtor has  
3 been notified of assignment.

4 (a) Applicability of Section. Except as otherwise provided  
5 in subsection (c), this Section applies if:

6 (1) there is no outstanding secured obligation; and

7 (2) the secured party is not committed to make  
8 advances, incur obligations, or otherwise give value.

9 (b) Duties of secured party after receiving demand from  
10 debtor. Within 10 days after receiving a signed ~~an~~  
11 ~~authenticated~~ demand by the debtor, a secured party shall send  
12 to an account debtor that has received notification under  
13 Section 9-406(a) or 12-106(b) of an assignment to the secured  
14 party as assignee a signed ~~under Section 9-406(a)~~ ~~an~~  
15 ~~authenticated~~ record that releases the account debtor from any  
16 further obligation to the secured party.

17 (c) Inapplicability to sales. This Section does not apply  
18 to an assignment constituting the sale of an account, chattel  
19 paper, or payment intangible.

20 (Source: P.A. 91-893, eff. 7-1-01.)

21 (810 ILCS 5/9-210)

22 Sec. 9-210. Request for accounting; request regarding list  
23 of collateral or statement of account.

24 (a) Definitions. In this Section:

1           (1) "Request" means a record of a type described in  
2 paragraph (2), (3), or (4).

3           (2) "Request for an accounting" means a record signed  
4 ~~authenticated~~ by a debtor requesting that the recipient  
5 provide an accounting of the unpaid obligations secured by  
6 collateral and reasonably identifying the transaction or  
7 relationship that is the subject of the request.

8           (3) "Request regarding a list of collateral" means a  
9 record signed ~~authenticated~~ by a debtor requesting that  
10 the recipient approve or correct a list of what the debtor  
11 believes to be the collateral securing an obligation and  
12 reasonably identifying the transaction or relationship  
13 that is the subject of the request.

14           (4) "Request regarding a statement of account" means a  
15 record signed ~~authenticated~~ by a debtor requesting that  
16 the recipient approve or correct a statement indicating  
17 what the debtor believes to be the aggregate amount of  
18 unpaid obligations secured by collateral as of a specified  
19 date and reasonably identifying the transaction or  
20 relationship that is the subject of the request.

21           (b) Duty to respond to requests. Subject to subsections  
22 (c), (d), (e), and (f), a secured party, other than a buyer of  
23 accounts, chattel paper, payment intangibles, or promissory  
24 notes or a consignor, shall comply with a request within 14  
25 days after receipt:

26           (1) in the case of a request for an accounting, by

1        signing ~~authenticating~~ and sending to the debtor an  
2        accounting; and

3            (2) in the case of a request regarding a list of  
4        collateral or a request regarding a statement of account,  
5        by signing ~~authenticating~~ and sending to the debtor an  
6        approval or correction.

7        (c) Request regarding list of collateral; statement  
8        concerning type of collateral. A secured party that claims a  
9        security interest in all of a particular type of collateral  
10       owned by the debtor may comply with a request regarding a list  
11       of collateral by sending to the debtor a signed ~~an~~  
12       ~~authenticated~~ record including a statement to that effect  
13       within 14 days after receipt.

14       (d) Request regarding list of collateral; no interest  
15       claimed. A person that receives a request regarding a list of  
16       collateral, claims no interest in the collateral when it  
17       receives the request, and claimed an interest in the  
18       collateral at an earlier time shall comply with the request  
19       within 14 days after receipt by sending to the debtor a signed  
20       ~~an authenticated~~ record:

21            (1) disclaiming any interest in the collateral; and

22            (2) if known to the recipient, providing the name and  
23        mailing address of any assignee of or successor to the  
24        recipient's interest in the collateral.

25        (e) Request for accounting or regarding statement of  
26        account; no interest in obligation claimed. A person that

1 receives a request for an accounting or a request regarding a  
2 statement of account, claims no interest in the obligations  
3 when it receives the request, and claimed an interest in the  
4 obligations at an earlier time shall comply with the request  
5 within 14 days after receipt by sending to the debtor a signed  
6 ~~an authenticated~~ record:

7 (1) disclaiming any interest in the obligations; and

8 (2) if known to the recipient, providing the name and  
9 mailing address of any assignee of or successor to the  
10 recipient's interest in the obligations.

11 (f) Charges for responses. A debtor is entitled without  
12 charge to one response to a request under this Section during  
13 any six-month period. The secured party may require payment of  
14 a charge not exceeding \$25 for each additional response.

15 (Source: P.A. 91-893, eff. 7-1-01.)

16 (810 ILCS 5/9-301) (from Ch. 26, par. 9-301)

17 Sec. 9-301. Law governing perfection and priority of  
18 security interests. Except as otherwise provided in Sections  
19 9-303 through 9-306B ~~9-306.1~~, the following rules determine  
20 the law governing perfection, the effect of perfection or  
21 nonperfection, and the priority of a security interest in  
22 collateral:

23 (1) Except as otherwise provided in this Section,  
24 while a debtor is located in a jurisdiction, the local law  
25 of that jurisdiction governs perfection, the effect of



1 perfection or nonperfection, and the priority of a  
2 security interest in collateral.

3 (2) While collateral is located in a jurisdiction, the  
4 local law of that jurisdiction governs perfection, the  
5 effect of perfection or nonperfection, and the priority of  
6 a possessory security interest in that collateral.

7 (3) Except as otherwise provided in paragraph (4),  
8 while tangible negotiable documents, goods, instruments,  
9 or tangible money, ~~or tangible chattel paper~~ is located in  
10 a jurisdiction, the local law of that jurisdiction  
11 governs:

12 (A) perfection of a security interest in the goods  
13 by filing a fixture filing;

14 (B) perfection of a security interest in timber to  
15 be cut; and

16 (C) the effect of perfection or nonperfection and  
17 the priority of a nonpossessory security interest in  
18 the collateral.

19 (4) The local law of the jurisdiction in which the  
20 wellhead or minehead is located governs perfection, the  
21 effect of perfection or nonperfection, and the priority of  
22 a security interest in as-extracted collateral.

23 (Source: P.A. 95-895, eff. 1-1-09.)

24 (810 ILCS 5/9-304) (from Ch. 26, par. 9-304)

25 Sec. 9-304. Law governing perfection and priority of

1 security interests in deposit accounts.

2 (a) Law of bank's jurisdiction governs. The local law of a  
3 bank's jurisdiction governs perfection, the effect of  
4 perfection or nonperfection, and the priority of a security  
5 interest in a deposit account maintained with that bank even  
6 if the transaction does not bear any relation to the bank's  
7 jurisdiction.

8 (b) Bank's jurisdiction. The following rules determine a  
9 bank's jurisdiction for purposes of this Part:

10 (1) If an agreement between the bank and the debtor  
11 governing the deposit account expressly provides that a  
12 particular jurisdiction is the bank's jurisdiction for  
13 purposes of this Part, this Article, or the Uniform  
14 Commercial Code, that jurisdiction is the bank's  
15 jurisdiction.

16 (2) If paragraph (1) does not apply and an agreement  
17 between the bank and its customer governing the deposit  
18 account expressly provides that the agreement is governed  
19 by the law of a particular jurisdiction, that jurisdiction  
20 is the bank's jurisdiction.

21 (3) If neither paragraph (1) nor paragraph (2) applies  
22 and an agreement between the bank and its customer  
23 governing the deposit account expressly provides that the  
24 deposit account is maintained at an office in a particular  
25 jurisdiction, that jurisdiction is the bank's  
26 jurisdiction.

1           (4) If none of the preceding paragraphs applies, the  
2 bank's jurisdiction is the jurisdiction in which the  
3 office identified in an account statement as the office  
4 serving the customer's account is located.

5           (5) If none of the preceding paragraphs applies, the  
6 bank's jurisdiction is the jurisdiction in which the chief  
7 executive office of the bank is located.

8 (Source: P.A. 91-893, eff. 7-1-01.)

9           (810 ILCS 5/9-305) (from Ch. 26, par. 9-305)

10          Sec. 9-305. Law governing perfection and priority of  
11 security interests in investment property.

12          (a) Governing law: general rules. Except as otherwise  
13 provided in subsection (c), the following rules apply:

14           (1) While a security certificate is located in a  
15 jurisdiction, the local law of that jurisdiction governs  
16 perfection, the effect of perfection or nonperfection, and  
17 the priority of a security interest in the certificated  
18 security represented thereby.

19           (2) The local law of the issuer's jurisdiction as  
20 specified in Section 8-110(d) governs perfection, the  
21 effect of perfection or nonperfection, and the priority of  
22 a security interest in an uncertificated security.

23           (3) The local law of the securities intermediary's  
24 jurisdiction as specified in Section 8-110(e) governs  
25 perfection, the effect of perfection or nonperfection, and

1 the priority of a security interest in a security  
2 entitlement or securities account.

3 (4) The local law of the commodity intermediary's  
4 jurisdiction governs perfection, the effect of perfection  
5 or nonperfection, and the priority of a security interest  
6 in a commodity contract or commodity account.

7 (5) Paragraphs (2), (3), and (4) apply even if the  
8 transaction does not bear any relation to the  
9 jurisdiction.

10 (b) Commodity intermediary's jurisdiction. The following  
11 rules determine a commodity intermediary's jurisdiction for  
12 purposes of this Part:

13 (1) If an agreement between the commodity intermediary  
14 and commodity customer governing the commodity account  
15 expressly provides that a particular jurisdiction is the  
16 commodity intermediary's jurisdiction for purposes of this  
17 Part, this Article, or the Uniform Commercial Code, that  
18 jurisdiction is the commodity intermediary's jurisdiction.

19 (2) If paragraph (1) does not apply and an agreement  
20 between the commodity intermediary and commodity customer  
21 governing the commodity account expressly provides that  
22 the agreement is governed by the law of a particular  
23 jurisdiction, that jurisdiction is the commodity  
24 intermediary's jurisdiction.

25 (3) If neither paragraph (1) nor paragraph (2) applies  
26 and an agreement between the commodity intermediary and

1 commodity customer governing the commodity account  
2 expressly provides that the commodity account is  
3 maintained at an office in a particular jurisdiction, that  
4 jurisdiction is the commodity intermediary's jurisdiction.

5 (4) If none of the preceding paragraphs applies, the  
6 commodity intermediary's jurisdiction is the jurisdiction  
7 in which the office identified in an account statement as  
8 the office serving the commodity customer's account is  
9 located.

10 (5) If none of the preceding paragraphs applies, the  
11 commodity intermediary's jurisdiction is the jurisdiction  
12 in which the chief executive office of the commodity  
13 intermediary is located.

14 (c) When perfection governed by law of jurisdiction where  
15 debtor located. The local law of the jurisdiction in which the  
16 debtor is located governs:

17 (1) perfection of a security interest in investment  
18 property by filing;

19 (2) automatic perfection of a security interest in  
20 investment property created by a broker or securities  
21 intermediary; and

22 (3) automatic perfection of a security interest in a  
23 commodity contract or commodity account created by a  
24 commodity intermediary.

25 (Source: P.A. 91-893, eff. 7-1-01.)

1 (810 ILCS 5/9-306A new)

2 Sec. 9-306A. Law governing perfection and priority of  
3 security interests in chattel paper.

4 (a) Chattel paper evidenced by authoritative electronic  
5 copy. Except as provided in subsection (d), if chattel paper  
6 is evidenced only by an authoritative electronic copy of the  
7 chattel paper or is evidenced by an authoritative electronic  
8 copy and an authoritative tangible copy, the local law of the  
9 chattel paper's jurisdiction governs perfection, the effect of  
10 perfection or nonperfection, and the priority of a security  
11 interest in the chattel paper, even if the transaction does  
12 not bear any relation to the chattel paper's jurisdiction.

13 (b) Chattel paper's jurisdiction. The following rules  
14 determine the chattel paper's jurisdiction under this Section:

15 (1) If the authoritative electronic copy of the record  
16 evidencing chattel paper, or a record attached to or  
17 logically associated with the electronic copy and readily  
18 available for review, expressly provides that a particular  
19 jurisdiction is the chattel paper's jurisdiction for  
20 purposes of this part, this Article, or the Uniform  
21 Commercial Code, that jurisdiction is the chattel paper's  
22 jurisdiction.

23 (2) If paragraph (1) does not apply and the rules of  
24 the system in which the authoritative electronic copy is  
25 recorded are readily available for review and expressly  
26 provide that a particular jurisdiction is the chattel

1 paper's jurisdiction for purposes of this part, this  
2 Article, or the Uniform Commercial Code, that jurisdiction  
3 is the chattel paper's jurisdiction.

4 (3) If paragraphs (1) and (2) do not apply and the  
5 authoritative electronic copy, or a record attached to or  
6 logically associated with the electronic copy and readily  
7 available for review, expressly provides that the chattel  
8 paper is governed by the law of a particular jurisdiction,  
9 that jurisdiction is the chattel paper's jurisdiction.

10 (4) If paragraphs (1), (2), and (3) do not apply and  
11 the rules of the system in which the authoritative  
12 electronic copy is recorded are readily available for  
13 review and expressly provide that the chattel paper or the  
14 system is governed by the law of a particular  
15 jurisdiction, that jurisdiction is the chattel paper's  
16 jurisdiction.

17 (5) If paragraphs (1) through (4) do not apply, the  
18 chattel paper's jurisdiction is the jurisdiction in which  
19 the debtor is located.

20 (c) Chattel paper evidenced by authoritative tangible  
21 copy. If an authoritative tangible copy of a record evidences  
22 chattel paper and the chattel paper is not evidenced by an  
23 authoritative electronic copy, while the authoritative  
24 tangible copy of the record evidencing chattel paper is  
25 located in a jurisdiction, the local law of that jurisdiction  
26 governs:

1           (1) perfection of a security interest in the chattel  
2           paper by possession under Section 9-314A; and

3           (2) the effect of perfection or nonperfection and the  
4           priority of a security interest in the chattel paper.

5           (d) When perfection governed by law of jurisdiction where  
6           debtor located. The local law of the jurisdiction in which the  
7           debtor is located governs perfection of a security interest in  
8           chattel paper by filing.

9           (810 ILCS 5/9-306B new)

10          Sec. 9-306B. Law governing perfection and priority of  
11          security interests in controllable accounts, controllable  
12          electronic records, and controllable payment intangibles.

13          (a) Governing law: general rules. Except as provided in  
14          subsection (b), the local law of the controllable electronic  
15          record's jurisdiction specified in Section 12-107(c) and (d)  
16          governs perfection, the effect of perfection or nonperfection,  
17          and the priority of a security interest in a controllable  
18          electronic record and a security interest in a controllable  
19          account or controllable payment intangible evidenced by the  
20          controllable electronic record.

21          (b) When perfection governed by law of jurisdiction where  
22          debtor located. The local law of the jurisdiction in which the  
23          debtor is located governs:

24               (1) perfection of a security interest in a  
25               controllable account, controllable electronic record, or



1       controllable payment intangible by filing; and  
2           (2) automatic perfection of a security interest in a  
3       controllable payment intangible created by a sale of the  
4       controllable payment intangible.

5           (810 ILCS 5/9-310) (from Ch. 26, par. 9-310)

6       Sec. 9-310. When filing required to perfect security  
7       interest or agricultural lien; security interests and  
8       agricultural liens to which filing provisions do not apply.

9       (a) General rule: perfection by filing. Except as  
10       otherwise provided in subsection (b) and Section 9-312(b), a  
11       financing statement must be filed to perfect all security  
12       interests and agricultural liens.

13       (b) Exceptions: filing not necessary. The filing of a  
14       financing statement is not necessary to perfect a security  
15       interest:

16           (1) that is perfected under Section 9-308(d), (e),  
17           (f), or (g);

18           (2) that is perfected under Section 9-309 when it  
19           attaches;

20           (3) in property subject to a statute, regulation, or  
21           treaty described in Section 9-311(a);

22           (4) in goods in possession of a bailee which is  
23           perfected under Section 9-312(d)(1) or (2);

24           (5) in certificated securities, documents, goods, or  
25           instruments which is perfected without filing, control, or

1 possession under Section 9-312(e), (f), or (g);

2 (6) in collateral in the secured party's possession  
3 under Section 9-313;

4 (7) in a certificated security which is perfected by  
5 delivery of the security certificate to the secured party  
6 under Section 9-313;

7 (8) in controllable accounts, controllable electronic  
8 records, controllable payment intangibles, deposit  
9 accounts, ~~electronic chattel paper,~~ electronic documents,  
10 investment property, letter-of-credit rights, or  
11 beneficial interests in Illinois land trusts which is  
12 perfected by control under Section 9-314;

13 (8.1) in chattel paper that is perfected by possession  
14 and control under Section 9-314A;

15 (9) in proceeds which is perfected under Section  
16 9-315; or

17 (10) that is perfected under Section 9-316.

18 (c) Assignment of perfected security interest. If a  
19 secured party assigns a perfected security interest or  
20 agricultural lien, a filing under this Article is not required  
21 to continue the perfected status of the security interest  
22 against creditors of and transferees from the original debtor.

23 (Source: P.A. 95-895, eff. 1-1-09.)

24 (810 ILCS 5/9-312) (from Ch. 26, par. 9-312)

25 Sec. 9-312. Perfection of security interests in chattel

1 paper, controllable accounts, controllable electronic records,  
2 controllable payment intangibles, deposit accounts, negotiable  
3 documents, goods covered by documents, instruments, investment  
4 property, letter-of-credit rights, and money; perfection by  
5 permissive filing; temporary perfection without filing or  
6 transfer of possession.

7 (a) Perfection by filing permitted. A security interest in  
8 chattel paper, controllable accounts, controllable electronic  
9 records, controllable payment intangibles, ~~negotiable~~  
10 ~~documents,~~ instruments, beneficial interests in Illinois land  
11 trusts, ~~or~~ investment property, or negotiable documents may be  
12 perfected by filing.

13 (b) Control or possession of certain collateral. Except as  
14 otherwise provided in Section 9-315(c) and (d) for proceeds:

15 (1) a security interest in a deposit account may be  
16 perfected only by control under Section 9-314;

17 (2) and except as otherwise provided in Section  
18 9-308(d), a security interest in a letter-of-credit right  
19 may be perfected only by control under Section 9-314; ~~and~~

20 (3) a security interest in tangible money may be  
21 perfected only by the secured party's taking possession  
22 under Section 9-313; and-

23 (4) a security interest in electronic money may be  
24 perfected only by control under Section 9-314.

25 (c) Goods covered by negotiable document. While goods are  
26 in the possession of a bailee that has issued a negotiable

1 document covering the goods:

2 (1) a security interest in the goods may be perfected  
3 by perfecting a security interest in the document; and

4 (2) a security interest perfected in the document has  
5 priority over any security interest that becomes perfected  
6 in the goods by another method during that time.

7 (d) Goods covered by nonnegotiable document. While goods  
8 are in the possession of a bailee that has issued a  
9 nonnegotiable document covering the goods, a security interest  
10 in the goods may be perfected by:

11 (1) issuance of a document in the name of the secured  
12 party;

13 (2) the bailee's receipt of notification of the  
14 secured party's interest; or

15 (3) filing as to the goods.

16 (e) Temporary perfection: new value. A security interest  
17 in certificated securities, negotiable documents, or  
18 instruments is perfected without filing or the taking of  
19 possession or control for a period of 20 days from the time it  
20 attaches to the extent that it arises for new value given under  
21 a signed ~~an authenticated~~ security agreement.

22 (f) Temporary perfection: goods or documents made  
23 available to debtor. A perfected security interest in a  
24 negotiable document or goods in possession of a bailee, other  
25 than one that has issued a negotiable document for the goods,  
26 remains perfected for 20 days without filing if the secured

1 party makes available to the debtor the goods or documents  
2 representing the goods for the purpose of:

3 (1) ultimate sale or exchange; or

4 (2) loading, unloading, storing, shipping,  
5 transshipping, manufacturing, processing, or otherwise  
6 dealing with them in a manner preliminary to their sale or  
7 exchange.

8 (g) Temporary perfection: delivery of security certificate  
9 or instrument to debtor. A perfected security interest in a  
10 certificated security or instrument remains perfected for 20  
11 days without filing if the secured party delivers the security  
12 certificate or instrument to the debtor for the purpose of:

13 (1) ultimate sale or exchange; or

14 (2) presentation, collection, enforcement, renewal, or  
15 registration of transfer.

16 (h) Expiration of temporary perfection. After the 20-day  
17 period specified in subsection (e), (f), or (g) expires,  
18 perfection depends upon compliance with this Article.

19 (Source: P.A. 95-895, eff. 1-1-09.)

20 (810 ILCS 5/9-313) (from Ch. 26, par. 9-313)

21 Sec. 9-313. When possession by or delivery to secured  
22 party perfects security interest without filing.

23 (a) Perfection by possession or delivery. Except as  
24 otherwise provided in subsection (b), a secured party may  
25 perfect a security interest in ~~tangible negotiable documents,~~

1 goods, instruments, negotiable tangible documents, or tangible  
2 ~~money, or tangible chattel paper~~ by taking possession of the  
3 collateral. A secured party may perfect a security interest in  
4 certificated securities by taking delivery of the certificated  
5 securities under Section 8-301.

6 (b) Goods covered by certificate of title. With respect to  
7 goods covered by a certificate of title issued by this State, a  
8 secured party may perfect a security interest in the goods by  
9 taking possession of the goods only in the circumstances  
10 described in Section 9-316(d).

11 (c) Collateral in possession of person other than debtor.  
12 With respect to collateral other than certificated securities  
13 and goods covered by a document, a secured party takes  
14 possession of collateral in the possession of a person other  
15 than the debtor, the secured party, or a lessee of the  
16 collateral from the debtor in the ordinary course of the  
17 debtor's business, when:

18 (1) the person in possession signs ~~authenticates~~ a  
19 record acknowledging that it holds possession of the  
20 collateral for the secured party's benefit; or

21 (2) the person takes possession of the collateral  
22 after having signed ~~authenticated~~ a record acknowledging  
23 that it will hold possession of the collateral for the  
24 secured party's benefit.

25 (d) Time of perfection by possession; continuation of  
26 perfection. If perfection of a security interest depends upon

1 possession of the collateral by a secured party, perfection  
2 occurs not ~~no~~ earlier than the time the secured party takes  
3 possession and continues only while the secured party retains  
4 possession.

5 (e) Time of perfection by delivery; continuation of  
6 perfection. A security interest in a certificated security in  
7 registered form is perfected by delivery when delivery of the  
8 certificated security occurs under Section 8-301 and remains  
9 perfected by delivery until the debtor obtains possession of  
10 the security certificate.

11 (f) Acknowledgment not required. A person in possession of  
12 collateral is not required to acknowledge that it holds  
13 possession for a secured party's benefit.

14 (g) Effectiveness of acknowledgment; no duties or  
15 confirmation. If a person acknowledges that it holds  
16 possession for the secured party's benefit:

17 (1) the acknowledgment is effective under subsection  
18 (c) or Section 8-301(a), even if the acknowledgment  
19 violates the rights of a debtor; and

20 (2) unless the person otherwise agrees or law other  
21 than this Article otherwise provides, the person does not  
22 owe any duty to the secured party and is not required to  
23 confirm the acknowledgment to another person.

24 (h) Secured party's delivery to person other than debtor.  
25 A secured party having possession of collateral does not  
26 relinquish possession by delivering the collateral to a person

1 other than the debtor or a lessee of the collateral from the  
2 debtor in the ordinary course of the debtor's business if the  
3 person was instructed before the delivery or is instructed  
4 contemporaneously with the delivery:

5 (1) to hold possession of the collateral for the  
6 secured party's benefit; or

7 (2) to redeliver the collateral to the secured party.

8 (i) Effect of delivery under subsection (h); no duties or  
9 confirmation. A secured party does not relinquish possession,  
10 even if a delivery under subsection (h) violates the rights of  
11 a debtor. A person to which collateral is delivered under  
12 subsection (h) does not owe any duty to the secured party and  
13 is not required to confirm the delivery to another person  
14 unless the person otherwise agrees or law other than this  
15 Article otherwise provides.

16 (Source: P.A. 95-895, eff. 1-1-09.)

17 (810 ILCS 5/9-314) (from Ch. 26, par. 9-314)

18 Sec. 9-314. Perfection by control.

19 (a) Perfection by control. A security interest in  
20 controllable accounts, controllable electronic records,  
21 controllable payment intangibles, deposit accounts, electronic  
22 documents, electronic money, investment property, or  
23 letter-of-credit rights ~~investment property, deposit accounts,~~  
24 ~~electronic chattel paper, letter-of-credit rights, electronic~~  
25 ~~documents, or beneficial interests in Illinois land trusts~~ may



1 be perfected by control of the collateral under Section 7-106,  
2 9-104, 9-105A ~~9-105~~, 9-106, 9-107, ~~or~~ 9-107.1, or 9-107A.

3 (b) Specified collateral: time of perfection by control;  
4 continuation of perfection. A security interest in  
5 controllable accounts, controllable electronic records,  
6 controllable payment intangibles, deposit accounts, electronic  
7 documents, electronic money, or letter-of-credit rights  
8 ~~deposit accounts, electronic chattel paper, letter of credit~~  
9 ~~rights, electronic documents, or beneficial interests in~~  
10 ~~Illinois land trusts~~ is perfected by control under Section  
11 7-106, 9-104, 9-105A, ~~9-105~~, 9-107, ~~or~~ 9-107.1, or 9-107A not  
12 earlier than the time ~~when~~ the secured party obtains control  
13 and remains perfected by control only while the secured party  
14 retains control.

15 (c) Investment property: time of perfection by control;  
16 continuation of perfection. A security interest in investment  
17 property is perfected by control under Section 9-106 not  
18 earlier than ~~from~~ the time the secured party obtains control  
19 and remains perfected by control until:

20 (1) the secured party does not have control; and

21 (2) one of the following occurs:

22 (A) if the collateral is a certificated security,  
23 the debtor has or acquires possession of the security  
24 certificate;

25 (B) if the collateral is an uncertificated  
26 security, the issuer has registered or registers the

1 debtor as the registered owner; or

2 (C) if the collateral is a security entitlement,  
3 the debtor is or becomes the entitlement holder.

4 (Source: P.A. 95-895, eff. 1-1-09.)

5 (810 ILCS 5/9-314A new)

6 Sec. 9-314A. Perfection by possession and control of  
7 chattel paper.

8 (a) Perfection by possession and control. A secured party  
9 may perfect a security interest in chattel paper by taking  
10 possession of each authoritative tangible copy of the record  
11 evidencing the chattel paper and obtaining control of each  
12 authoritative electronic copy of the electronic record  
13 evidencing the chattel paper.

14 (b) Time of perfection; continuation of perfection. A  
15 security interest is perfected under subsection (a) not  
16 earlier than the time the secured party takes possession and  
17 obtains control and remains perfected under subsection (a)  
18 only while the secured party retains possession and control.

19 (c) Application of Section 9-313 to perfection by  
20 possession of chattel paper. Section 9-313(c) and (f) through  
21 (i) applies to perfection by possession of an authoritative  
22 tangible copy of a record evidencing chattel paper.

23 (810 ILCS 5/9-316) (from Ch. 26, par. 9-316)

24 Sec. 9-316. Effect of change in governing law.

1           (a) General rule: effect on perfection of change in  
2 governing law. A security interest perfected pursuant to the  
3 law of the jurisdiction designated in Section 9-301(1), ~~or~~  
4 9-305(c), 9-306A(d), or 9-306B(b) remains perfected until the  
5 earliest of:

6           (1) the time perfection would have ceased under the  
7 law of that jurisdiction;

8           (2) the expiration of four months after a change of  
9 the debtor's location to another jurisdiction; or

10           (3) the expiration of one year after a transfer of  
11 collateral to a person that thereby becomes a debtor and  
12 is located in another jurisdiction.

13           (b) Security interest perfected or unperfected under law  
14 of new jurisdiction. If a security interest described in  
15 subsection (a) becomes perfected under the law of the other  
16 jurisdiction before the earliest time or event described in  
17 that subsection, it remains perfected thereafter. If the  
18 security interest does not become perfected under the law of  
19 the other jurisdiction before the earliest time or event, it  
20 becomes unperfected and is deemed never to have been perfected  
21 as against a purchaser of the collateral for value.

22           (c) Possessory security interest in collateral moved to  
23 new jurisdiction. A possessory security interest in  
24 collateral, other than goods covered by a certificate of title  
25 and as-extracted collateral consisting of goods, remains  
26 continuously perfected if:

1           (1) the collateral is located in one jurisdiction and  
2           subject to a security interest perfected under the law of  
3           that jurisdiction;

4           (2) thereafter the collateral is brought into another  
5           jurisdiction; and

6           (3) upon entry into the other jurisdiction, the  
7           security interest is perfected under the law of the other  
8           jurisdiction.

9           (d) Goods covered by certificate of title from this State.  
10          Except as otherwise provided in subsection (e), a security  
11          interest in goods covered by a certificate of title which is  
12          perfected by any method under the law of another jurisdiction  
13          when the goods become covered by a certificate of title from  
14          this State remains perfected until the security interest would  
15          have become unperfected under the law of the other  
16          jurisdiction had the goods not become so covered.

17          (e) When subsection (d) security interest becomes  
18          unperfected against purchasers. A security interest described  
19          in subsection (d) becomes unperfected as against a purchaser  
20          of the goods for value and is deemed never to have been  
21          perfected as against a purchaser of the goods for value if the  
22          applicable requirements for perfection under Section 9-311(b)  
23          or 9-313 are not satisfied before the earlier of:

24                 (1) the time the security interest would have become  
25                 unperfected under the law of the other jurisdiction had  
26                 the goods not become covered by a certificate of title

1 from this State; or

2 (2) the expiration of four months after the goods had  
3 become so covered.

4 (f) Change in jurisdiction of chattel paper, controllable  
5 electronic record, bank, issuer, nominated person, securities  
6 intermediary, or commodity intermediary. A security interest  
7 in chattel paper, controllable accounts, controllable  
8 electronic records, controllable payment intangibles, deposit  
9 accounts, letter-of-credit rights, or investment property  
10 which is perfected under the law of the chattel paper's  
11 jurisdiction, the controllable electronic record's  
12 jurisdiction, the bank's jurisdiction, the issuer's  
13 jurisdiction, a nominated person's jurisdiction, the  
14 securities intermediary's jurisdiction, or the commodity  
15 intermediary's jurisdiction, as applicable, remains perfected  
16 until the earlier of:

17 (1) the time the security interest would have become  
18 unperfected under the law of that jurisdiction; or

19 (2) the expiration of four months after a change of  
20 the applicable jurisdiction to another jurisdiction.

21 (g) Subsection (f) security interest perfected or  
22 unperfected under law of new jurisdiction. If a security  
23 interest described in subsection (f) becomes perfected under  
24 the law of the other jurisdiction before the earlier of the  
25 time or the end of the period described in that subsection, it  
26 remains perfected thereafter. If the security interest does

1 not become perfected under the law of the other jurisdiction  
2 before the earlier of that time or the end of that period, it  
3 becomes unperfected and is deemed never to have been perfected  
4 as against a purchaser of the collateral for value.

5 (h) Effect on filed financing statement of change in  
6 governing law. The following rules apply to collateral to  
7 which a security interest attaches within four months after  
8 the debtor changes its location to another jurisdiction:

9 (1) A financing statement filed before the change  
10 pursuant to the law of the jurisdiction designated in  
11 Section 9-301(1) or 9-305(c) is effective to perfect a  
12 security interest in the collateral if the financing  
13 statement would have been effective to perfect a security  
14 interest in the collateral had the debtor not changed its  
15 location.

16 (2) If a security interest perfected by a financing  
17 statement that is effective under paragraph (1) becomes  
18 perfected under the law of the other jurisdiction before  
19 the earlier of the time the financing statement would have  
20 become ineffective under the law of the jurisdiction  
21 designated in Section 9-301(1) or 9-305(c) or the  
22 expiration of the four-month period, it remains perfected  
23 thereafter. If the security interest does not become  
24 perfected under the law of the other jurisdiction before  
25 the earlier time or event, it becomes unperfected and is  
26 deemed never to have been perfected as against a purchaser

1 of the collateral for value.

2 (i) Effect of change in governing law on financing  
3 statement filed against original debtor. If a financing  
4 statement naming an original debtor is filed pursuant to the  
5 law of the jurisdiction designated in Section 9-301(1) or  
6 9-305(c) and the new debtor is located in another  
7 jurisdiction, the following rules apply:

8 (1) The financing statement is effective to perfect a  
9 security interest in collateral acquired by the new debtor  
10 before, and within four months after, the new debtor  
11 becomes bound under Section 9-203(d), if the financing  
12 statement would have been effective to perfect a security  
13 interest in the collateral had the collateral been  
14 acquired by the original debtor.

15 (2) A security interest perfected by the financing  
16 statement and which becomes perfected under the law of the  
17 other jurisdiction before the earlier of the time the  
18 financing statement would have become ineffective under  
19 the law of the jurisdiction designated in Section 9-301(1)  
20 or 9-305(c) or the expiration of the four-month period  
21 remains perfected thereafter. A security interest that is  
22 perfected by the financing statement but which does not  
23 become perfected under the law of the other jurisdiction  
24 before the earlier time or event becomes unperfected and  
25 is deemed never to have been perfected as against a  
26 purchaser of the collateral for value.

1 (Source: P.A. 97-1034, eff. 7-1-13.)

2 (810 ILCS 5/9-317) (from Ch. 26, par. 9-317)

3 Sec. 9-317. Interests that take priority over or take free  
4 of security interest or agricultural lien.

5 (a) Conflicting security interests and rights of lien  
6 creditors. A security interest or agricultural lien is  
7 subordinate to the rights of:

8 (1) a person entitled to priority under Section 9-322;  
9 and

10 (2) except as otherwise provided in subsection (e) or  
11 (f), a person that becomes a lien creditor before the  
12 earlier of the time:

13 (A) the security interest or agricultural lien is  
14 perfected; or

15 (B) one of the conditions specified in Section  
16 9-203(b)(3) is met and a financing statement covering  
17 the collateral is filed.

18 (b) Buyers that receive delivery. Except as otherwise  
19 provided in subsection (e), a buyer, other than a secured  
20 party, of ~~tangible chattel paper, tangible documents,~~ goods,  
21 instruments, tangible documents, or a certificated security  
22 takes free of a security interest or agricultural lien if the  
23 buyer gives value and receives delivery of the collateral  
24 without knowledge of the security interest or agricultural  
25 lien and before it is perfected.



1 (c) Lessees that receive delivery. Except as otherwise  
2 provided in subsection (e), a lessee of goods takes free of a  
3 security interest or agricultural lien if the lessee gives  
4 value and receives delivery of the collateral without  
5 knowledge of the security interest or agricultural lien and  
6 before it is perfected.

7 (d) Licensees and buyers of certain collateral. Subject to  
8 subsections (g) through (j), a ~~A~~ licensee of a general  
9 intangible or a buyer, other than a secured party, of  
10 collateral other than electronic money ~~tangible chattel paper,~~  
11 ~~tangible documents,~~ goods, instruments, tangible documents, or  
12 a certificated security takes free of a security interest if  
13 the licensee or buyer gives value without knowledge of the  
14 security interest and before it is perfected.

15 (e) Purchase-money security interest. Except as otherwise  
16 provided in Sections 9-320 and 9-321, if a person files a  
17 financing statement with respect to a purchase-money security  
18 interest before or within 20 days after the debtor receives  
19 delivery of the collateral, the security interest takes  
20 priority over the rights of a buyer, lessee, or lien creditor  
21 which arise between the time the security interest attaches  
22 and the time of filing.

23 (f) Public deposits. An unperfected security interest  
24 shall take priority over the rights of a lien creditor if (i)  
25 the lien creditor is a trustee or receiver of a bank or acting  
26 in furtherance of its supervisory authority over such bank and

1 (ii) a security interest is granted by the bank to secure a  
2 deposit of public funds with the bank or a repurchase  
3 agreement with the bank pursuant to the Government Securities  
4 Act of 1986, as amended.

5 (g) Buyers of chattel paper. A buyer, other than a secured  
6 party, of chattel paper takes free of a security interest if,  
7 without knowledge of the security interest and before it is  
8 perfected, the buyer gives value and:

9 (1) receives delivery of each authoritative tangible  
10 copy of the record evidencing the chattel paper; and

11 (2) if each authoritative electronic copy of the  
12 record evidencing the chattel paper can be subjected to  
13 control under Section 9-105, obtains control of each  
14 authoritative electronic copy.

15 (h) Buyers of electronic documents. A buyer of an  
16 electronic document takes free of a security interest if,  
17 without knowledge of the security interest and before it is  
18 perfected, the buyer gives value and, if each authoritative  
19 electronic copy of the document can be subjected to control  
20 under Section 7-106, obtains control of each authoritative  
21 electronic copy.

22 (i) Buyers of controllable electronic records. A buyer of  
23 a controllable electronic record takes free of a security  
24 interest if, without knowledge of the security interest and  
25 before it is perfected, the buyer gives value and obtains  
26 control of the controllable electronic record.

1       (j) Buyers of controllable accounts and controllable  
2 payment intangibles. A buyer, other than a secured party, of a  
3 controllable account or a controllable payment intangible  
4 takes free of a security interest if, without knowledge of the  
5 security interest and before it is perfected, the buyer gives  
6 value and obtains control of the controllable account or  
7 controllable payment intangible.

8       (Source: P.A. 97-1034, eff. 7-1-13.)

9           (810 ILCS 5/9-323)

10          Sec. 9-323. Future advances.

11          (a) When priority based on time of advance. Except as  
12 otherwise provided in subsection (c), for purposes of  
13 determining the priority of a perfected security interest  
14 under Section 9-322(a)(1), perfection of the security interest  
15 dates from the time an advance is made to the extent that the  
16 security interest secures an advance that:

17           (1) is made while the security interest is perfected  
18          only:

19                   (A) under Section 9-309 when it attaches; or

20                   (B) temporarily under Section 9-312(e), (f), or

21                   (g); and

22           (2) is not made pursuant to a commitment entered into  
23 before or while the security interest is perfected by a  
24 method other than under Section 9-309 or 9-312(e), (f), or  
25          (g).

1           (b) Lien creditor. Except as otherwise provided in  
2 subsection (c), a security interest is subordinate to the  
3 rights of a person that becomes a lien creditor to the extent  
4 that the security interest secures an advance made more than  
5 45 days after the person becomes a lien creditor unless the  
6 advance is made:

7           (1) without knowledge of the lien; or

8           (2) pursuant to a commitment entered into without  
9 knowledge of the lien.

10          (c) Buyer of receivables. Subsections (a) and (b) do not  
11 apply to a security interest held by a secured party that is a  
12 buyer of accounts, chattel paper, payment intangibles, or  
13 promissory notes or a consignor.

14          (d) Buyer of goods. Except as otherwise provided in  
15 subsection (e), a buyer of goods ~~other than a buyer in ordinary~~  
16 ~~course of business~~ takes free of a security interest to the  
17 extent that it secures advances made after the earlier of:

18           (1) the time the secured party acquires knowledge of  
19 the buyer's purchase; or

20           (2) 45 days after the purchase.

21          (e) Advances made pursuant to commitment: priority of  
22 buyer of goods. Subsection (d) does not apply if the advance is  
23 made pursuant to a commitment entered into without knowledge  
24 of the buyer's purchase and before the expiration of the  
25 45-day period.

26          (f) Lessee of goods. Except as otherwise provided in

1 subsection (g), a lessee of goods, ~~other than a lessee in~~  
2 ~~ordinary course of business~~, takes the leasehold interest free  
3 of a security interest to the extent that it secures advances  
4 made after the earlier of:

5 (1) the time the secured party acquires knowledge of  
6 the lease; or

7 (2) 45 days after the lease contract becomes  
8 enforceable.

9 (g) Advances made pursuant to commitment: priority of  
10 lessee of goods. Subsection (f) does not apply if the advance  
11 is made pursuant to a commitment entered into without  
12 knowledge of the lease and before the expiration of the 45-day  
13 period.

14 (Source: P.A. 91-893, eff. 7-1-01.)

15 (810 ILCS 5/9-324)

16 Sec. 9-324. Priority of purchase-money security interests.

17 (a) General rule: purchase-money priority. Except as  
18 otherwise provided in subsection (g), a perfected  
19 purchase-money security interest in goods other than inventory  
20 or livestock has priority over a conflicting security interest  
21 in the same goods, and, except as otherwise provided in  
22 Section 9-327, a perfected security interest in its  
23 identifiable proceeds also has priority, if the purchase-money  
24 security interest is perfected when the debtor receives  
25 possession of the collateral or within 20 days thereafter.

1           (b) Inventory purchase-money priority. Subject to  
2 subsection (c) and except as otherwise provided in subsection  
3 (g), a perfected purchase-money security interest in inventory  
4 has priority over a conflicting security interest in the same  
5 inventory, has priority over a conflicting security interest  
6 in chattel paper or an instrument constituting proceeds of the  
7 inventory and in proceeds of the chattel paper, if so provided  
8 in Section 9-330, and, except as otherwise provided in Section  
9 9-327, also has priority in identifiable cash proceeds of the  
10 inventory to the extent the identifiable cash proceeds are  
11 received on or before the delivery of the inventory to a buyer,  
12 if:

13           (1) the purchase-money security interest is perfected  
14 when the debtor receives possession of the inventory;

15           (2) the purchase-money secured party sends a signed ~~an~~  
16 ~~authenticated~~ notification to the holder of the  
17 conflicting security interest;

18           (3) the holder of the conflicting security interest  
19 receives the notification within five years before the  
20 debtor receives possession of the inventory; and

21           (4) the notification states that the person sending  
22 the notification has or expects to acquire a  
23 purchase-money security interest in inventory of the  
24 debtor and describes the inventory.

25           (c) Holders of conflicting inventory security interests to  
26 be notified. Subsections (b) (2) through (4) apply only if the

1 holder of the conflicting security interest had filed a  
2 financing statement covering the same types of inventory:

3 (1) if the purchase-money security interest is  
4 perfected by filing, before the date of the filing; or

5 (2) if the purchase-money security interest is  
6 temporarily perfected without filing or possession under  
7 Section 9-312(f), before the beginning of the 20-day  
8 period thereunder.

9 (d) Livestock purchase-money priority. Subject to  
10 subsection (e) and except as otherwise provided in subsection  
11 (g), a perfected purchase-money security interest in livestock  
12 that are farm products has priority over a conflicting  
13 security interest in the same livestock, and, except as  
14 otherwise provided in Section 9-327, a perfected security  
15 interest in their identifiable proceeds and identifiable  
16 products in their unmanufactured states also has priority, if:

17 (1) the purchase-money security interest is perfected  
18 when the debtor receives possession of the livestock;

19 (2) the purchase-money secured party sends a signed ~~an~~  
20 ~~authenticated~~ notification to the holder of the  
21 conflicting security interest;

22 (3) the holder of the conflicting security interest  
23 receives the notification within six months before the  
24 debtor receives possession of the livestock; and

25 (4) the notification states that the person sending  
26 the notification has or expects to acquire a

1 purchase-money security interest in livestock of the  
2 debtor and describes the livestock.

3 (e) Holders of conflicting livestock security interests to  
4 be notified. Subsections (d)(2) through (4) apply only if the  
5 holder of the conflicting security interest had filed a  
6 financing statement covering the same types of livestock:

7 (1) if the purchase-money security interest is  
8 perfected by filing, before the date of the filing; or

9 (2) if the purchase-money security interest is  
10 temporarily perfected without filing or possession under  
11 Section 9-312(f), before the beginning of the 20-day  
12 period thereunder.

13 (f) Software purchase-money priority. Except as otherwise  
14 provided in subsection (g), a perfected purchase-money  
15 security interest in software has priority over a conflicting  
16 security interest in the same collateral, and, except as  
17 otherwise provided in Section 9-327, a perfected security  
18 interest in its identifiable proceeds also has priority, to  
19 the extent that the purchase-money security interest in the  
20 goods in which the software was acquired for use has priority  
21 in the goods and proceeds of the goods under this Section.

22 (g) Conflicting purchase-money security interests. If more  
23 than one security interest qualifies for priority in the same  
24 collateral under subsection (a), (b), (d), or (f):

25 (1) a security interest securing an obligation  
26 incurred as all or part of the price of the collateral has



1 priority over a security interest securing an obligation  
2 incurred for value given to enable the debtor to acquire  
3 rights in or the use of collateral; and

4 (2) in all other cases, Section 9-322(a) applies to  
5 the qualifying security interests.

6 (Source: P.A. 91-893, eff. 7-1-01.)

7 (810 ILCS 5/9-326A new)

8 Sec. 9-326A. Priority of security interest in controllable  
9 account, controllable electronic record, and controllable  
10 payment intangible. A security interest in a controllable  
11 account, controllable electronic record, or controllable  
12 payment intangible held by a secured party having control of  
13 the account, electronic record, or payment intangible has  
14 priority over a conflicting security interest held by a  
15 secured party that does not have control.

16 (810 ILCS 5/9-330)

17 Sec. 9-330. Priority of purchaser of chattel paper or  
18 instrument.

19 (a) Purchaser's priority: security interest claimed merely  
20 as proceeds. A purchaser of chattel paper has priority over a  
21 security interest in the chattel paper which is claimed merely  
22 as proceeds of inventory subject to a security interest if:

23 (1) in good faith and in the ordinary course of the  
24 purchaser's business, the purchaser gives new value, ~~and~~

1 takes possession of each authoritative tangible copy of  
2 the record evidencing the chattel paper, and ~~or~~ obtains  
3 control under Section 9-105 of each authoritative  
4 electronic copy of the record evidencing ~~of~~ the chattel  
5 paper ~~under Section 9-105~~; and

6 (2) the authoritative copies of the record evidencing  
7 the chattel paper do ~~chattel paper does~~ not indicate that  
8 the chattel paper ~~it~~ has been assigned to an identified  
9 assignee other than the purchaser.

10 (b) Purchaser's priority: other security interests. A  
11 purchaser of chattel paper has priority over a security  
12 interest in the chattel paper which is claimed other than  
13 merely as proceeds of inventory subject to a security interest  
14 if the purchaser gives new value, ~~and~~ takes possession of each  
15 authoritative tangible copy of the record evidencing the  
16 chattel paper, and ~~or~~ obtains control under Section 9-105 of  
17 each authoritative electronic copy of the record evidencing ~~of~~  
18 the chattel paper ~~under Section 9-105~~ in good faith, in the  
19 ordinary course of the purchaser's business, and without  
20 knowledge that the purchase violates the rights of the secured  
21 party.

22 (c) Chattel paper purchaser's priority in proceeds. Except  
23 as otherwise provided in Section 9-327, a purchaser having  
24 priority in chattel paper under subsection (a) or (b) also has  
25 priority in proceeds of the chattel paper to the extent that:

26 (1) Section 9-322 provides for priority in the

1 proceeds; or

2 (2) the proceeds consist of the specific goods covered  
3 by the chattel paper or cash proceeds of the specific  
4 goods, even if the purchaser's security interest in the  
5 proceeds is unperfected.

6 (d) Instrument purchaser's priority. Except as otherwise  
7 provided in Section 9-331(a), a purchaser of an instrument has  
8 priority over a security interest in the instrument perfected  
9 by a method other than possession if the purchaser gives value  
10 and takes possession of the instrument in good faith and  
11 without knowledge that the purchase violates the rights of the  
12 secured party.

13 (e) Holder of purchase-money security interest gives new  
14 value. For purposes of subsections (a) and (b), the holder of a  
15 purchase-money security interest in inventory gives new value  
16 for chattel paper constituting proceeds of the inventory.

17 (f) Indication of assignment gives knowledge. For purposes  
18 of subsections (b) and (d), if the authoritative copies of the  
19 record evidencing chattel paper or an instrument indicate  
20 ~~indicates~~ that the chattel paper or instrument ~~it~~ has been  
21 assigned to an identified secured party other than the  
22 purchaser, a purchaser of the chattel paper or instrument has  
23 knowledge that the purchase violates the rights of the secured  
24 party.

25 (Source: P.A. 91-893, eff. 7-1-01.)

1 (810 ILCS 5/9-331)

2 Sec. 9-331. Priority of rights of purchasers of  
3 controllable accounts, controllable electronic records,  
4 controllable payment intangibles, ~~instruments,~~ documents,  
5 instruments, and securities under other Articles; priority of  
6 interests in financial assets and security entitlements and  
7 protection against assertion of claim under Articles ~~Article~~ 8  
8 and 12.

9 (a) Rights under Articles 3, 7, ~~and 8,~~ and 12 not limited.  
10 This Article does not limit the rights of a holder in due  
11 course of a negotiable instrument, a holder to which a  
12 negotiable document of title has been duly negotiated, ~~or~~ a  
13 protected purchaser of a security, or a qualifying purchaser  
14 of a controllable account, controllable electronic record, or  
15 controllable payment intangible. These holders or purchasers  
16 take priority over an earlier security interest, even if  
17 perfected, to the extent provided in Articles 3, 7, ~~and 8,~~ and  
18 12.

19 (b) Protection under Articles ~~Article~~ 8 and 12. This  
20 Article does not limit the rights of or impose liability on a  
21 person to the extent that the person is protected against the  
22 assertion of a claim under Article 8 or 12.

23 (c) Filing not notice. Filing under this Article does not  
24 constitute notice of a claim or defense to the holders, or  
25 purchasers, or persons described in subsections (a) and (b).

26 (Source: P.A. 91-893, eff. 7-1-01.)

1 (810 ILCS 5/9-332)

2 Sec. 9-332. Transfer of tangible money; transfer of funds  
3 from deposit account.

4 (a) Transferee of tangible money. A transferee of tangible  
5 money takes the money free of a security interest if the  
6 transferee receives possession of the money without acting  
7 ~~unless the transferee acts~~ in collusion with the debtor in  
8 violating the rights of the secured party.

9 (b) Transferee of funds from deposit account. A transferee  
10 of funds from a deposit account takes the funds free of a  
11 security interest in the deposit account if the transferee  
12 receives the funds without acting ~~unless the transferee acts~~  
13 in collusion with the debtor in violating the rights of the  
14 secured party.

15 (c) Transferee of electronic money. A transferee of  
16 electronic money takes the money free of a security interest  
17 if the transferee obtains control of the money without acting  
18 in collusion with the debtor in violating the rights of the  
19 secured party.

20 (Source: P.A. 91-893, eff. 7-1-01.)

21 (810 ILCS 5/9-334)

22 Sec. 9-334. Priority of security interests in fixtures and  
23 crops.

24 (a) Security interest in fixtures under this Article. A

1 security interest under this Article may be created in goods  
2 that are fixtures or may continue in goods that become  
3 fixtures. A security interest does not exist under this  
4 Article in ordinary building materials incorporated into an  
5 improvement on land.

6 (b) Security interest in fixtures under real-property law.  
7 This Article does not prevent creation of an encumbrance upon  
8 fixtures under real property law.

9 (c) General rule: subordination of security interest in  
10 fixtures. In cases not governed by subsections (d) through  
11 (h), a security interest in fixtures is subordinate to a  
12 conflicting interest of an encumbrancer or owner of the  
13 related real property other than the debtor.

14 (d) Fixtures purchase-money priority. Except as otherwise  
15 provided in subsection (h), a perfected security interest in  
16 fixtures has priority over a conflicting interest of an  
17 encumbrancer or owner of the real property if the debtor has an  
18 interest of record in or is in possession of the real property  
19 and:

20 (1) the security interest is a purchase-money security  
21 interest;

22 (2) the interest of the encumbrancer or owner arises  
23 before the goods become fixtures; and

24 (3) the security interest is perfected by a fixture  
25 filing before the goods become fixtures or within 20 days  
26 thereafter.

1 (e) Priority of security interest in fixtures over  
2 interests in real property. A perfected security interest in  
3 fixtures has priority over a conflicting interest of an  
4 encumbrancer or owner of the real property if:

5 (1) the debtor has an interest of record in the real  
6 property or is in possession of the real property and the  
7 security interest:

8 (A) is perfected by a fixture filing before the  
9 interest of the encumbrancer or owner is of record;  
10 and

11 (B) has priority over any conflicting interest of  
12 a predecessor in title of the encumbrancer or owner;

13 (2) before the goods become fixtures, the security  
14 interest is perfected by any method permitted by this  
15 Article and the fixtures are readily removable:

16 (A) factory or office machines;

17 (B) equipment that is not primarily used or leased  
18 for use in the operation of the real property; or

19 (C) replacements of domestic appliances that are  
20 consumer goods;

21 (3) the conflicting interest is a lien on the real  
22 property obtained by legal or equitable proceedings after  
23 the security interest was perfected by any method  
24 permitted by this Article; or

25 (4) the security interest is:

26 (A) created in a manufactured home in a

1 manufactured-home transaction; and

2 (B) perfected pursuant to a statute described in  
3 Section 9-311(a)(2).

4 (f) Priority based on consent, disclaimer, or right to  
5 remove. A security interest in fixtures, whether or not  
6 perfected, has priority over a conflicting interest of an  
7 encumbrancer or owner of the real property if:

8 (1) the encumbrancer or owner has, in a signed ~~an~~  
9 ~~authenticated~~ record, consented to the security interest  
10 or disclaimed an interest in the goods as fixtures; or

11 (2) the debtor has a right to remove the goods as  
12 against the encumbrancer or owner.

13 (g) Continuation of subsection (f)(2) priority. The  
14 priority of the security interest under subsection (f)(2)  
15 continues for a reasonable time if the debtor's right to  
16 remove the goods as against the encumbrancer or owner  
17 terminates.

18 (h) Priority of construction mortgage. A mortgage is a  
19 construction mortgage to the extent that it secures an  
20 obligation incurred for the construction of an improvement on  
21 land, including the acquisition cost of the land, if a  
22 recorded record of the mortgage so indicates. Except as  
23 otherwise provided in subsections (e) and (f), a security  
24 interest in fixtures is subordinate to a construction mortgage  
25 if a record of the mortgage is recorded before the goods become  
26 fixtures and the goods become fixtures before the completion



1 of the construction. A mortgage has this priority to the same  
2 extent as a construction mortgage to the extent that it is  
3 given to refinance a construction mortgage.

4 (i) Priority of security interest in crops.

5 (1) Subject to Section 9-322(g), a perfected security  
6 interest in crops growing on real property has priority  
7 over:

8 (A) a conflicting interest of an encumbrancer or  
9 owner of the real property; and

10 (B) the rights of a holder of an obligation  
11 secured by a collateral assignment of beneficial  
12 interest in a land trust, including rights by virtue  
13 of an equitable lien.

14 (2) For purposes of this subsection:

15 (A) "Collateral assignment of beneficial interest"  
16 means any pledge or assignment of the beneficial  
17 interest in a land trust to a person to secure a debt  
18 to other obligation.

19 (B) "Land trust" means any trust arrangement under  
20 which the legal and equitable title to real estate is  
21 held by a trustee, the interest of the beneficiary of  
22 the trust is personal property, and the beneficiary or  
23 any person designated in writing by the beneficiary  
24 has (i) the exclusive power to direct or control the  
25 trustee in dealing with the title to the trust  
26 property, (ii) the exclusive control of the

1 management, operation, renting, and selling of the  
2 trust property, and (iii) the exclusive right to the  
3 earnings, avails, and proceeds of trust property.

4 (Source: P.A. 91-893, eff. 7-1-01.)

5 (810 ILCS 5/9-341)

6 Sec. 9-341. Bank's rights and duties with respect to  
7 deposit account. Except as otherwise provided in Section  
8 9-340(c), and unless the bank otherwise agrees in a signed ~~an~~  
9 ~~authenticated~~ record, a bank's rights and duties with respect  
10 to a deposit account maintained with the bank are not  
11 terminated, suspended, or modified by:

12 (1) the creation, attachment, or perfection of a  
13 security interest in the deposit account;

14 (2) the bank's knowledge of the security interest; or

15 (3) the bank's receipt of instructions from the  
16 secured party.

17 (Source: P.A. 91-893, eff. 7-1-01.)

18 (810 ILCS 5/9-404) (from Ch. 26, par. 9-404)

19 Sec. 9-404. Rights acquired by assignee; claims and  
20 defenses against assignee.

21 (a) Assignee's rights subject to terms, claims, and  
22 defenses; exceptions. Unless an account debtor has made an  
23 enforceable agreement not to assert defenses or claims, and  
24 subject to subsections (b) through (e), the rights of an

1 assignee are subject to:

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

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

10 (b) Account debtor's claim reduces amount owed to  
11 assignee. Subject to subsection (c) and except as otherwise  
12 provided in subsection (d), the claim of an account debtor  
13 against an assignor may be asserted against an assignee under  
14 subsection (a) only to reduce the amount the account debtor  
15 owes.

16 (c) Rule for individual under other law. This Section is  
17 subject to law other than this Article which establishes a  
18 different rule for an account debtor who is an individual and  
19 who incurred the obligation primarily for personal, family, or  
20 household purposes.

21 (d) Omission of required statement in consumer  
22 transaction. In a consumer transaction, if a record evidences  
23 the account debtor's obligation, law other than this Article  
24 requires that the record include a statement to the effect  
25 that the account debtor's recovery against an assignee with  
26 respect to claims and defenses against the assignor may not

1 exceed amounts paid by the account debtor under the record,  
2 and the record does not include such a statement, the extent to  
3 which a claim of an account debtor against the assignor may be  
4 asserted against an assignee is determined as if the record  
5 included such a statement.

6 (e) Inapplicability to health-care-insurance receivable.  
7 This Section does not apply to an assignment of a  
8 health-care-insurance receivable.

9 (Source: P.A. 91-893, eff. 7-1-01.)

10 (810 ILCS 5/9-406) (from Ch. 26, par. 9-406)

11 Sec. 9-406. Discharge of account debtor; notification of  
12 assignment; identification and proof of assignment;  
13 restrictions on assignment of accounts, chattel paper, payment  
14 intangibles, and promissory notes ineffective.

15 (a) Discharge of account debtor; effect of notification.  
16 Subject to subsections (b) through (i) and (l), an account  
17 debtor on an account, chattel paper, or a payment intangible  
18 may discharge its obligation by paying the assignor until, but  
19 not after, the account debtor receives a notification, signed  
20 ~~authenticated~~ by the assignor or the assignee, that the amount  
21 due or to become due has been assigned and that payment is to  
22 be made to the assignee. After receipt of the notification,  
23 the account debtor may discharge its obligation by paying the  
24 assignee and may not discharge the obligation by paying the  
25 assignor.

1 (b) When notification ineffective. Subject to subsections  
2 ~~subsection~~ (h) and (1), notification is ineffective under  
3 subsection (a):

4 (1) if it does not reasonably identify the rights  
5 assigned;

6 (2) to the extent that an agreement between an account  
7 debtor and a seller of a payment intangible limits the  
8 account debtor's duty to pay a person other than the  
9 seller and the limitation is effective under law other  
10 than this Article; or

11 (3) at the option of an account debtor, if the  
12 notification notifies the account debtor to make less than  
13 the full amount of any installment or other periodic  
14 payment to the assignee, even if:

15 (A) only a portion of the account, chattel paper,  
16 or payment intangible has been assigned to that  
17 assignee;

18 (B) a portion has been assigned to another  
19 assignee; or

20 (C) the account debtor knows that the assignment  
21 to that assignee is limited.

22 (c) Proof of assignment. Subject to subsections ~~subsection~~  
23 (h) and (1), if requested by the account debtor, an assignee  
24 shall seasonably furnish reasonable proof that the assignment  
25 has been made. Unless the assignee complies, the account  
26 debtor may discharge its obligation by paying the assignor,

1 even if the account debtor has received a notification under  
2 subsection (a).

3 (d) Term restricting assignment generally ineffective. In  
4 this subsection, "promissory note" includes a negotiable  
5 instrument that evidences chattel paper. Except as otherwise  
6 provided in subsection (e) and Sections 2A-303 and 9-407, and  
7 subject to subsection (h), a term in an agreement between an  
8 account debtor and an assignor or in a promissory note is  
9 ineffective to the extent that it:

10 (1) prohibits, restricts, or requires the consent of  
11 the account debtor or person obligated on the promissory  
12 note to the assignment or transfer of, or the creation,  
13 attachment, perfection, or enforcement of a security  
14 interest in, the account, chattel paper, payment  
15 intangible, or promissory note; or

16 (2) provides that the assignment or transfer or the  
17 creation, attachment, perfection, or enforcement of the  
18 security interest may give rise to a default, breach,  
19 right of recoupment, claim, defense, termination, right of  
20 termination, or remedy under the account, chattel paper,  
21 payment intangible, or promissory note.

22 (e) Inapplicability of subsection (d) to certain sales.  
23 Subsection (d) does not apply to the sale of a payment  
24 intangible or promissory note, other than a sale pursuant to a  
25 disposition under Section 9-610 or an acceptance of collateral  
26 under Section 9-620.

1 (f) Legal restrictions on assignment generally  
2 ineffective. Except as otherwise provided in Sections 2A-303  
3 and 9-407 and subject to subsections (h) and (i), a rule of  
4 law, statute, or regulation that prohibits, restricts, or  
5 requires the consent of a government, governmental body or  
6 official, or account debtor to the assignment or transfer of,  
7 or creation of a security interest in, an account or chattel  
8 paper is ineffective to the extent that the rule of law,  
9 statute, or regulation:

10 (1) prohibits, restricts, or requires the consent of  
11 the government, governmental body or official, or account  
12 debtor to the assignment or transfer of, or the creation,  
13 attachment, perfection, or enforcement of a security  
14 interest in the account or chattel paper; or

15 (2) provides that the assignment or transfer or the  
16 creation, attachment, perfection, or enforcement of the  
17 security interest may give rise to a default, breach,  
18 right of recoupment, claim, defense, termination, right of  
19 termination, or remedy under the account or chattel paper.

20 (g) Subsection (b) (3) not waivable. Subject to subsections  
21 ~~subsection~~ (h) and (1), an account debtor may not waive or vary  
22 its option under subsection (b) (3).

23 (h) Rule for individual under other law. This Section is  
24 subject to law other than this Article which establishes a  
25 different rule for an account debtor who is an individual and  
26 who incurred the obligation primarily for personal, family, or

1 household purposes.

2 (i) Inapplicability to health-care-insurance receivable.  
3 This Section does not apply to an assignment of a  
4 health-care-insurance receivable.

5 (j) (Reserved).

6 (k) (Reserved).

7 (l) Inapplicability of certain subsections. Subsections  
8 (a), (b), (c), and (g) do not apply to a controllable account  
9 or controllable payment intangible.

10 (Source: P.A. 97-1034, eff. 7-1-13.)

11 (810 ILCS 5/9-408) (from Ch. 26, par. 9-408)

12 Sec. 9-408. Restrictions on assignment of promissory  
13 notes, health-care-insurance receivables, and certain general  
14 intangibles ineffective.

15 (a) Term restricting assignment generally ineffective.  
16 Except as otherwise provided in subsection (b), a term in a  
17 promissory note or in an agreement between an account debtor  
18 and a debtor which relates to a health-care-insurance  
19 receivable or a general intangible, including a contract,  
20 permit, license, or franchise, and which term prohibits,  
21 restricts, or requires the consent of the person obligated on  
22 the promissory note or the account debtor to, the assignment  
23 or transfer of, or creation, attachment, or perfection of a  
24 security interest in, the promissory note,  
25 health-care-insurance receivable, or general intangible, is



1 ineffective to the extent that the term:

2 (1) would impair the creation, attachment, or  
3 perfection of a security interest; or

4 (2) provides that the assignment or transfer or the  
5 creation, attachment, or perfection of the security  
6 interest may give rise to a default, breach, right of  
7 recoupment, claim, defense, termination, right of  
8 termination, or remedy under the promissory note,  
9 health-care-insurance receivable, or general intangible.

10 (b) Applicability of subsection (a) to sales of certain  
11 rights to payment. Subsection (a) applies to a security  
12 interest in a payment intangible or promissory note only if  
13 the security interest arises out of a sale of the payment  
14 intangible or promissory note, other than a sale pursuant to a  
15 disposition under Section 9-610 or an acceptance of collateral  
16 under Section 9-620.

17 (c) Legal restrictions on assignment generally  
18 ineffective. A rule of law, statute, or regulation that  
19 prohibits, restricts, or requires the consent of a government,  
20 governmental body or official, person obligated on a  
21 promissory note, or account debtor to the assignment or  
22 transfer of, or creation of a security interest in, a  
23 promissory note, health-care-insurance receivable, or general  
24 intangible, including a contract, permit, license, or  
25 franchise between an account debtor and a debtor, is  
26 ineffective to the extent that the rule of law, statute, or

1 regulation:

2 (1) would impair the creation, attachment, or  
3 perfection of a security interest; or

4 (2) provides that the assignment or transfer or the  
5 creation, attachment, or perfection of the security  
6 interest may give rise to a default, breach, right of  
7 recoupment, claim, defense, termination, right of  
8 termination, or remedy under the promissory note,  
9 health-care-insurance receivable, or general intangible.

10 (d) Limitation on ineffectiveness under subsections (a)  
11 and (c). To the extent that a term in a promissory note or in  
12 an agreement between an account debtor and a debtor which  
13 relates to a health-care-insurance receivable or general  
14 intangible or a rule of law, statute, or regulation described  
15 in subsection (c) would be effective under law other than this  
16 Article but is ineffective under subsection (a) or (c), the  
17 creation, attachment, or perfection of a security interest in  
18 the promissory note, health-care-insurance receivable, or  
19 general intangible:

20 (1) is not enforceable against the person obligated on  
21 the promissory note or the account debtor;

22 (2) does not impose a duty or obligation on the person  
23 obligated on the promissory note or the account debtor;

24 (3) does not require the person obligated on the  
25 promissory note or the account debtor to recognize the  
26 security interest, pay or render performance to the

1 secured party, or accept payment or performance from the  
2 secured party;

3 (4) does not entitle the secured party to use or  
4 assign the debtor's rights under the promissory note,  
5 health-care-insurance receivable, or general intangible,  
6 including any related information or materials furnished  
7 to the debtor in the transaction giving rise to the  
8 promissory note, health-care-insurance receivable, or  
9 general intangible;

10 (5) does not entitle the secured party to use, assign,  
11 possess, or have access to any trade secrets or  
12 confidential information of the person obligated on the  
13 promissory note or the account debtor; and

14 (6) does not entitle the secured party to enforce the  
15 security interest in the promissory note,  
16 health-care-insurance receivable, or general intangible.

17 (e) "Promissory note". In this Section, "promissory note"  
18 includes a negotiable instrument that evidences chattel paper.

19 (Source: P.A. 97-1034, eff. 7-1-13.)

20 (810 ILCS 5/9-509)

21 Sec. 9-509. Persons entitled to file a record.

22 (a) Person entitled to file record. A person may file an  
23 initial financing statement, amendment that adds collateral  
24 covered by a financing statement, or amendment that adds a  
25 debtor to a financing statement only if:

1           (1) the debtor authorizes the filing in a signed ~~an~~  
2           ~~authenticated~~ record or pursuant to subsection (b) or (c);  
3           or

4           (2) the person holds an agricultural lien that has  
5           become effective at the time of filing and the financing  
6           statement covers only collateral in which the person holds  
7           an agricultural lien.

8           (b) Security agreement as authorization. By signing  
9           ~~authenticating~~ or becoming bound as debtor by a security  
10          agreement, a debtor or new debtor authorizes the filing of an  
11          initial financing statement, and an amendment, covering:

12          (1) the collateral described in the security  
13          agreement; and

14          (2) property that becomes collateral under Section  
15          9-315(a)(2), whether or not the security agreement  
16          expressly covers proceeds.

17          (c) Acquisition of collateral as authorization. By  
18          acquiring collateral in which a security interest or  
19          agricultural lien continues under Section 9-315(a)(1), a  
20          debtor authorizes the filing of an initial financing  
21          statement, and an amendment, covering the collateral and  
22          property that becomes collateral under Section 9-315(a)(2).

23          (d) Person entitled to file certain amendments. A person  
24          may file an amendment other than an amendment that adds  
25          collateral covered by a financing statement or an amendment  
26          that adds a debtor to a financing statement only if:

1 (1) the secured party of record authorizes the filing;

2 or

3 (2) the amendment is a termination statement for a  
4 financing statement as to which the secured party of  
5 record has failed to file or send a termination statement  
6 as required by Section 9-513(a) or (c), the debtor  
7 authorizes the filing, and the termination statement  
8 indicates that the debtor authorized it to be filed.

9 (e) Multiple secured parties of record. If there is more  
10 than one secured party of record for a financing statement,  
11 each secured party of record may authorize the filing of an  
12 amendment under subsection (d).

13 (Source: P.A. 91-893, eff. 7-1-01.)

14 (810 ILCS 5/9-513)

15 Sec. 9-513. Termination statement.

16 (a) Consumer goods. A secured party shall cause the  
17 secured party of record for a financing statement to file a  
18 termination statement for the financing statement if the  
19 financing statement covers consumer goods and:

20 (1) there is no obligation secured by the collateral  
21 covered by the financing statement and no commitment to  
22 make an advance, incur an obligation, or otherwise give  
23 value; or

24 (2) the debtor did not authorize the filing of the  
25 initial financing statement.

1 (b) Time for compliance with subsection (a). To comply  
2 with subsection (a), a secured party shall cause the secured  
3 party of record to file the termination statement:

4 (1) within one month after there is no obligation  
5 secured by the collateral covered by the financing  
6 statement and no commitment to make an advance, incur an  
7 obligation, or otherwise give value; or

8 (2) if earlier, within 20 days after the secured party  
9 receives a signed ~~an authenticated~~ demand from a debtor.

10 (c) Other collateral. In cases not governed by subsection  
11 (a), within 20 days after a secured party receives a signed ~~an~~  
12 ~~authenticated~~ demand from a debtor, the secured party shall  
13 cause the secured party of record for a financing statement to  
14 send to the debtor a termination statement for the financing  
15 statement or file the termination statement in the filing  
16 office if:

17 (1) except in the case of a financing statement  
18 covering accounts or chattel paper that has been sold or  
19 goods that are the subject of a consignment, there is no  
20 obligation secured by the collateral covered by the  
21 financing statement and no commitment to make an advance,  
22 incur an obligation, or otherwise give value;

23 (2) the financing statement covers accounts or chattel  
24 paper that has been sold but as to which the account debtor  
25 or other person obligated has discharged its obligation;

26 (3) the financing statement covers goods that were the

1 subject of a consignment to the debtor but are not in the  
2 debtor's possession; or

3 (4) the debtor did not authorize the filing of the  
4 initial financing statement.

5 (d) Effect of filing termination statement. Except as  
6 otherwise provided in Section 9-510, upon the filing of a  
7 termination statement with the filing office, the financing  
8 statement to which the termination statement relates ceases to  
9 be effective. Except as otherwise provided in Section 9-510,  
10 for purposes of Sections 9-519(g), 9-522(a), and 9-523(c) the  
11 filing with the filing office of a termination statement  
12 relating to a financing statement that indicates that the  
13 debtor is a transmitting utility also causes the effectiveness  
14 of the financing statement to lapse.

15 (Source: P.A. 91-893, eff. 7-1-01.)

16 (810 ILCS 5/9-601)

17 Sec. 9-601. Rights after default; judicial enforcement;  
18 consignor or buyer of accounts, chattel paper, payment  
19 intangibles, or promissory notes.

20 (a) Rights of secured party after default. After default,  
21 a secured party has the rights provided in this Part and,  
22 except as otherwise provided in Section 9-602, those provided  
23 by agreement of the parties. A secured party:

24 (1) may reduce a claim to judgment, foreclose, or  
25 otherwise enforce the claim, security interest, or

1 agricultural lien by any available judicial procedure; and

2 (2) if the collateral is documents, may proceed either  
3 as to the documents or as to the goods they cover.

4 (b) Rights and duties of secured party in possession or  
5 control. A secured party in possession of collateral or  
6 control of collateral under Section 7-106, 9-104, 9-105,  
7 9-105A, 9-106, ~~or~~ 9-107, or 9-107A has the rights and duties  
8 provided in Section 9-207.

9 (c) Rights cumulative; simultaneous exercise. The rights  
10 under subsections (a) and (b) are cumulative and may be  
11 exercised simultaneously.

12 (d) Rights of debtor and obligor. Except as otherwise  
13 provided in subsection (g) and Section 9-605, after default, a  
14 debtor and an obligor have the rights provided in this Part and  
15 by agreement of the parties.

16 (e) Lien of levy after judgment. If a secured party has  
17 reduced its claim to judgment, the lien of any levy that may be  
18 made upon the collateral by virtue of a judgment relates back  
19 to the earliest of:

20 (1) the date of perfection of the security interest or  
21 agricultural lien in the collateral;

22 (2) the date of filing a financing statement covering  
23 the collateral; or

24 (3) any date specified in a statute under which the  
25 agricultural lien was created.

26 (f) Execution sale. A sale pursuant to a judgment is a



1 foreclosure of the security interest or agricultural lien by  
2 judicial procedure within the meaning of this Section. A  
3 secured party may purchase at the sale and thereafter hold the  
4 collateral free of any other requirements of this Article.

5 (g) Consignor or buyer of certain rights to payment.  
6 Except as otherwise provided in Section 9-607(c), this Part  
7 imposes no duties upon a secured party that is a consignor or  
8 is a buyer of accounts, chattel paper, payment intangibles, or  
9 promissory notes.

10 (Source: P.A. 95-895, eff. 1-1-09.)

11 (810 ILCS 5/9-605)

12 Sec. 9-605. Unknown debtor or secondary obligor.

13 (a) In general: No duty owed by secured party. Except as  
14 provided in subsection (b), a ~~A~~ secured party does not owe a  
15 duty based on its status as secured party:

16 (1) to a person that is a debtor or obligor, unless the  
17 secured party knows:

18 (A) that the person is a debtor or obligor;

19 (B) the identity of the person; and

20 (C) how to communicate with the person; or

21 (2) to a secured party or lienholder that has filed a  
22 financing statement against a person, unless the secured  
23 party knows:

24 (A) that the person is a debtor; and

25 (B) the identity of the person.

1       (b) Exception: Secured party owes duty to debtor or  
2       obligor. A secured party owes a duty based on its status as a  
3       secured party to a person if, at the time the secured party  
4       obtains control of collateral that is a controllable account,  
5       controllable electronic record, or controllable payment  
6       intangible or at the time the security interest attaches to  
7       the collateral, whichever is later:

8               (1) the person is a debtor or obligor; and

9               (2) the secured party knows that the information in  
10              subsection (a)(1)(A), (B), or (C) relating to the person  
11              is not provided by the collateral, a record attached to or  
12              logically associated with the collateral, or the system in  
13              which the collateral is recorded.

14       (Source: P.A. 91-893, eff. 7-1-01.)

15               (810 ILCS 5/9-608)

16               Sec. 9-608. Application of proceeds of collection or  
17       enforcement; liability for deficiency and right to surplus.

18               (a) Application of proceeds, surplus, and deficiency if  
19       obligation secured. If a security interest or agricultural  
20       lien secures payment or performance of an obligation, the  
21       following rules apply:

22               (1) A secured party shall apply or pay over for  
23       application the cash proceeds of collection or enforcement  
24       under Section 9-607 in the following order to:

25                       (A) the reasonable expenses of collection and

1 enforcement and, to the extent provided for by  
2 agreement and not prohibited by law, reasonable  
3 attorney's fees and legal expenses incurred by the  
4 secured party;

5 (B) the satisfaction of obligations secured by the  
6 security interest or agricultural lien under which the  
7 collection or enforcement is made; and

8 (C) the satisfaction of obligations secured by any  
9 subordinate security interest in or other lien on the  
10 collateral subject to the security interest or  
11 agricultural lien under which the collection or  
12 enforcement is made if the secured party receives a  
13 signed ~~an authenticated~~ demand for proceeds before  
14 distribution of the proceeds is completed.

15 (2) If requested by a secured party, a holder of a  
16 subordinate security interest or other lien shall furnish  
17 reasonable proof of the interest or lien within a  
18 reasonable time. Unless the holder complies, the secured  
19 party need not comply with the holder's demand under  
20 paragraph (1) (C).

21 (3) A secured party need not apply or pay over for  
22 application noncash proceeds of collection and enforcement  
23 under Section 9-607 unless the failure to do so would be  
24 commercially unreasonable. A secured party that applies or  
25 pays over for application noncash proceeds shall do so in  
26 a commercially reasonable manner.

1 (4) A secured party shall account to and pay a debtor  
2 for any surplus, and the obligor is liable for any  
3 deficiency.

4 (b) No surplus or deficiency in sales of certain rights to  
5 payment. If the underlying transaction is a sale of accounts,  
6 chattel paper, payment intangibles, or promissory notes, the  
7 debtor is not entitled to any surplus, and the obligor is not  
8 liable for any deficiency.

9 (Source: P.A. 91-893, eff. 7-1-01.)

10 (810 ILCS 5/9-611)

11 Sec. 9-611. Notification before disposition of collateral.

12 (a) "Notification date". In this Section, "notification  
13 date" means the earlier of the date on which:

14 (1) a secured party sends to the debtor and any  
15 secondary obligor a signed ~~an authenticated~~ notification  
16 of disposition; or

17 (2) the debtor and any secondary obligor waive the  
18 right to notification.

19 (b) Notification of disposition required. Except as  
20 otherwise provided in subsection (d), a secured party that  
21 disposes of collateral under Section 9-610 shall send to the  
22 persons specified in subsection (c) a reasonable signed  
23 ~~authenticated~~ notification of disposition.

24 (c) Persons to be notified. To comply with subsection (b),  
25 the secured party shall send a signed ~~an authenticated~~

1 notification of disposition to:

2 (1) the debtor;

3 (2) any secondary obligor; and

4 (3) if the collateral is other than consumer goods:

5 (A) any other person from which the secured party  
6 has received, before the notification date, a signed  
7 ~~an authenticated~~ notification of a claim of an  
8 interest in the collateral;

9 (B) any other secured party or lienholder that, 10  
10 days before the notification date, held a security  
11 interest in or other lien on the collateral perfected  
12 by the filing of a financing statement that:

13 (i) identified the collateral;

14 (ii) was indexed under the debtor's name as of  
15 that date; and

16 (iii) was filed in the office in which to file  
17 a financing statement against the debtor covering  
18 the collateral as of that date; and

19 (C) any other secured party that, 10 days before  
20 the notification date, held a security interest in the  
21 collateral perfected by compliance with a statute,  
22 regulation, or treaty described in Section 9-311(a).

23 (d) Subsection (b) inapplicable: perishable collateral;  
24 recognized market. Subsection (b) does not apply if the  
25 collateral is perishable or threatens to decline speedily in  
26 value or is of a type customarily sold on a recognized market.

1 (e) Compliance with subsection (c) (3) (B). A secured party  
2 complies with the requirement for notification prescribed by  
3 subsection (c) (3) (B) if:

4 (1) not later than 20 days or earlier than 30 days  
5 before the notification date, the secured party requests,  
6 in a commercially reasonable manner, information  
7 concerning financing statements indexed under the debtor's  
8 name in the office indicated in subsection (c) (3) (B); and

9 (2) before the notification date, the secured party:

10 (A) did not receive a response to the request for  
11 information; or

12 (B) received a response to the request for  
13 information and sent a signed ~~an authenticated~~  
14 notification of disposition to each secured party or  
15 other lienholder named in that response whose  
16 financing statement covered the collateral.

17 (Source: P.A. 91-893, eff. 7-1-01.)

18 (810 ILCS 5/9-613)

19 Sec. 9-613. Contents and form of notification before  
20 disposition of collateral: general.

21 (a) Contents and form of notification. Except in a  
22 consumer-goods transaction, the following rules apply:

23 (1) The contents of a notification of disposition are  
24 sufficient if the notification:

25 (A) describes the debtor and the secured party;

1 (B) describes the collateral that is the subject  
2 of the intended disposition;

3 (C) states the method of intended disposition;

4 (D) states that the debtor is entitled to an  
5 accounting of the unpaid indebtedness and states the  
6 charge, if any, for an accounting; and

7 (E) states the time and place of a public  
8 disposition or the time after which any other  
9 disposition is to be made.

10 (2) Whether the contents of a notification that lacks  
11 any of the information specified in paragraph (1) are  
12 nevertheless sufficient is a question of fact.

13 (3) The contents of a notification providing  
14 substantially the information specified in paragraph (1)  
15 are sufficient, even if the notification is accompanied by  
16 or combined other notification or includes:

17 (A) information not specified by that paragraph;

18 or

19 (B) minor errors that are not seriously  
20 misleading.

21 (4) A particular phrasing of the notification is not  
22 required.

23 (5) The following form of notification and the form  
24 appearing in Section 9-614(a)(4) ~~9-614(4)~~, when completed  
25 in accordance with the instructions in subsection (b) and  
26 Section 9-614(b), each provides sufficient information:

1                   NOTIFICATION OF DISPOSITION OF COLLATERAL

2   To: (Name of debtor, obligor, or other person to which the  
3   notification is sent)

4   From: (Name, address, and telephone number of secured party)

5       {1} Name of any debtor that is not an addressee: (Name of  
6   each debtor)

7       {2} We will sell (describe collateral) (to the highest  
8   qualified bidder) at public sale. A sale could include a lease  
9   or license. The sale will be held as follows:

10       (Date)

11       (Time)

12       (Place)

13       {3} We will sell (describe collateral) at private sale  
14   sometime after (date). A sale could include a lease or  
15   license.

16       {4} You are entitled to an accounting of the unpaid  
17   indebtedness secured by the property that we intend to sell  
18   or, as applicable, lease or license.

19       {5} If you request an accounting you must pay a charge of \$  
20   (amount).

21       {6} You may request an accounting by calling us at  
22   (telephone number).

23                                   [End of Form]

24       (b) Instructions for form of notification. The following  
25   instructions apply to the form of notification in subsection

26   (a) (5):



1           (1) The instructions in this subsection refer to the  
 2           numbers in braces before items in the form of notification  
 3           in subsection (a) (5). Do not include the numbers or braces  
 4           in the notification. The numbers and braces are used only  
 5           for the purpose of these instructions.

6           (2) Include and complete item {1} only if there is a  
 7           debtor that is not an addressee of the notification and  
 8           list the name or names.

9           (3) Include and complete either item {2}, if the  
 10          notification relates to a public disposition of the  
 11          collateral, or item {3}, if the notification relates to a  
 12          private disposition of the collateral. If item {2} is  
 13          included, include the words "to the highest qualified  
 14          bidder" only if applicable.

15          (4) Include and complete items {4} and {6}.

16          (5) Include and complete item {5} only if the sender  
 17          will charge the recipient for an accounting.

18                   ~~NOTIFICATION OF DISPOSITION OF COLLATERAL~~

19           ~~To: ..... (Name of~~  
 20           ~~debtor, obligor, or other person to which the notification~~  
 21           ~~is sent)~~

22           ~~From: ..... (Name,~~  
 23           ~~address, and telephone number of secured party)~~

24           ~~Name of Debtor(s): ..... (Include only~~  
 25           ~~if debtor(s) are not an addressee)~~

1           ~~For a public disposition:~~  
2           ~~We will sell or lease or license, as applicable, the~~  
3           ~~..... (describe collateral) to the~~  
4           ~~highest qualified bidder in public as follows:~~  
5           ~~Day and Date: .....~~  
6           ~~Time: .....~~  
7           ~~Place: .....~~

8           ~~For a private disposition:~~  
9           ~~We will sell (or lease or license, as applicable) the~~  
10          ~~..... (describe collateral)~~  
11          ~~privately sometime after ..... (day and date).~~

12          ~~You are entitled to an accounting of the unpaid~~  
13          ~~indebtedness secured by the property that we intend to~~  
14          ~~sell or lease or license, as applicable for a charge of~~  
15          ~~\$..... You may request an accounting by~~  
16          ~~calling us at ..... (telephone number).~~

17          (Source: P.A. 91-893, eff. 7-1-01.)

18                 (810 ILCS 5/9-614)  
19                 Sec. 9-614. Contents and form of notification before  
20                 disposition of collateral: consumer-goods transaction.

21                 (a) Contents and form of notification. In a consumer-goods  
22                 transaction, the following rules apply:

23                         (1) A notification of disposition must provide the  
24                         following information:

1 (A) the information specified in Section  
2 9-613(a)(1) ~~9-613(1)~~;

3 (B) a description of any liability for a  
4 deficiency of the person to which the notification is  
5 sent;

6 (C) a telephone number from which the amount that  
7 must be paid to the secured party to redeem the  
8 collateral under Section 9-623 is available; and

9 (D) a telephone number or mailing address from  
10 which additional information concerning the  
11 disposition and the obligation secured is available.

12 (2) A particular phrasing of the notification is not  
13 required.

14 (3) The contents of a notification providing  
15 substantially the information specified in paragraph (1)  
16 are sufficient, even if the notification:

17 (A) is accompanied by or combined with other  
18 notifications;

19 (B) includes information not specified by that  
20 paragraph; or

21 (C) includes minor errors that are not seriously  
22 misleading.

23 (4) The following form of notification, when completed  
24 in accordance with the instructions in subsection (b),  
25 provides sufficient information:

26 NOTICE OF OUR PLAN TO SELL PROPERTY

1 (Name and address of any obligor who is also a debtor)

2 Subject: (Identify transaction)

3 We have your (describe collateral), because you broke  
4 promises in our agreement.

5 {1} We will sell (describe collateral) at public sale. A  
6 sale could include a lease or license. The sale will be held as  
7 follows:

8 (Date)

9 (Time)

10 (Place)

11 You may attend the sale and bring bidders if you want.

12 {2} We will sell (describe collateral) at private sale  
13 sometime after (date). A sale could include a lease or  
14 license.

15 {3} The money that we get from the sale, after paying our  
16 costs, will reduce the amount you owe. If we get less money  
17 than you owe, you (will or will not, as applicable) still owe  
18 us the difference. If we get more money than you owe, you will  
19 get the extra money, unless we must pay it to someone else.

20 {4} You can get the property back at any time before we  
21 sell it by paying us the full amount you owe, not just the past  
22 due payments, including our expenses. To learn the exact  
23 amount you must pay, call us at (telephone number).

24 {5} If you want us to explain to you in (writing) (writing  
25 or in (description of electronic record)) (description of  
26 electronic record) how we have figured the amount that you owe

1 us, {6} call us at (telephone number) (or) (write us at  
2 (secured party's address)) (or contact us by (description of  
3 electronic communication method)) {7} and request (a written  
4 explanation) (a written explanation or an explanation in  
5 (description of electronic record)) (an explanation in  
6 (description of electronic record)).

7 {8} We will charge you \$ (amount) for the explanation if we  
8 sent you another written explanation of the amount you owe us  
9 within the last six months.

10 {9} If you need more information about the sale (call us at  
11 (telephone number)) (or) (write us at (secured party's  
12 address)) (or contact us by (description of electronic  
13 communication method)).

14 {10} We are sending this notice to the following other  
15 people who have an interest in (describe collateral) or who  
16 owe money under your agreement:

17 (Names of all other debtors and obligors, if any)

18 [End of Form]

19 (b) Instructions for form of notification. The following  
20 instructions apply to the form of notification in subsection  
21 (a) (3):

22 (1) The instructions in this subsection refer to the  
23 numbers in braces before items in the form of notification  
24 in subsection (a) (3). Do not include the numbers or braces  
25 in the notification. The numbers and braces are used only  
26 for the purpose of these instructions.

1           (2) Include and complete either item {1}, if the  
2           notification relates to a public disposition of the  
3           collateral, or item {2}, if the notification relates to a  
4           private disposition of the collateral.

5           (3) Include and complete items {3}, {4}, {5}, {6}, and  
6           {7}.

7           (4) In item {5}, include and complete any one of the  
8           three alternative methods for the explanation-writing,  
9           writing or electronic record, or electronic record.

10           (5) In item {6}, include the telephone number. In  
11           addition, the sender may include and complete either or  
12           both of the two additional alternative methods of  
13           communication-writing or electronic communication-for the  
14           recipient of the notification to communicate with the  
15           sender. Neither of the two additional methods of  
16           communication is required to be included.

17           (6) In item {7}, include and complete the method or  
18           methods for the explanation-writing, writing or electronic  
19           record, or electronic record-included in item {5}.

20           (7) Include and complete item {8} only if a written  
21           explanation is included in item {5} as a method for  
22           communicating the explanation and the sender will charge  
23           the recipient for another written explanation.

24           (8) In item {9}, include either the telephone number  
25           or the address or both the telephone number and the  
26           address. In addition, the sender may include and complete

1 the additional method of communication-electronic  
2 communication-for the recipient of the notification to  
3 communicate with the sender. The additional method of  
4 electronic communication is not required to be included.

5 (9) If item {10} does not apply, insert "None" after  
6 "agreement:".

7 ~~..... (Name and address of secured party)~~

8 ~~..... (Date)~~

9 ~~NOTICE OF OUR PLAN TO SELL PROPERTY~~

10 ~~.....~~

11 ~~(Name and address of any obligor who is also a debtor)~~

12 ~~Subject: .....~~

13 ~~(Identification of Transaction)~~

14 ~~We have your ..... (describe~~  
15 ~~collateral), because you broke promises in our agreement.~~

16 ~~For a public disposition:~~

17 ~~We will sell ..... (describe~~  
18 ~~collateral) at public sale. A sale could include a lease~~  
19 ~~or license. The sale will be held as follows:~~

20 ~~Date: .....~~

21 ~~Time: .....~~

22 ~~Place: .....~~

23 ~~You may attend the sale and bring bidders if you want.~~

24 ~~For a private disposition:~~

1           ~~We will sell .....~~ (describe  
 2           ~~collateral) at private sale sometime after~~  
 3           ~~..... (date). A sale could include a lease~~  
 4           ~~or license.~~

5           ~~The money that we get from the sale (after paying our~~  
 6           ~~costs) will reduce the amount you owe. If we get less money~~  
 7           ~~than you owe, you ..... (will or will not, as~~  
 8           ~~applicable) still owe us the difference. If we get more~~  
 9           ~~money than you owe, you will get the extra money, unless we~~  
 10           ~~must pay it to someone else.~~

11           ~~You can get the property back at any time before we~~  
 12           ~~sell it by paying us the full amount you owe (not just the~~  
 13           ~~past due payments), including our expenses. To learn the~~  
 14           ~~exact amount you must pay, call us at .....~~  
 15           ~~(telephone number).~~

16           ~~If you want us to explain to you in writing how we have~~  
 17           ~~figured the amount that you owe us, you may call us at~~  
 18           ~~..... (telephone number) or write us at~~  
 19           ~~..... (secured party's~~  
 20           ~~address) and request a written explanation. We will charge~~  
 21           ~~you \$ ..... for the explanation if we sent you~~  
 22           ~~another written explanation of the amount you owe us~~  
 23           ~~within the last six months.~~

24           ~~If you need more information about the sale call us at~~  
 25           ~~..... (telephone number) or write us at~~  
 26           ~~..... (secured party's address).~~



1           ~~We are sending this notice to the following other~~  
 2           ~~people who have an interest .....~~  
 3           ~~(describe collateral) or who owe money under your~~  
 4           ~~agreement:~~

5           ~~.....~~

6           ~~(Names of all other debtors and obligors, if any)~~

7           ~~(5) A notification in the form of paragraph (4) is~~  
 8           ~~sufficient, even if it includes errors in information not~~  
 9           ~~required by paragraph (1).~~

10          ~~(6) If a notification under this Section is not in the~~  
 11          ~~form of paragraph (4), law other than this Article~~  
 12          ~~determines the effect of including information not~~  
 13          ~~required by paragraph (1).~~

14          (Source: P.A. 91-893, eff. 7-1-01.)

15           (810 ILCS 5/9-615)

16           Sec. 9-615. Application of proceeds of disposition;  
 17           liability for deficiency and right to surplus.

18           (a) Application of proceeds. A secured party shall apply  
 19           or pay over for application the cash proceeds of disposition  
 20           in the following order to:

21           (1) the reasonable expenses of retaking, holding,  
 22           preparing for disposition, processing, and disposing, and,  
 23           to the extent provided for by agreement and not prohibited  
 24           by law, reasonable attorney's fees and legal expenses  
 25           incurred by the secured party;

1           (2) the satisfaction of obligations secured by the  
2 security interest or agricultural lien under which the  
3 disposition is made;

4           (3) the satisfaction of obligations secured by any  
5 subordinate security interest in or other subordinate lien  
6 on the collateral if:

7           (A) the secured party receives from the holder of  
8 the subordinate security interest or other lien a  
9 signed ~~an authenticated~~ demand for proceeds before  
10 distribution of the proceeds is completed; and

11           (B) in a case in which a consignor has an interest  
12 in the collateral, the subordinate security interest  
13 or other lien is senior to the interest of the  
14 consignor; and

15           (4) a secured party that is a consignor of the  
16 collateral if the secured party receives from the  
17 consignor a signed ~~an authenticated~~ demand for proceeds  
18 before distribution of the proceeds is completed.

19           (b) Proof of subordinate interest. If requested by a  
20 secured party, a holder of a subordinate security interest or  
21 other lien shall furnish reasonable proof of the interest or  
22 lien within a reasonable time. Unless the holder does so, the  
23 secured party need not comply with the holder's demand under  
24 subsection (a) (3).

25           (c) Application of noncash proceeds. A secured party need  
26 not apply or pay over for application noncash proceeds of

1 disposition under this Section unless the failure to do so  
2 would be commercially unreasonable. A secured party that  
3 applies or pays over for application noncash proceeds shall do  
4 so in a commercially reasonable manner.

5 (d) Surplus or deficiency if obligation secured. If the  
6 security interest under which a disposition is made secures  
7 payment or performance of an obligation, after making the  
8 payments and applications required by subsection (a) and  
9 permitted by subsection (c):

10 (1) unless subsection (a)(4) requires the secured  
11 party to apply or pay over cash proceeds to a consignor,  
12 the secured party shall account to and pay a debtor for any  
13 surplus; and

14 (2) the obligor is liable for any deficiency.

15 (e) No surplus or deficiency in sales of certain rights to  
16 payment. If the underlying transaction is a sale of accounts,  
17 chattel paper, payment intangibles, or promissory notes:

18 (1) the debtor is not entitled to any surplus; and

19 (2) the obligor is not liable for any deficiency.

20 (f) Calculation of surplus or deficiency in disposition to  
21 person related to secured party. The surplus or deficiency  
22 following a disposition is calculated based on the amount of  
23 proceeds that would have been realized in a disposition  
24 complying with this Part and described in subsection (f)(2) of  
25 this Section to a transferee other than the secured party, a  
26 person related to the secured party, or a secondary obligor

1 if:

2 (1) the transferee in the disposition is the secured  
3 party, a person related to the secured party, or a  
4 secondary obligor; and

5 (2) the amount of proceeds of the disposition is  
6 significantly below the range of proceeds that would have  
7 been received from a complying disposition by a forced  
8 sale without reserve to a willing buyer other than the  
9 secured party, a person related to the secured party, or a  
10 secondary obligor.

11 (g) Cash proceeds received by junior secured party. A  
12 secured party that receives cash proceeds of a disposition in  
13 good faith and without knowledge that the receipt violates the  
14 rights of the holder of a security interest or other lien that  
15 is not subordinate to the security interest or agricultural  
16 lien under which the disposition is made:

17 (1) takes the cash proceeds free of the security  
18 interest or other lien;

19 (2) is not obligated to apply the proceeds of the  
20 disposition to the satisfaction of obligations secured by  
21 the security interest or other lien; and

22 (3) is not obligated to account to or pay the holder of  
23 the security interest or other lien for any surplus.

24 (Source: P.A. 91-893, eff. 7-1-01.)

25 (810 ILCS 5/9-616)

1           Sec. 9-616. Explanation of calculation of surplus or  
2 deficiency.

3           (a) Definitions. In this Section:

4           (1) "Explanation" means a record ~~writing~~ that:

5           (A) states whether a surplus or deficiency is owed  
6 and the amount of the surplus, if applicable;

7           (B) states, if applicable, that future debits,  
8 credits, charges, including additional credit service  
9 charges or interest, rebates, and expenses may affect  
10 the amount of the surplus or deficiency;

11           (C) provides a telephone number or mailing address  
12 from which the debtor or consumer obligor may obtain  
13 additional information concerning the transaction and  
14 from which such person may request the amount of the  
15 deficiency and further information regarding how the  
16 secured party calculated the surplus or deficiency;  
17 and

18           (D) at the sender's option, the information set  
19 forth in subsection (c).

20           (2) "Request" means a record:

21           (A) signed ~~authenticated~~ by a debtor or consumer  
22 obligor;

23           (B) requesting that the recipient provide  
24 information of how it calculated the surplus or  
25 deficiency; and

26           (C) sent after disposition of the collateral under

1 Section 9-610.

2 (b) Explanation of calculation. In a consumer-goods  
3 transaction in which the debtor is entitled to a surplus or a  
4 consumer obligor is liable for a deficiency under Section  
5 9-615, the secured party shall:

6 (1) send an explanation to the debtor or consumer  
7 obligor, as applicable, after the disposition and:

8 (A) before or when the secured party accounts to  
9 the debtor and pays any surplus or first makes ~~written~~  
10 demand in a record on the consumer obligor after the  
11 disposition for payment of the deficiency, other than  
12 in instances in which such demand is made by a  
13 third-party debt collector covered by the Fair Debt  
14 Collection Practices Act; and

15 (B) within 14 days after receipt of a request made  
16 by the debtor or consumer obligor within one year  
17 after the secured party has given an explanation under  
18 this Section or notice to such debtor or consumer  
19 obligor under Section 9-614 of this Article; or

20 (2) in the case of a consumer obligor who is liable for  
21 a deficiency, within 14 days after receipt of a request,  
22 send to the consumer obligor a record waiving the secured  
23 party's right to a deficiency.

24 (c) Required information ~~for response to request~~. To  
25 comply with subsection (a) (1) (B) ~~a request~~, an explanation ~~the~~  
26 ~~secured party~~ must provide ~~a response in writing which~~

1 ~~includes~~ the following information in the following order:

2 (1) the aggregate amount of obligations secured by the  
3 security interest under which the disposition was made,  
4 and, if the amount reflects a rebate of unearned interest  
5 or credit service charge, an indication of that fact,  
6 calculated as of a specified date:

7 (A) if the secured party takes or receives  
8 possession of the collateral after default, not more  
9 than 35 days before the secured party takes or  
10 receives possession; or

11 (B) if the secured party takes or receives  
12 possession of the collateral before default or does  
13 not take possession of the collateral, not more than  
14 35 days before the disposition;

15 (2) the amount of proceeds of the disposition;

16 (3) the aggregate amount of the obligations after  
17 deducting the amount of proceeds;

18 (4) the amount, in the aggregate or by type, and types  
19 of expenses, including expenses of retaking, holding,  
20 preparing for disposition, processing, and disposing of  
21 the collateral, and attorney's fees secured by the  
22 collateral which are known to the secured party and relate  
23 to the current disposition;

24 (5) the amount, in the aggregate or by type, and types  
25 of credits, including rebates of interest or credit  
26 service charges, to which the obligor is known to be

1 entitled and which are not reflected in the amount in  
2 paragraph (1); and

3 (6) the amount of the surplus or deficiency.

4 (d) Substantial compliance. A particular phrasing of the  
5 explanation or response to a request is not required. An  
6 explanation or a response to a request complying substantially  
7 with the requirements of this Section is sufficient even if it  
8 is:

9 (1) accompanied by or combined with other  
10 notifications;

11 (2) includes information not specified by this  
12 Section;

13 (3) includes minor errors that are not seriously  
14 misleading; or

15 (4) includes errors in information not required by  
16 this Section.

17 (e) Charges for responses. A debtor or consumer obligor is  
18 entitled without charge to one response to a request under  
19 this Section during any six-month period in which the secured  
20 party did not send to the debtor or consumer obligor an  
21 explanation pursuant to subsection (b)(1). The secured party  
22 may require payment of a charge not exceeding \$25 for each  
23 additional response.

24 (Source: P.A. 91-893, eff. 7-1-01.)

25 (810 ILCS 5/9-619)



1           Sec. 9-619. Transfer of record or legal title.

2           (a) "Transfer statement".<sup>u</sup> In this Section, "transfer  
3 statement" means a record signed ~~authenticated~~ by a secured  
4 party stating:

5                 (1) that the debtor has defaulted in connection with  
6 an obligation secured by specified collateral;

7                 (2) that the secured party has exercised its  
8 post-default remedies with respect to the collateral;

9                 (3) that, by reason of the exercise, a transferee has  
10 acquired the rights of the debtor in the collateral; and

11                 (4) the name and mailing address of the secured party,  
12 debtor, and transferee.

13           (b) Effect of transfer statement. A transfer statement  
14 entitles the transferee to the transfer of record of all  
15 rights of the debtor in the collateral specified in the  
16 statement in any official filing, recording, registration, or  
17 certificate-of-title system covering the collateral. If a  
18 transfer statement is presented with the applicable fee and  
19 request form to the official or office responsible for  
20 maintaining the system, the official or office shall:

21                 (1) accept the transfer statement;

22                 (2) promptly amend its records to reflect the  
23 transfer; and

24                 (3) if applicable, issue a new appropriate certificate  
25 of title in the name of the transferee.

26           (c) Transfer not a disposition; no relief of secured

1 party's duties. A transfer of the record or legal title to  
2 collateral to a secured party under subsection (b) or  
3 otherwise is not of itself a disposition of collateral under  
4 this Article and does not of itself relieve the secured party  
5 of its duties under this Article.

6 (Source: P.A. 91-893, eff. 7-1-01.)

7 (810 ILCS 5/9-620)

8 Sec. 9-620. Acceptance of collateral in full or partial  
9 satisfaction of obligation; compulsory disposition of  
10 collateral.

11 (a) Conditions to acceptance in satisfaction. Except as  
12 otherwise provided in subsection (g), a secured party may  
13 accept collateral in full or partial satisfaction of the  
14 obligation it secures only if:

15 (1) the debtor consents to the acceptance under  
16 subsection (c);

17 (2) the secured party does not receive, within the  
18 time set forth in subsection (d), a notification of  
19 objection to the proposal signed ~~authenticated~~ by:

20 (A) a person to which the secured party was  
21 required to send a proposal under Section 9-621; or

22 (B) any other person, other than the debtor,  
23 holding an interest in the collateral subordinate to  
24 the security interest that is the subject of the  
25 proposal;

1           (3) if the collateral is consumer goods, the  
2 collateral is not in the possession of the debtor when the  
3 debtor consents to the acceptance; and

4           (4) subsection (e) does not require the secured party  
5 to dispose of the collateral or the debtor waives the  
6 requirement pursuant to Section 9-624.

7           (b) Purported acceptance ineffective. A purported or  
8 apparent acceptance of collateral under this Section is  
9 ineffective unless:

10           (1) the secured party consents to the acceptance in a  
11 signed ~~an authenticated~~ record or sends a proposal to the  
12 debtor; and

13           (2) the conditions of subsection (a) are met.

14           (c) Debtor's consent. For purposes of this Section:

15           (1) a debtor consents to an acceptance of collateral  
16 in partial satisfaction of the obligation it secures only  
17 if the debtor agrees to the terms of the acceptance in a  
18 record signed ~~authenticated~~ after default; and

19           (2) a debtor consents to an acceptance of collateral  
20 in full satisfaction of the obligation it secures only if  
21 the debtor agrees to the terms of the acceptance in a  
22 record signed ~~authenticated~~ after default or the secured  
23 party:

24           (A) sends to the debtor after default a proposal  
25 that is unconditional or subject only to a condition  
26 that collateral not in the possession of the secured

1 party be preserved or maintained;

2 (B) in the proposal, proposes to accept collateral  
3 in full satisfaction of the obligation it secures; and

4 (C) does not receive a notification of objection  
5 signed ~~authenticated~~ by the debtor within 20 days  
6 after the proposal is sent.

7 (d) Effectiveness of notification. To be effective under  
8 subsection (a)(2), a notification of objection must be  
9 received by the secured party:

10 (1) in the case of a person to which the proposal was  
11 sent pursuant to Section 9-621, within 20 days after  
12 notification was sent to that person; and

13 (2) in other cases:

14 (A) within 20 days after the last notification was  
15 sent pursuant to Section 9-621; or

16 (B) if a notification was not sent, before the  
17 debtor consents to the acceptance under subsection  
18 (c).

19 (e) Mandatory disposition of consumer goods. A secured  
20 party that has taken possession of collateral shall dispose of  
21 the collateral pursuant to Section 9-610 within the time  
22 specified in subsection (f) if:

23 (1) 60 percent of the cash price has been paid in the  
24 case of a purchase-money security interest in consumer  
25 goods; or

26 (2) 60 percent of the principal amount of the

1 obligation secured has been paid in the case of a  
2 non-purchase-money security interest in consumer goods.

3 (f) Compliance with mandatory disposition requirement. To  
4 comply with subsection (e), the secured party shall dispose of  
5 the collateral:

6 (1) within 90 days after taking possession; or

7 (2) within any longer period to which the debtor and  
8 all secondary obligors have agreed in an agreement to that  
9 effect entered into and signed ~~authenticated~~ after  
10 default.

11 (g) No partial satisfaction in consumer transaction. In a  
12 consumer transaction, a secured party may not accept  
13 collateral in partial satisfaction of the obligation it  
14 secures.

15 (Source: P.A. 91-893, eff. 7-1-01.)

16 (810 ILCS 5/9-621)

17 Sec. 9-621. Notification of proposal to accept collateral.

18 (a) Persons to which proposal to be sent. A secured party  
19 that desires to accept collateral in full or partial  
20 satisfaction of the obligation it secures shall send its  
21 proposal to:

22 (1) any person from which the secured party has  
23 received, before the debtor consented to the acceptance, a  
24 signed ~~an authenticated~~ notification of a claim of an  
25 interest in the collateral;

1           (2) any other secured party or lienholder that, 10  
2 days before the debtor consented to the acceptance, held a  
3 security interest in or other lien on the collateral  
4 perfected by the filing of a financing statement that:

5           (A) identified the collateral;

6           (B) was indexed under the debtor's name as of that  
7 date; and

8           (C) was filed in the office or offices in which to  
9 file a financing statement against the debtor covering  
10 the collateral as of that date; and

11          (3) any other secured party that, 10 days before the  
12 debtor consented to the acceptance, held a security  
13 interest in the collateral perfected by compliance with a  
14 statute, regulation, or treaty described in Section  
15 9-311(a).

16          (b) Proposal to be sent to secondary obligor in partial  
17 satisfaction. A secured party that desires to accept  
18 collateral in partial satisfaction of the obligation it  
19 secures shall send its proposal to any secondary obligor in  
20 addition to the persons described in subsection (a).

21          (Source: P.A. 91-893, eff. 7-1-01.)

22           (810 ILCS 5/9-624)

23           Sec. 9-624. Waiver.

24           (a) Waiver of disposition notification. A debtor or  
25 secondary obligor may waive the right to notification of

1 disposition of collateral under Section 9-611 only by an  
2 agreement to that effect entered into and signed ~~authenticated~~  
3 after default.

4 (b) Waiver of mandatory disposition. A debtor may waive  
5 the right to require disposition of collateral under Section  
6 9-620(e) only by an agreement to that effect entered into and  
7 signed ~~authenticated~~ after default.

8 (c) Waiver of redemption right. A debtor or secondary  
9 obligor may waive the right to redeem collateral under Section  
10 9-623 only by an agreement to that effect entered into and  
11 signed ~~authenticated~~ after default.

12 (Source: P.A. 91-893, eff. 7-1-01.)

13 (810 ILCS 5/9-628)

14 Sec. 9-628. Nonliability and limitation on liability of  
15 secured party; liability of secondary obligor.

16 (a) Limitation of liability to debtor or obligor. Subject  
17 to subsection (f), unless ~~Unless~~ a secured party knows that a  
18 person is a debtor or obligor, knows the identity of the  
19 person, and knows how to communicate with the person:

20 (1) the secured party is not liable to the person, or  
21 to a secured party or lienholder that has filed a  
22 financing statement against the person, for failure to  
23 comply with this Article; and

24 (2) the secured party's failure to comply with this  
25 Article does not affect the liability of the person for a

1           deficiency.

2           (b) Limitation of liability to debtor, obligor, another  
3           secured party, or lienholder. Subject to subsection (f), a ~~A~~  
4           secured party is not liable because of its status as secured  
5           party:

6                   (1) to a person that is a debtor or obligor, unless the  
7           secured party knows:

8                           (A) that the person is a debtor or obligor;

9                           (B) the identity of the person; and

10                          (C) how to communicate with the person; or

11                   (2) to a secured party or lienholder that has filed a  
12           financing statement against a person, unless the secured  
13           party knows:

14                           (A) that the person is a debtor; and

15                           (B) the identity of the person.

16           (c) Limitation of liability if reasonable belief that  
17           transaction not a consumer-goods transaction or consumer  
18           transaction. A secured party is not liable to any person, and a  
19           person's liability for a deficiency is not affected, because  
20           of any act or omission arising out of the secured party's  
21           reasonable belief that a transaction is not a consumer-goods  
22           transaction or a consumer transaction or that goods are not  
23           consumer goods, if the secured party's belief is based on its  
24           reasonable reliance on:

25                   (1) a debtor's representation concerning the purpose  
26           for which collateral was to be used, acquired, or held; or



1 (2) an obligor's representation concerning the purpose  
2 for which a secured obligation was incurred.

3 (d) Limitation of liability for statutory damages. A  
4 secured party is not liable to any person under Section  
5 9-625(c) (2) for its failure to comply with Section 9-616.

6 (e) Limitation of multiple liability for statutory  
7 damages. A secured party is not liable under Section  
8 9-625(c) (2) more than once with respect to any one secured  
9 obligation.

10 (f) Exception: Limitation of liability under subsections  
11 (a) and (b) does not apply. Subsections (a) and (b) do not  
12 apply to limit the liability of a secured party to a person if,  
13 at the time the secured party obtains control of collateral  
14 that is a controllable account, controllable electronic  
15 record, or controllable payment intangible or at the time the  
16 security interest attaches to the collateral, whichever is  
17 later:

18 (1) the person is a debtor or obligor; and

19 (2) the secured party knows that the information in  
20 subsection (b) (1) (A), (B), or (C) relating to the person  
21 is not provided by the collateral, a record attached to or  
22 logically associated with the collateral, or the system in  
23 which the collateral is recorded.

24 (Source: P.A. 91-893, eff. 7-1-01.)

25 (810 ILCS 5/Art. 11A heading)

ARTICLE 11A ~~12~~

## EFFECTIVE DATE AND TRANSITION

## AMENDATORY ACT OF 1987

(810 ILCS 5/11A-101)

Sec. 11A-101 ~~12-101~~. Effective Date. This amendatory Act of 1987 shall take effect on January 1, 1988.

(Source: P.A. 85-997.)

(810 ILCS 5/11A-102)

Sec. 11A-102 ~~12-102~~. Transition to Amendatory Act of 1987.

(1) Transactions validly entered into after July 1, 1962 and before January 1, 1988 and which were subject to the provisions of the "Uniform Commercial Code", approved July 31, 1961, as amended, and which would be subject to this amendatory Act of 1987 if they had been entered into after December 31, 1987 and the rights, duties and interest flowing from such transactions remain valid after the latter date, and may be terminated, completed, consummated or enforced as required or permitted by this amendatory Act of 1987. Security interests arising out of such transactions which are perfected when this amendatory Act of 1987 becomes effective shall remain perfected until they lapse as provided in this amendatory Act of 1987, and may be continued as permitted by this amendatory Act of 1987.

(2) The persons shown on the books of the issuer as the

1 holders of uncertificated securities outstanding when this  
2 amendatory Act of 1987 becomes effective shall be deemed to be  
3 the registered owners thereof. Prior to the 90th day after  
4 this amendatory Act of 1987 takes effect, the issuer of any  
5 uncertificated security outstanding when this amendatory Act  
6 of 1987 takes effect shall send to the registered owner a  
7 written statement containing:

8 (a) A description of the issue of which the uncertificated  
9 security is a part;

10 (b) The number of shares or other units owned by the  
11 registered owner;

12 (c) The name and address and (if known to the issuer) any  
13 taxpayer identification number of the registered owner;

14 (d) A notation of any liens or restrictions of the issuer  
15 and any adverse claims (as to which the issuer has a duty under  
16 Section 8-403(4)) to which the uncertificated security is or  
17 may be subject at the time when the statement is prepared or a  
18 statement that there are no such liens, restrictions or  
19 adverse claims; and

20 (e) The date the statement was prepared.

21 Statements sent pursuant to this subsection shall be  
22 signed by or on behalf of the issuer; shall be identified as  
23 "initial transaction statement"; and shall be deemed to be  
24 initial transaction statements for the purposes of Article 8  
25 as amended by this amendatory Act of 1987.

26 (3) If a security interest in an uncertificated security

1 outstanding prior to January 1, 1988, is perfected or has  
2 priority as to all persons or as to certain persons when this  
3 amendatory Act of 1987 takes effect by virtue of the previous  
4 filing of a financing statement, and if other acts would be  
5 required for the perfection or priority of the security  
6 interest against those persons under this amendatory Act of  
7 1987, the perfection and priority rights of the security  
8 interest shall continue and shall lapse on the date provided  
9 by the "Uniform Commercial Code", approved July 31, 1961, as  
10 amended prior to this amendatory Act of 1987, (whether or not a  
11 continuation statement is filed with respect to such security  
12 interest) unless the security interest is perfected in  
13 accordance with this amendatory Act of 1987.

14 (4) If an issuer's lien or restriction on an  
15 uncertificated security outstanding prior to January 1, 1988,  
16 or a term of such a security is valid and effective against all  
17 persons or against certain persons when this amendatory Act of  
18 1987 takes effect, and if the notation of such lien,  
19 restriction or term on an initial transaction statement would  
20 be required for its validity or effectiveness against those  
21 persons under this amendatory Act of 1987, such lien,  
22 restriction or term shall remain valid and effective until the  
23 earlier of (i) the time when an initial transaction statement  
24 is sent by the issuer to the registered owner (after which the  
25 validity and effectiveness of the lien, restriction or term  
26 shall be governed by this amendatory Act of 1987), or (ii) 3

1 years from the effective date of this amendatory Act of 1987.  
2 If an initial transaction statement regarding an  
3 uncertificated security outstanding on the effective date of  
4 this amendatory Act of 1987 is not sent to the registered owner  
5 thereof within 3 years after that date, any issuer's lien  
6 required to be noted thereon shall cease to be valid, and any  
7 restriction or term required to be noted thereon shall cease  
8 to be effective except as to those persons against whom an  
9 unnoted restriction or term would be effective under Article 8  
10 as amended by this amendatory Act of 1987.  
11 (Source: P.A. 85-997.)

12 (810 ILCS 5/Art. 12 heading new)

13 ARTICLE 12

14 CONTROLLABLE ELECTRONIC RECORDS

15 (810 ILCS 5/12-101 new)

16 Sec. 12-101. Title. This Article may be cited as Uniform  
17 Commercial Code--Controllable Electronic Records.

18 (810 ILCS 5/12-102 new)

19 Sec. 12-102. Definitions.

20 (a) In this Article:

21 (1) "Controllable electronic record" means a record  
22 stored in an electronic medium that can be subjected to  
23 control under Section 12-105. The term does not include a

1 controllable account, a controllable payment intangible, a  
2 deposit account, an electronic copy of a record evidencing  
3 chattel paper, an electronic document of title, electronic  
4 money, investment property, or a transferable record.

5 (2) "Qualifying purchaser" means a purchaser of a  
6 controllable electronic record or an interest in a  
7 controllable electronic record that obtains control of the  
8 controllable electronic record for value, in good faith,  
9 and without notice of a claim of a property right in the  
10 controllable electronic record.

11 (3) "Transferable record" has the meaning provided for  
12 that term in:

13 (A) Section 201(a)(1) of the Electronic Signatures  
14 in Global and National Commerce Act, 15 U.S.C. Section  
15 7021(a)(1), as amended; or

16 (B) Section 16(a) of the Uniform Electronic  
17 Transactions Act.

18 (4) "Value" has the meaning provided in Section  
19 3-303(a), as if references in that subsection to an  
20 "instrument" were references to a controllable account,  
21 controllable electronic record, or controllable payment  
22 intangible.

23 (b) Definitions in Article 9. The definitions in Article 9  
24 of "account debtor", "controllable account", "controllable  
25 payment intangible", "chattel paper", "deposit account",  
26 "electronic money", and "investment property" apply to this

1 Article.

2 (c) Article 1 definitions and principles. Article 1  
3 contains general definitions and principles of construction  
4 and interpretation applicable throughout this Article.

5 (810 ILCS 5/12-103 new)

6 Sec. 12-103. Relation to Article 9 and consumer laws.

7 (a) Article 9 governs in case of conflict. If there is  
8 conflict between this Article and Article 9, Article 9  
9 governs.

10 (b) Applicable consumer law and other laws. A transaction  
11 subject to this Article is subject to any applicable rule of  
12 law that establishes a different rule for consumers and the  
13 Consumer Installment Loan Act, the Predatory Loan Prevention  
14 Act, and the Consumer Fraud and Deceptive Business Practices  
15 Act.

16 (810 ILCS 5/12-104 new)

17 Sec. 12-104. Rights in controllable account, controllable  
18 electronic record, and controllable payment intangible.

19 (a) Applicability of Section to controllable account and  
20 controllable payment intangible. This Section applies to the  
21 acquisition and purchase of rights in a controllable account  
22 or controllable payment intangible, including the rights and  
23 benefits under subsections (c), (d), (e), (g), and (h) of a  
24 purchaser and qualifying purchaser, in the same manner this

1 Section applies to a controllable electronic record.

2 (b) Control of controllable account and controllable  
3 payment intangible. To determine whether a purchaser of a  
4 controllable account or a controllable payment intangible is a  
5 qualifying purchaser, the purchaser obtains control of the  
6 account or payment intangible if it obtains control of the  
7 controllable electronic record that evidences the account or  
8 payment intangible.

9 (c) Applicability of other law to acquisition of rights.  
10 Except as provided in this Section, law other than this  
11 Article determines whether a person acquires a right in a  
12 controllable electronic record and the right the person  
13 acquires.

14 (d) Shelter principle and purchase of limited interest. A  
15 purchaser of a controllable electronic record acquires all  
16 rights in the controllable electronic record that the  
17 transferor had or had power to transfer, except that a  
18 purchaser of a limited interest in a controllable electronic  
19 record acquires rights only to the extent of the interest  
20 purchased.

21 (e) Rights of qualifying purchaser. A qualifying purchaser  
22 acquires its rights in the controllable electronic record free  
23 of a claim of a property right in the controllable electronic  
24 record.

25 (f) Limitation of rights of qualifying purchaser in other  
26 property. Except as provided in subsections (a) and (e) for a



1 controllable account and a controllable payment intangible or  
2 law other than this Article, a qualifying purchaser takes a  
3 right to payment, right to performance, or other interest in  
4 property evidenced by the controllable electronic record  
5 subject to a claim of a property right in the right to payment,  
6 right to performance, or other interest in property.

7 (g) No-action protection for qualifying purchaser. An  
8 action may not be asserted against a qualifying purchaser  
9 based on both a purchase by the qualifying purchaser of a  
10 controllable electronic record and a claim of a property right  
11 in another controllable electronic record, whether the action  
12 is framed in conversion, replevin, constructive trust,  
13 equitable lien, or other theory.

14 (h) Filing not notice. Filing of a financing statement  
15 under Article 9 is not notice of a claim of a property right in  
16 a controllable electronic record.

17 (810 ILCS 5/12-105 new)

18 Sec. 12-105. Control of controllable electronic record.

19 (a) General rule: control of controllable electronic  
20 record. A person has control of a controllable electronic  
21 record if the electronic record, a record attached to or  
22 logically associated with the electronic record, or a system  
23 in which the electronic record is recorded:

24 (1) gives the person:

25 (A) power to avail itself of substantially all the

1 benefit from the electronic record; and

2 (B) exclusive power, subject to subsection (b),

3 to:

4 (i) prevent others from availing themselves of  
5 substantially all the benefit from the electronic  
6 record; and

7 (ii) transfer control of the electronic record  
8 to another person or cause another person to  
9 obtain control of another controllable electronic  
10 record as a result of the transfer of the  
11 electronic record; and

12 (2) enables the person readily to identify itself in  
13 any way, including by name, identifying number,  
14 cryptographic key, office, or account number, as having  
15 the powers specified in paragraph (1).

16 (b) Meaning of exclusive. Subject to subsection (c), a  
17 power is exclusive under subsection (a)(1)(B)(i) and (ii) even  
18 if:

19 (1) the controllable electronic record, a record  
20 attached to or logically associated with the electronic  
21 record, or a system in which the electronic record is  
22 recorded limits the use of the electronic record or has a  
23 protocol programmed to cause a change, including a  
24 transfer or loss of control or a modification of benefits  
25 afforded by the electronic record; or

26 (2) the power is shared with another person.

1       (c) When power not shared with another person. A power of a  
2 person is not shared with another person under subsection  
3 (b) (2) and the person's power is not exclusive if:

4           (1) the person can exercise the power only if the  
5 power also is exercised by the other person; and

6           (2) the other person:

7               (A) can exercise the power without exercise of the  
8 power by the person; or

9               (B) is the transferor to the person of an interest  
10 in the controllable electronic record or a  
11 controllable account or controllable payment  
12 intangible evidenced by the controllable electronic  
13 record.

14       (d) Presumption of exclusivity of certain powers. If a  
15 person has the powers specified in subsection (a) (1) (B) (i) and  
16 (ii), the powers are presumed to be exclusive.

17       (e) Control through another person. A person has control  
18 of a controllable electronic record if another person, other  
19 than the transferor to the person of an interest in the  
20 controllable electronic record or a controllable account or  
21 controllable payment intangible evidenced by the controllable  
22 electronic record:

23           (1) has control of the electronic record and  
24 acknowledges that it has control on behalf of the person;

25       or

26           (2) obtains control of the electronic record after

1 having acknowledged that it will obtain control of the  
2 electronic record on behalf of the person.

3 (f) No requirement to acknowledge. A person that has  
4 control under this Section is not required to acknowledge that  
5 it has control on behalf of another person.

6 (g) No duties or confirmation. If a person acknowledges  
7 that it has or will obtain control on behalf of another person,  
8 unless the person otherwise agrees or law other than this  
9 Article or Article 9 otherwise provides, the person does not  
10 owe any duty to the other person and is not required to confirm  
11 the acknowledgment to any other person.

12 (810 ILCS 5/12-106 new)

13 Sec. 12-106. Discharge of account debtor on controllable  
14 account or controllable payment intangible.

15 (a) Discharge of account debtor. An account debtor on a  
16 controllable account or controllable payment intangible may  
17 discharge its obligation by paying:

18 (1) the person having control of the controllable  
19 electronic record that evidences the controllable account  
20 or controllable payment intangible; or

21 (2) except as provided in subsection (b), a person  
22 that formerly had control of the controllable electronic  
23 record.

24 (b) Content and effect of notification. Subject to  
25 subsection (d), the account debtor may not discharge its

1 obligation by paying a person that formerly had control of the  
2 controllable electronic record if the account debtor receives  
3 a notification that:

4 (1) is signed by a person that formerly had control or  
5 the person to which control was transferred;

6 (2) reasonably identifies the controllable account or  
7 controllable payment intangible;

8 (3) notifies the account debtor that control of the  
9 controllable electronic record that evidences the  
10 controllable account or controllable payment intangible  
11 was transferred;

12 (4) identifies the transferee, in any reasonable way,  
13 including by name, identifying number, cryptographic key,  
14 office, or account number; and

15 (5) provides a commercially reasonable method by which  
16 the account debtor is to pay the transferee.

17 (c) Discharge following effective notification. After  
18 receipt of a notification that complies with subsection (b),  
19 the account debtor may discharge its obligation by paying in  
20 accordance with the notification and may not discharge the  
21 obligation by paying a person that formerly had control.

22 (d) When notification ineffective. Subject to subsection  
23 (h), notification is ineffective under subsection (b):

24 (1) unless, before the notification is sent, the  
25 account debtor and the person that, at that time, had  
26 control of the controllable electronic record that

1 evidences the controllable account or controllable payment  
2 intangible agree in a signed record to a commercially  
3 reasonable method by which a person may furnish reasonable  
4 proof that control has been transferred;

5 (2) to the extent an agreement between the account  
6 debtor and seller of a payment intangible limits the  
7 account debtor's duty to pay a person other than the  
8 seller and the limitation is effective under law other  
9 than this Article; or

10 (3) at the option of the account debtor, if the  
11 notification notifies the account debtor to:

12 (A) divide a payment;

13 (B) make less than the full amount of an  
14 installment or other periodic payment; or

15 (C) pay any part of a payment by more than one  
16 method or to more than one person.

17 (e) Proof of transfer of control. Subject to subsection  
18 (h), if requested by the account debtor, the person giving the  
19 notification under subsection (b) seasonably shall furnish  
20 reasonable proof, using the method in the agreement referred  
21 to in subsection (d)(1), that control of the controllable  
22 electronic record has been transferred. Unless the person  
23 complies with the request, the account debtor may discharge  
24 its obligation by paying a person that formerly had control,  
25 even if the account debtor has received a notification under  
26 subsection (b).

1       (f) What constitutes reasonable proof. A person furnishes  
2 reasonable proof under subsection (e) that control has been  
3 transferred if the person demonstrates, using the method in  
4 the agreement referred to in subsection (d)(1), that the  
5 transferee has the power to:

6           (1) avail itself of substantially all the benefit from  
7 the controllable electronic record;

8           (2) prevent others from availing themselves of  
9 substantially all the benefit from the controllable  
10 electronic record; and

11           (3) transfer the powers specified in paragraphs (1)  
12 and (2) to another person.

13       (g) Rights not waivable. Subject to subsection (h), an  
14 account debtor may not waive or vary its rights under  
15 subsections (d)(1) and (e) or its option under subsection  
16 (d)(3).

17       (h) Rule for individual under other law. This Section is  
18 subject to law other than this Article that establishes a  
19 different rule for an account debtor who is an individual and  
20 who incurred the obligation primarily for personal, family, or  
21 household purposes.

22       (810 ILCS 5/12-107 new)

23       Sec. 12-107. Governing law.

24       (a) Governing law: general rule. Except as provided in  
25 subsection (b), the local law of a controllable electronic

1 record's jurisdiction governs a matter covered by this  
2 Article.

3 (b) Governing law: Section 12-106. For a controllable  
4 electronic record that evidences a controllable account or  
5 controllable payment intangible, the local law of the  
6 controllable electronic record's jurisdiction governs a matter  
7 covered by Section 12-106 unless an effective agreement  
8 determines that the local law of another jurisdiction governs.

9 (c) Controllable electronic record's jurisdiction. The  
10 following rules determine a controllable electronic record's  
11 jurisdiction under this Section:

12 (1) If the controllable electronic record, or a record  
13 attached to or logically associated with the controllable  
14 electronic record and readily available for review,  
15 expressly provides that a particular jurisdiction is the  
16 controllable electronic record's jurisdiction for purposes  
17 of this Article or the Uniform Commercial Code, that  
18 jurisdiction is the controllable electronic record's  
19 jurisdiction.

20 (2) If paragraph (1) does not apply and the rules of  
21 the system in which the controllable electronic record is  
22 recorded are readily available for review and expressly  
23 provide that a particular jurisdiction is the controllable  
24 electronic record's jurisdiction for purposes of this  
25 Article or the Uniform Commercial Code, that jurisdiction  
26 is the controllable electronic record's jurisdiction.



1           (3) If paragraphs (1) and (2) do not apply and the  
2           controllable electronic record, or a record attached to or  
3           logically associated with the controllable electronic  
4           record and readily available for review, expressly  
5           provides that the controllable electronic record is  
6           governed by the law of a particular jurisdiction, that  
7           jurisdiction is the controllable electronic record's  
8           jurisdiction.

9           (4) If paragraphs (1), (2), and (3) do not apply and  
10           the rules of the system in which the controllable  
11           electronic record is recorded are readily available for  
12           review and expressly provide that the controllable  
13           electronic record or the system is governed by the law of a  
14           particular jurisdiction, that jurisdiction is the  
15           controllable electronic record's jurisdiction.

16           (5) If paragraphs (1) through (4) do not apply, the  
17           controllable electronic record's jurisdiction is the  
18           District of Columbia.

19           (d) Applicability of Article 12. If subsection (c)(5)  
20           applies and Article 12 is not in effect in the District of  
21           Columbia without material modification, the governing law for  
22           a matter covered by this Article is the law of the District of  
23           Columbia as though Article 12 were in effect in the District of  
24           Columbia without material modification. In this subsection,  
25           "Article 12" means Article 12 of Uniform Commercial Code  
26           Amendments (2022).

1       (e) Relation of matter or transaction to controllable  
2 electronic record's jurisdiction not necessary. To the extent  
3 subsections (a) and (b) provide that the local law of the  
4 controllable electronic record's jurisdiction governs a matter  
5 covered by this Article, that law governs even if the matter or  
6 a transaction to which the matter relates does not bear any  
7 relation to the controllable electronic record's jurisdiction.

8       (f) Rights of purchasers determined at time of purchase.  
9 The rights acquired under Section 12-104 by a purchaser or  
10 qualifying purchaser are governed by the law applicable under  
11 this Section at the time of purchase.

12           (810 ILCS 5/Art. 12A heading new)

13                           ARTICLE 12A

14                   TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL

15                   CODE AMENDMENTS OF THE 103RD GENERAL ASSEMBLY

16           (810 ILCS 5/Art. 12A Pt. 1 heading new)

17                           PART 1

18                   GENERAL PROVISIONS AND DEFINITIONS

19           (810 ILCS 5/12A-101 new)

20       Sec. 12A-101. Title. This Article may be cited as  
21 Transitional Provisions for Uniform Commercial Code Amendments  
22 of the 103rd General Assembly.

1 (810 ILCS 5/12A-102 new)

2 Sec. 12A-102. Definitions.

3 (a) In this Article:

4 (1) "Adjustment date" means July 1, 2025, or the date  
5 that is one year after the effective date of this  
6 amendatory Act of the 103rd General Assembly, whichever is  
7 later.

8 (2) "Article 12" means Article 12 of the Uniform  
9 Commercial Code.

10 (3) "Article 12 property" means a controllable  
11 account, controllable electronic record, or controllable  
12 payment intangible.

13 (b) Definitions in other Articles. The following  
14 definitions in other Articles of the Uniform Commercial Code  
15 apply to this Article.

16 "Controllable account". Section 9-102.

17 "Controllable electronic record". Section 12-102.

18 "Controllable payment intangible". Section 9-102.

19 "Electronic money". Section 9-102.

20 "Financing statement". Section 9-102.

21 (c) Article 1 definitions and principles. Article 1  
22 contains general definitions and principles of construction  
23 and interpretation applicable throughout this Article.

24 (810 ILCS 5/Art. 12A Pt. 2 heading new)

25 PART 2

1                   GENERAL TRANSITIONAL PROVISION

2           (810 ILCS 5/12A-201 new)

3           Sec. 12A-201. Saving clause. Except as provided in Part 3,  
4 a transaction validly entered into before the effective date  
5 of this amendatory Act of the 103rd General Assembly and the  
6 rights, duties, and interests flowing from the transaction  
7 remain valid thereafter and may be terminated, completed,  
8 consummated, or enforced as required or permitted by law other  
9 than the Uniform Commercial Code or, if applicable, the  
10 Uniform Commercial Code, as though this amendatory Act of the  
11 103rd General Assembly had not taken effect.

12           (810 ILCS 5/Art. 12A Pt. 3 heading new)

13                   PART 3

14                   TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12

15           (810 ILCS 5/12A-301 new)

16           Sec. 12A-301. Saving clause.

17           (a) Pre-effective-date transaction, lien, or interest.  
18 Except as provided in this Part, Article 9 as amended by this  
19 amendatory Act of the 103rd General Assembly and Article 12  
20 apply to a transaction, lien, or other interest in property,  
21 even if the transaction, lien, or interest was entered into,  
22 created, or acquired before the effective date of this  
23 amendatory Act of the 103rd General Assembly.

1       (b) Continuing validity. Except as provided in subsection  
2       (c) and Sections 12A-302 through 12A-306:

3           (1) a transaction, lien, or interest in property that  
4           was validly entered into, created, or transferred before  
5           the effective date of this amendatory Act of the 103rd  
6           General Assembly and was not governed by the Uniform  
7           Commercial Code, but would be subject to Article 9 as  
8           amended by this amendatory Act of the 103rd General  
9           Assembly or Article 12 if it had been entered into,  
10          created, or transferred on or after the effective date of  
11          this amendatory Act of the 103rd General Assembly,  
12          including the rights, duties, and interests flowing from  
13          the transaction, lien, or interest, remains valid on and  
14          after the effective date of this amendatory Act of the  
15          103rd General Assembly; and

16           (2) the transaction, lien, or interest may be  
17           terminated, completed, consummated, and enforced as  
18           required or permitted by this amendatory Act of the 103rd  
19           General Assembly or by the law that would apply if this  
20           amendatory Act of the 103rd General Assembly had not taken  
21           effect.

22          (c) Pre-effective-date proceeding. This amendatory Act of  
23          the 103rd General Assembly does not affect an action, case, or  
24          proceeding commenced before the effective date of this  
25          amendatory Act of the 103rd General Assembly.

1 (810 ILCS 5/12A-302 new)

2 Sec. 12A-302. Security interest perfected before effective  
3 date.

4 (a) Continuing perfection: perfection requirements  
5 satisfied. A security interest that is enforceable and  
6 perfected immediately before the effective date of this  
7 amendatory Act of the 103rd General Assembly is a perfected  
8 security interest under this amendatory Act of the 103rd  
9 General Assembly if, on the effective date of this amendatory  
10 Act of the 103rd General Assembly, the requirements for  
11 enforceability and perfection under this amendatory Act of the  
12 103rd General Assembly are satisfied without further action.

13 (b) Continuing perfection: enforceability or perfection  
14 requirements not satisfied. If a security interest is  
15 enforceable and perfected immediately before the effective  
16 date of this amendatory Act of the 103rd General Assembly, but  
17 the requirements for enforceability or perfection under this  
18 amendatory Act of the 103rd General Assembly are not satisfied  
19 on the effective date of this amendatory Act of the 103rd  
20 General Assembly, the security interest:

21 (1) is a perfected security interest until the earlier  
22 of the time perfection would have ceased under the law in  
23 effect immediately before the effective date of this  
24 amendatory Act of the 103rd General Assembly or the  
25 adjustment date;

26 (2) remains enforceable thereafter only if the

1 security interest satisfies the requirements for  
2 enforceability under Section 9-203, as amended by this  
3 amendatory Act of the 103rd General Assembly, before the  
4 adjustment date; and

5 (3) remains perfected thereafter only if the  
6 requirements for perfection under this amendatory Act of  
7 the 103rd General Assembly are satisfied before the time  
8 specified in paragraph (1).

9 (810 ILCS 5/12A-303 new)

10 Sec. 12A-303. Security interest unperfected before  
11 effective date. A security interest that is enforceable  
12 immediately before the effective date of this amendatory Act  
13 of the 103rd General Assembly but is unperfected at that time:

14 (1) remains an enforceable security interest until the  
15 adjustment date;

16 (2) remains enforceable thereafter if the security  
17 interest becomes enforceable under Section 9-203, as  
18 amended by this amendatory Act of the 103rd General  
19 Assembly, on the effective date of this amendatory Act of  
20 the 103rd General Assembly or before the adjustment date;  
21 and

22 (3) becomes perfected:

23 (A) without further action, on the effective date  
24 of this amendatory Act of the 103rd General Assembly  
25 if the requirements for perfection under this

1 amendatory Act of the 103rd General Assembly are  
2 satisfied before or at that time; or

3 (B) when the requirements for perfection are  
4 satisfied if the requirements are satisfied after that  
5 time.

6 (810 ILCS 5/12A-304 new)

7 Sec. 12A-304. Effectiveness of actions taken before  
8 effective date.

9 (a) Pre-effective-date action; attachment and perfection  
10 before adjustment date. If action, other than the filing of a  
11 financing statement, is taken before the effective date of  
12 this amendatory Act of the 103rd General Assembly and the  
13 action would have resulted in perfection of the security  
14 interest had the security interest become enforceable before  
15 the effective date of this amendatory Act of the 103rd General  
16 Assembly, the action is effective to perfect a security  
17 interest that attaches under this amendatory Act of the 103rd  
18 General Assembly before the adjustment date. An attached  
19 security interest becomes unperfected on the adjustment date  
20 unless the security interest becomes a perfected security  
21 interest under this amendatory Act of the 103rd General  
22 Assembly before the adjustment date.

23 (b) Pre-effective-date filing. The filing of a financing  
24 statement before the effective date of this amendatory Act of  
25 the 103rd General Assembly is effective to perfect a security



1 interest on the effective date of this amendatory Act of the  
2 103rd General Assembly to the extent the filing would satisfy  
3 the requirements for perfection under this amendatory Act of  
4 the 103rd General Assembly.

5 (c) Pre-effective-date enforceability action. The taking  
6 of an action before the effective date of this amendatory Act  
7 of the 103rd General Assembly is sufficient for the  
8 enforceability of a security interest on the effective date of  
9 this amendatory Act of the 103rd General Assembly if the  
10 action would satisfy the requirements for enforceability under  
11 this amendatory Act of the 103rd General Assembly.

12 (810 ILCS 5/12A-305 new)

13 Sec. 12A-305. Priority.

14 (a) Determination of priority. Subject to subsections (b)  
15 and (c), this amendatory Act of the 103rd General Assembly  
16 determines the priority of conflicting claims to collateral.

17 (b) Established priorities. Subject to subsection (c), if  
18 the priorities of claims to collateral were established before  
19 the effective date of this amendatory Act of the 103rd General  
20 Assembly, Article 9 as in effect before the effective date of  
21 this amendatory Act of the 103rd General Assembly determines  
22 priority.

23 (c) Determination of certain priorities on adjustment  
24 date. On the adjustment date, to the extent the priorities  
25 determined by Article 9 as amended by this amendatory Act of

1 the 103rd General Assembly modify the priorities established  
2 before the effective date of this amendatory Act of the 103rd  
3 General Assembly, the priorities of claims to Article 12  
4 property and electronic money established before the effective  
5 date of this amendatory Act of the 103rd General Assembly  
6 cease to apply.

7 (810 ILCS 5/12A-306 new)

8 Sec. 12A-306. Priority of claims when priority rules of  
9 Article 9 do not apply.

10 (a) Determination of priority. Subject to subsections (b)  
11 and (c), Article 12 determines the priority of conflicting  
12 claims to Article 12 property when the priority rules of  
13 Article 9 as amended by this amendatory Act of the 103rd  
14 General Assembly do not apply.

15 (b) Established priorities. Subject to subsection (c),  
16 when the priority rules of Article 9 as amended by this  
17 amendatory Act of the 103rd General Assembly do not apply and  
18 the priorities of claims to Article 12 property were  
19 established before the effective date of this amendatory Act  
20 of the 103rd General Assembly, law other than Article 12  
21 determines priority.

22 (c) Determination of certain priorities on adjustment  
23 date. When the priority rules of Article 9 as amended by this  
24 amendatory Act of the 103rd General Assembly do not apply, to  
25 the extent the priorities determined by this amendatory Act of

1 the 103rd General Assembly modify the priorities established  
2 before the effective date of this amendatory Act of the 103rd  
3 General Assembly, the priorities of claims to Article 12  
4 property established before the effective date of this  
5 amendatory Act of the 103rd General Assembly cease to apply on  
6 the adjustment date.

7 Section 99. Effective date. This Act takes effect January  
8 1, 2025.

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