

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 5. The Uniform Commercial Code is amended by
5 renumbering and changing Article 12 as added by Public Act
6 85-997, by changing Sections 1-201, 1-204, 1-301, 1-306,
7 2-102, 2-106, 2-201, 2-202, 2-203, 2-205, 2-209, 2A-102,
8 2A-103, 2A-107, 2A-201, 2A-202, 2A-203, 2A-205, 2A-208, 3-104,
9 3-105, 3-312, 3-401, 3-604, 4A-103, 4A-201, 4A-202, 4A-203,
10 4A-207, 4A-208, 4A-210, 4A-211, 4A-305, 5-104, 5-116, 7-102,
11 7-106, 8-102, 8-103, 8-106, 8-110, 8-303, 9-102, 9-104, 9-105,
12 9-201, 9-203, 9-204, 9-207, 9-208, 9-209, 9-210, 9-301, 9-304,
13 9-305, 9-310, 9-312, 9-313, 9-314, 9-316, 9-317, 9-323, 9-324,
14 9-330, 9-331, 9-332, 9-334, 9-341, 9-404, 9-406, 9-408, 9-509,
15 9-513, 9-601, 9-605, 9-608, 9-611, 9-613, 9-614, 9-615, 9-616,
16 9-619, 9-620, 9-621, 9-624, and 9-628, and by adding Articles
17 12 and 12A and Sections 9-105A, 9-107A, 9-107B, 9-306A,
18 9-306B, 9-314A, and 9-326A as follows:

19 (810 ILCS 5/1-201) (from Ch. 26, par. 1-201)

20 Sec. 1-201. General Definitions.

21 (a) Unless the context otherwise requires, words or
22 phrases defined in this Section, or in the additional
23 definitions contained in other Articles of the Uniform

1 Commercial Code that apply to particular Articles or parts
2 thereof, have the meanings stated.

3 (b) Subject to definitions contained in other Articles of
4 the Uniform Commercial Code that apply to particular Articles
5 or parts thereof:

6 (1) "Action", in the sense of a judicial proceeding,
7 includes recoupment, counterclaim, set-off, suit in
8 equity, and any other proceeding in which rights are
9 determined.

10 (2) "Aggrieved party" means a party entitled to pursue
11 a remedy.

12 (3) "Agreement", as distinguished from "contract",
13 means the bargain of the parties in fact, as found in their
14 language or inferred from other circumstances, including
15 course of performance, course of dealing, or usage of
16 trade as provided in Section 1-303.

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

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

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

26 (7) "Branch" includes a separately incorporated

1 foreign branch of a bank.

2 (8) "Burden of establishing" a fact means the burden
3 of persuading the trier of fact that the existence of the
4 fact is more probable than its nonexistence.

5 (9) "Buyer in ordinary course of business" means a
6 person that buys goods in good faith, without knowledge
7 that the sale violates the rights of another person in the
8 goods, and in the ordinary course from a person, other
9 than a pawnbroker, in the business of selling goods of
10 that kind. A person buys goods in the ordinary course if
11 the sale to the person comports with the usual or
12 customary practices in the kind of business in which the
13 seller is engaged or with the seller's own usual or
14 customary practices. A person that sells oil, gas, or
15 other minerals at the wellhead or minehead is a person in
16 the business of selling goods of that kind. A buyer in
17 ordinary course of business may buy for cash, by exchange
18 of other property, or on secured or unsecured credit, and
19 may acquire goods or documents of title under a
20 preexisting contract for sale. Only a buyer that takes
21 possession of the goods or has a right to recover the goods
22 from the seller under Article 2 may be a buyer in ordinary
23 course of business. "Buyer in ordinary course of business"
24 does not include a person that acquires goods in a
25 transfer in bulk or as security for or in total or partial
26 satisfaction of a money debt.

1 (10) "Conspicuous", with reference to a term, means so
2 written, displayed, or presented that, based on the
3 totality of the circumstances, a reasonable person against
4 which it is to operate ought to have noticed it. Whether a
5 term is "conspicuous" or not is a decision for the court.
6 ~~Conspicuous terms include the following:~~

7 ~~(A) a heading in capitals equal to or greater in~~
8 ~~size than the surrounding text, or in contrasting~~
9 ~~type, font, or color to the surrounding text of the~~
10 ~~same or lesser size; and~~

11 ~~(B) language in the body of a record or display in~~
12 ~~larger type than the surrounding text, or in~~
13 ~~contrasting type, font, or color to the surrounding~~
14 ~~text of the same size, or set off from surrounding text~~
15 ~~of the same size by symbols or other marks that call~~
16 ~~attention to the language.~~

17 (11) "Consumer" means an individual who enters into a
18 transaction primarily for personal, family, or household
19 purposes.

20 (12) "Contract", as distinguished from "agreement",
21 means the total legal obligation that results from the
22 parties' agreement as determined by the Uniform Commercial
23 Code as supplemented by any other applicable laws.

24 (13) "Creditor" includes a general creditor, a secured
25 creditor, a lien creditor, and any representative of
26 creditors, including an assignee for the benefit of

1 creditors, a trustee in bankruptcy, a receiver in equity,
2 and an executor or administrator of an insolvent debtor's
3 or assignor's estate.

4 (14) "Defendant" includes a person in the position of
5 defendant in a counterclaim, cross-claim, or third-party
6 claim.

7 (15) "Delivery", with respect to an electronic
8 document of title, means voluntary transfer of control
9 and, with respect to an instrument, document of title, or
10 an authoritative tangible copy of a record evidencing
11 chattel paper, means voluntary transfer of possession.

12 (16) "Document of title" includes bill of lading, dock
13 warrant, dock receipt, warehouse receipt or order for the
14 delivery of goods, and also any other document which in
15 the regular course of business or financing is treated as
16 adequately evidencing that the person in possession of it
17 is entitled to receive, hold, and dispose of the document
18 and the goods it covers. To be a document of title, a
19 document must purport to be issued by or addressed to a
20 bailee and purport to cover goods in the bailee's
21 possession which are either identified or are fungible
22 portions of an identified mass.

23 (16A) "Electronic" means relating to technology having
24 electrical, digital, magnetic, wireless, optical,
25 electromagnetic, or similar capabilities.

26 (17) "Fault" means a default, breach, or wrongful act

1 or omission.

2 (18) "Fungible goods" means:

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

5 (B) goods that by agreement are treated as
6 equivalent.

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

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

11 (21) "Holder" means:

12 (A) the person in possession of a negotiable
13 instrument that is payable either to bearer or to an
14 identified person that is the person in possession; ~~or~~

15 (B) the person in possession of a document of
16 title if the goods are deliverable either to bearer or
17 to the order of the person in possession; or

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

21 (22) "Insolvency proceeding" includes an assignment
22 for the benefit of creditors or other proceeding intended
23 to liquidate or rehabilitate the estate of the person
24 involved.

25 (23) "Insolvent" means:

26 (A) having generally ceased to pay debts in the

1 ordinary course of business other than as a result of
2 bona fide dispute;

3 (B) being unable to pay debts as they become due;
4 or

5 (C) being insolvent within the meaning of federal
6 bankruptcy law.

7 (24) "Money" means a medium of exchange that is
8 currently authorized or adopted by a domestic or foreign
9 government. The term includes a monetary unit of account
10 established by an intergovernmental organization or by
11 agreement between two or more countries. The term does not
12 include an electronic record that is a medium of exchange
13 recorded and transferable in a system that existed and
14 operated for the medium of exchange before the medium of
15 exchange was authorized or adopted by the government.

16 (25) "Organization" means a person other than an
17 individual.

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

21 (27) "Person" means an individual, corporation,
22 business trust, estate, trust, partnership, limited
23 liability company, association, joint venture, government,
24 governmental subdivision, agency, or instrumentality,
25 ~~public corporation,~~ or any other legal or commercial
26 entity. The term includes a protected series, however

1 denominated, of an entity if the protected series is
2 established under law other than the Uniform Commercial
3 Code that limits, or limits if conditions specified under
4 the law are satisfied, the ability of a creditor of the
5 entity or of any other protected series of the entity to
6 satisfy a claim from assets of the protected series.

7 (28) "Present value" means the amount as of a date
8 certain of one or more sums payable in the future,
9 discounted to the date certain by use of either an
10 interest rate specified by the parties if that rate is not
11 manifestly unreasonable at the time the transaction is
12 entered into or, if an interest rate is not so specified, a
13 commercially reasonable rate that takes into account the
14 facts and circumstances at the time the transaction is
15 entered into.

16 (29) "Purchase" means taking by sale, lease, discount,
17 negotiation, mortgage, pledge, lien, security interest,
18 issue or reissue, gift, or any other voluntary transaction
19 creating an interest in property.

20 (30) "Purchaser" means a person that takes by
21 purchase.

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

25 (32) "Remedy" means any remedial right to which an
26 aggrieved party is entitled with or without resort to a

1 tribunal.

2 (33) "Representative" means a person empowered to act
3 for another, including an agent, an officer of a
4 corporation or association, and a trustee, executor, or
5 administrator of an estate.

6 (34) "Right" includes remedy.

7 (35) "Security interest" means an interest in personal
8 property or fixtures which secures payment or performance
9 of an obligation. "Security interest" includes any
10 interest of a consignor and a buyer of accounts, chattel
11 paper, a payment intangible, or a promissory note in a
12 transaction that is subject to Article 9. "Security
13 interest" does not include the special property interest
14 of a buyer of goods on identification of those goods to a
15 contract for sale under Section 2-401, but a buyer may
16 also acquire a "security interest" by complying with
17 Article 9. Except as otherwise provided in Section 2-505,
18 the right of a seller or lessor of goods under Article 2 or
19 2A to retain or acquire possession of the goods is not a
20 "security interest", but a seller or lessor may also
21 acquire a "security interest" by complying with Article 9.
22 The retention or reservation of title by a seller of goods
23 notwithstanding shipment or delivery to the buyer under
24 Section 2-401 is limited in effect to a reservation of a
25 "security interest". Whether a transaction in the form of
26 a lease creates a "security interest" is determined

1 pursuant to Section 1-203.

2 (36) "Send", in connection with a writing, record, or
3 notification, notice means:

4 (A) to deposit in the mail, ~~or~~ deliver for
5 transmission, or transmit by any other usual means of
6 communication, with postage or cost of transmission
7 provided for, addressed and properly addressed and, in
8 ~~the case of an instrument, to an address specified~~
9 ~~thereon or otherwise agreed, or if there be none to any~~
10 address reasonable under the circumstances; or

11 (B) to cause the record or notification to be
12 received within the time it would have been received
13 if properly sent under subparagraph (A) in any other
14 ~~way to cause to be received any record or notice within~~
15 ~~the time it would have arrived if properly sent.~~

16 (37) "Sign" means, with present intent to authenticate
17 or adopt a record: "Signed" includes using any symbol
18 ~~executed or adopted with present intention to adopt or~~
19 ~~accept a writing.~~

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

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

23 "Signed", "signing", and "signature" have
24 corresponding meanings.

25 (38) "State" means a State of the United States, the
26 District of Columbia, Puerto Rico, the United States

1 Virgin Islands, or any territory or insular possession
2 subject to the jurisdiction of the United States.

3 (39) "Surety" includes a guarantor or other secondary
4 obligor.

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

7 (41) "Unauthorized signature" means a signature made
8 without actual, implied, or apparent authority. The term
9 includes a forgery.

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

12 (43) "Writing" includes printing, typewriting, or any
13 other intentional reduction to tangible form. "Written"
14 has a corresponding meaning.

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

16 (810 ILCS 5/1-204) (from Ch. 26, par. 1-204)

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

20 (1) in return for a binding commitment to extend
21 credit or for the extension of immediately available
22 credit, whether or not drawn upon and whether or not a
23 charge-back is provided for in the event of difficulties
24 in collection;

25 (2) as security for, or in total or partial

1 satisfaction of, a preexisting claim;

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

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

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

7 (810 ILCS 5/1-301)

8 Sec. 1-301. Territorial applicability; parties' power to
9 choose applicable law.

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

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

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

23 (1) Section 2-402;

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

25 (3) Section 4-102;

- 1 (4) Section 4A-507;
2 (5) Section 5-116;
3 (6) Section 8-110;
4 (7) Sections 9-301 through 9-307;~~;~~
5 (8) Section 12-107.

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

7 (810 ILCS 5/1-306)

8 Sec. 1-306. Waiver or renunciation of claim or right after
9 breach. A claim or right arising out of an alleged breach may
10 be discharged in whole or in part without consideration by
11 agreement of the aggrieved party in a signed ~~an authenticated~~
12 record.

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

14 (810 ILCS 5/2-102) (from Ch. 26, par. 2-102)

15 Sec. 2-102. Scope; certain security and other transactions
16 excluded from this Article.

17 (1) Unless the context otherwise requires, and except as
18 provided in subsection (3), this Article applies to
19 transactions in goods and, in the case of a hybrid
20 transaction, it applies to the extent provided in subsection
21 (2).

22 (2) In a hybrid transaction:

23 (a) If the sale-of-goods aspects do not predominate,
24 only the provisions of this Article which relate primarily

1 to the sale-of-goods aspects of the transaction apply, and
2 the provisions that relate primarily to the transaction as
3 a whole do not apply.

4 (b) If the sale-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 transaction which do not relate to the sale
8 of goods.

9 (3) This Article does not:

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

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

15 ~~Unless the context otherwise requires, this Article~~
16 ~~applies to transactions in goods; it does not apply to any~~
17 ~~transaction which although in the form of an unconditional~~
18 ~~contract to sell or present sale is intended to operate only as~~
19 ~~a security transaction nor does this Article impair or repeal~~
20 ~~any statute regulating sales to consumers, farmers or other~~
21 ~~specified classes of buyers.~~

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

23 (810 ILCS 5/2-106) (from Ch. 26, par. 2-106)

24 Sec. 2-106. Definitions: "contract"; "agreement";
25 "contract for sale"; "sale"; "present sale"; "conforming" to

1 contract; "termination"; "cancellation"; "hybrid
2 transaction".

3 (1) In this Article unless the context otherwise requires
4 "contract" and "agreement" are limited to those relating to
5 the present or future sale of goods. "Contract for sale"
6 includes both a present sale of goods and a contract to sell
7 goods at a future time. A "sale" consists in the passing of
8 title from the seller to the buyer for a price (Section 2-401).
9 A "present sale" means a sale which is accomplished by the
10 making of the contract.

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

14 (3) "Termination" occurs when either party pursuant to a
15 power created by agreement or law puts an end to the contract
16 otherwise than for its breach. On "termination" all
17 obligations which are still executory on both sides are
18 discharged but any right based on prior breach or performance
19 survives.

20 (4) "Cancellation" occurs when either party puts an end to
21 the contract for breach by the other and its effect is the same
22 as that of "termination" except that the cancelling party also
23 retains any remedy for breach of the whole contract or any
24 unperformed balance.

25 (5) "Hybrid transaction" means a single transaction
26 involving a sale of goods and:

- 1 (a) the provision of services;
2 (b) a lease of other goods; or
3 (c) a sale, lease, or license of property other than
4 goods.

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

6 (810 ILCS 5/2-201) (from Ch. 26, par. 2-201)

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

8 (1) Except as otherwise provided in this Section a
9 contract for the sale of goods for the price of \$500 or more is
10 not enforceable by way of action or defense unless there is a
11 record ~~some writing~~ sufficient to indicate that a contract for
12 sale has been made between the parties and signed by the party
13 against whom enforcement is sought or by the party's ~~his~~
14 authorized agent or broker. A record ~~writing~~ is not
15 insufficient because it omits or incorrectly states a term
16 agreed upon but the contract is not enforceable under this
17 subsection ~~paragraph~~ beyond the quantity of goods shown in the
18 record ~~such writing~~.

19 (2) Between merchants if within a reasonable time a record
20 ~~writing~~ in confirmation of the contract and sufficient against
21 the sender is received and the party receiving it has reason to
22 know its contents, it satisfies the requirements of subsection
23 (1) against the ~~such~~ party unless ~~written~~ notice in a record of
24 objection to its contents is given within 10 days after it is
25 received.

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

4 (a) if the goods are to be specially manufactured for
5 the buyer and are not suitable for sale to others in the
6 ordinary course of the seller's business and the seller,
7 before notice of repudiation is received and under
8 circumstances which reasonably indicate that the goods are
9 for the buyer, has made either a substantial beginning of
10 their manufacture or commitments for their procurement; or

11 (b) if the party against whom enforcement is sought
12 admits in his pleading, testimony or otherwise in court
13 that a contract for sale was made, but the contract is not
14 enforceable under this provision beyond the quantity of
15 goods admitted; or

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

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

20 (810 ILCS 5/2-202) (from Ch. 26, par. 2-202)

21 Sec. 2-202. Final ~~written~~ expression: parol or extrinsic
22 evidence. Terms with respect to which the confirmatory
23 memoranda of the parties agree or which are otherwise set
24 forth in a record ~~writing~~ intended by the parties as a final
25 expression of their agreement with respect to such terms as

1 are included therein may not be contradicted by evidence of
2 any prior agreement or of a contemporaneous oral agreement but
3 may be explained or supplemented:

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

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

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

11 (810 ILCS 5/2-203) (from Ch. 26, par. 2-203)

12 Sec. 2-203. Seals inoperative. The affixing of a seal to a
13 record writing evidencing a contract for sale or an offer to
14 buy or sell goods does not constitute the record writing a
15 sealed instrument and the law with respect to sealed
16 instruments does not apply to such a contract or offer.

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

18 (810 ILCS 5/2-205) (from Ch. 26, par. 2-205)

19 Sec. 2-205. Firm offers. An offer by a merchant to buy or
20 sell goods in a signed record writing which by its terms gives
21 assurance that it will be held open is not revocable, for lack
22 of consideration, during the time stated or if no time is
23 stated for a reasonable time, but in no event may such period
24 of irrevocability exceed 3 months; but any such term of

1 assurance on a form supplied by the offeree must be separately
2 signed by the offeror.

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

4 (810 ILCS 5/2-209) (from Ch. 26, par. 2-209)

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

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

8 (2) A signed agreement which excludes modification or
9 rescission except by a signed writing or other signed record
10 cannot be otherwise modified or rescinded, but except as
11 between merchants such a requirement on a form supplied by the
12 merchant must be separately signed by the other party.

13 (3) The requirements of the statute of frauds section of
14 this Article (Section 2-201) must be satisfied if the contract
15 as modified is within its provisions.

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

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

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

1 (810 ILCS 5/2A-102) (from Ch. 26, par. 2A-102)

2 Sec. 2A-102. Scope.

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

6 (2) In a hybrid lease:

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

8 (i) only the provisions of this Article which
9 relate primarily to the lease-of-goods aspects of the
10 transaction apply, and the provisions that relate
11 primarily to the transaction as a whole do not apply;

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

14 (iii) Section 2A-407 applies to the promises of
15 the lessee in a finance lease to the extent the
16 promises are consideration for the right to possession
17 and use of the leased goods; and

18 (b) if the lease-of-goods aspects predominate, this
19 Article applies to the transaction, but does not preclude
20 application in appropriate circumstances of other law to
21 aspects of the lease which do not relate to the lease of
22 goods.

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

24 (810 ILCS 5/2A-103) (from Ch. 26, par. 2A-103)

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

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

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

15 (b) "Cancellation" occurs when either party puts an
16 end to the lease contract for default by the other party.

17 (c) "Commercial unit" means such a unit of goods as by
18 commercial usage is a single whole for purposes of lease
19 and division of which materially impairs its character or
20 value on the market or in use. A commercial unit may be a
21 single article, as a machine, or a set of articles, as a
22 suite of furniture or a line of machinery, or a quantity,
23 as a gross or carload, or any other unit treated in use or
24 in the relevant market as a single whole.

25 (d) "Conforming" goods or performance under a lease
26 contract means goods or performance that are in accordance

1 with the obligations under the lease contract.

2 (e) "Consumer lease" means a lease that a lessor
3 regularly engaged in the business of leasing or selling
4 makes to a lessee who is an individual and who takes under
5 the lease primarily for a personal, family, or household
6 purpose, if the total payments to be made under the lease
7 contract, excluding payments for options to renew or buy,
8 do not exceed \$40,000.

9 (f) "Fault" means wrongful act, omission, breach, or
10 default.

11 (g) "Finance lease" means a lease with respect to
12 which:

13 (i) the lessor does not select, manufacture, or
14 supply the goods;

15 (ii) the lessor acquires the goods or the right to
16 possession and use of the goods in connection with the
17 lease; and

18 (iii) one of the following occurs:

19 (A) the lessee receives a copy of the contract
20 by which the lessor acquired the goods or the
21 right to possession and use of the goods before
22 signing the lease contract;

23 (B) the lessee's approval of the contract by
24 which the lessor acquired the goods or the right
25 to possession and use of the goods is a condition
26 to effectiveness of the lease contract;

1 (C) the lessee, before signing the lease
2 contract, receives an accurate and complete
3 statement designating the promises and warranties,
4 and any disclaimers of warranties, limitations or
5 modifications of remedies, or liquidated damages,
6 including those of a third party, such as the
7 manufacturer of the goods, provided to the lessor
8 by the person supplying the goods in connection
9 with or as part of the contract by which the lessor
10 acquired the goods or the right to possession and
11 use of the goods; or

12 (D) if the lease is not a consumer lease, the
13 lessor, before the lessee signs the lease
14 contract, informs the lessee in writing (a) of the
15 identity of the person supplying the goods to the
16 lessor, unless the lessee has selected that person
17 and directed the lessor to acquire the goods or
18 the right to possession and use of the goods from
19 that person, (b) that the lessee is entitled under
20 this Article to the promises and warranties,
21 including those of any third party, provided to
22 the lessor by the person supplying the goods in
23 connection with or as part of the contract by
24 which the lessor acquired the goods or the right
25 to possession and use of the goods, and (c) that
26 the lessee may communicate with the person

1 supplying the goods to the lessor and receive an
2 accurate and complete statement of those promises
3 and warranties, including any disclaimers and
4 limitations of them or of remedies.

5 (h) "Goods" means all things that are movable at the
6 time of identification to the lease contract, or are
7 fixtures (Section 2A-309), but the term does not include
8 money, documents, instruments, accounts, chattel paper,
9 general intangibles, or minerals or the like, including
10 oil and gas, before extraction. The term also includes the
11 unborn young of animals.

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

14 (i) the provision of services;

15 (ii) a sale of other goods; or

16 (iii) a sale, lease, or license of property other
17 than goods.

18 (i) "Installment lease contract" means a lease
19 contract that authorizes or requires the delivery of goods
20 in separate lots to be separately accepted, even though
21 the lease contract contains a clause "each delivery is a
22 separate lease" or its equivalent.

23 (j) "Lease" means a transfer of the right to
24 possession and use of goods for a term in return for
25 consideration, but a sale, including a sale on approval or
26 a sale or return, or retention or creation of a security

1 interest is not a lease. Unless the context clearly
2 indicates otherwise, the term includes a sublease.

3 (k) "Lease agreement" means the bargain, with respect
4 to the lease, of the lessor and the lessee in fact as found
5 in their language or by implication from other
6 circumstances including course of dealing or usage of
7 trade or course of performance as provided in this
8 Article. Unless the context clearly indicates otherwise,
9 the term includes a sublease agreement.

10 (l) "Lease contract" means the total legal obligation
11 that results from the lease agreement as affected by this
12 Article and any other applicable rules of law. Unless the
13 context clearly indicates otherwise, the term includes a
14 sublease contract.

15 (m) "Leasehold interest" means the interest of the
16 lessor or the lessee under a lease contract.

17 (n) "Lessee" means a person who acquires the right to
18 possession and use of goods under a lease. Unless the
19 context clearly indicates otherwise, the term includes a
20 sublessee.

21 (o) "Lessee in ordinary course of business" means a
22 person who in good faith and without knowledge that the
23 lease to him or her is in violation of the ownership rights
24 or security interest or leasehold interest of a third
25 party in the goods leases in ordinary course from a person
26 in the business of selling or leasing goods of that kind

1 but does not include a pawnbroker. "Leasing" may be for
2 cash or by exchange of other property or on secured or
3 unsecured credit and includes acquiring goods or documents
4 of title under a pre-existing lease contract but does not
5 include a transfer in bulk or as security for or in total
6 or partial satisfaction of a money debt.

7 (p) "Lessor" means a person who transfers the right to
8 possession and use of goods under a lease. Unless the
9 context clearly indicates otherwise, the term includes a
10 sublessor.

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

14 (r) "Lien" means a charge against or interest in goods
15 to secure payment of a debt or performance of an
16 obligation, but the term does not include a security
17 interest.

18 (s) "Lot" means a parcel or a single article that is
19 the subject matter of a separate lease or delivery,
20 whether or not it is sufficient to perform the lease
21 contract.

22 (t) "Merchant lessee" means a lessee that is a
23 merchant with respect to goods of the kind subject to the
24 lease.

25 (u) "Present value" means the amount as of a date
26 certain of one or more sums payable in the future,

1 discounted to the date certain. The discount is determined
2 by the interest rate specified by the parties if the rate
3 was not manifestly unreasonable at the time the
4 transaction was entered into; otherwise, the discount is
5 determined by a commercially reasonable rate that takes
6 into account the facts and circumstances of each case at
7 the time the transaction was entered into.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (4) In addition, Article 1 contains general definitions
24 and principles of construction and interpretation applicable
25 throughout this Article.

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

1 (810 ILCS 5/2A-107) (from Ch. 26, par. 2A-107)

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

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

8 (810 ILCS 5/2A-201) (from Ch. 26, par. 2A-201)

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

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

12 (a) the total payments to be made under the lease
13 contract, excluding payments for options to renew or buy,
14 are less than \$1,000; or

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

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

23 (3) A record ~~writing~~ is not insufficient because it omits
24 or incorrectly states a term agreed upon, but the lease

1 contract is not enforceable under subsection (1)(b) beyond the
2 lease term and the quantity of goods shown in the record
3 ~~writing~~.

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

7 (a) if the goods are to be specially manufactured or
8 obtained for the lessee and are not suitable for lease or
9 sale to others in the ordinary course of the lessor's
10 business, and the lessor, before notice of repudiation is
11 received and under circumstances that reasonably indicate
12 that the goods are for the lessee, has made either a
13 substantial beginning of their manufacture or commitments
14 for their procurement;

15 (b) if the party against whom enforcement is sought
16 admits in that party's pleading, testimony, or otherwise
17 in court that a lease contract was made, but the lease
18 contract is not enforceable under this provision beyond
19 the quantity of goods admitted; or

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

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

24 (a) if there is a record ~~writing~~ signed by the party
25 against whom enforcement is sought or by that party's
26 authorized agent specifying the lease term, the term so

1 specified;

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

5 (c) a reasonable lease term.

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

7 (810 ILCS 5/2A-202) (from Ch. 26, par. 2A-202)

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

16 (a) by course of dealing or usage of trade or by course
17 of performance; and

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

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

23 (810 ILCS 5/2A-203) (from Ch. 26, par. 2A-203)

24 Sec. 2A-203. Seals inoperative. The affixing of a seal to

1 a record ~~writing~~ evidencing a lease contract or an offer to
2 enter into a lease contract does not render the record ~~writing~~
3 a sealed instrument and the law with respect to sealed
4 instruments does not apply to the lease contract or offer.

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

6 (810 ILCS 5/2A-205) (from Ch. 26, par. 2A-205)

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

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

16 (810 ILCS 5/2A-208) (from Ch. 26, par. 2A-208)

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

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

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

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

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

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

11 (810 ILCS 5/3-104) (from Ch. 26, par. 3-104)

12 Sec. 3-104. Negotiable instrument.

13 (a) Except as provided in subsections (c) and (d),
14 "negotiable instrument" means an unconditional promise or
15 order to pay a fixed amount of money, with or without interest
16 or other charges described in the promise or order, if it:

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

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

20 (3) does not state any other undertaking or
21 instruction by the person promising or ordering payment to
22 do any act in addition to the payment of money, but the
23 promise or order may contain (i) an undertaking or power
24 to give, maintain, or protect collateral to secure
25 payment, (ii) an authorization or power to the holder to

1 confess judgment or realize on or dispose of collateral,
2 ~~or~~ (iii) a waiver of the benefit of any law intended for
3 the advantage or protection of any obligor, (iv) a term
4 that specifies the law that governs the promise or order,
5 or (v) an undertaking to resolve in a specified forum a
6 dispute concerning the promise or order.

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

8 (c) An order that meets all of the requirements of
9 subsection (a), except paragraph (1), and otherwise falls
10 within the definition of "check" in subsection (f) is a
11 negotiable instrument and a check.

12 (d) A promise or order other than a check is not an
13 instrument if, at the time it is issued or first comes into
14 possession of a holder, it contains a conspicuous statement,
15 however expressed, to the effect that the promise or order is
16 not negotiable or is not an instrument governed by this
17 Article.

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

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

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

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

6 (i) "Traveler's check" means an instrument that (i) is
7 payable on demand, (ii) is drawn on or payable at or through a
8 bank, (iii) is designated by the term "traveler's check" or by
9 a substantially similar term, and (iv) requires, as a
10 condition to payment, a countersignature by a person whose
11 specimen signature appears on the instrument.

12 (j) "Certificate of deposit" means an instrument
13 containing an acknowledgment by a bank that a sum of money has
14 been received by the bank and a promise by the bank to repay
15 the sum of money. A certificate of deposit is a note of the
16 bank.

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

18 (810 ILCS 5/3-105) (from Ch. 26, par. 3-105)

19 Sec. 3-105. Issue of instrument.

20 (a) "Issue" means:

21 (1) the first delivery of an instrument by the maker
22 or drawer, whether to a holder or nonholder, for the
23 purpose of giving rights on the instrument to any person;
24 or

25 (2) if agreed by the payee, the first transmission by

1 the drawer to the payee of an image of an item and
2 information derived from the item that enables the
3 depository bank to collect the item by transferring or
4 presenting under federal law an electronic check.

5 (b) An unissued instrument, or an unissued incomplete
6 instrument that is completed, is binding on the maker or
7 drawer, but nonissuance is a defense. An instrument that is
8 conditionally issued or is issued for a special purpose is
9 binding on the maker or drawer, but failure of the condition or
10 special purpose to be fulfilled is a defense.

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

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

14 (810 ILCS 5/3-312) (from Ch. 26, par. 3-312)

15 Sec. 3-312. Lost, destroyed, or stolen cashier's check,
16 teller's check, or certified check.

17 (a) In this Section:

18 (1) "Check" means a cashier's check, teller's check,
19 or certified check.

20 (2) "Claimant" means a person who claims the right to
21 receive the amount of a cashier's check, teller's check,
22 or certified check that was lost, destroyed, or stolen.

23 (3) "Declaration of loss" means a written statement,
24 made under penalty of perjury, to the effect that (i) the
25 declarer lost possession of a check, (ii) the declarer is

1 the drawer or payee of the check, in the case of a
2 certified check, or the remitter or payee of the check, in
3 the case of a cashier's check or teller's check, (iii) the
4 loss of possession was not the result of a transfer by the
5 declarer or ~~of~~ a lawful seizure, and (iv) the declarer
6 cannot reasonably obtain possession of the check because
7 the check was destroyed, its whereabouts cannot be
8 determined, or it is in the wrongful possession of an
9 unknown person or a person that cannot be found or is not
10 amenable to service of process.

11 (4) "Obligated bank" means the issuer of a cashier's
12 check or teller's check or the acceptor of a certified
13 check.

14 (b) A claimant may assert a claim to the amount of a check
15 by a communication to the obligated bank describing the check
16 with reasonable certainty and requesting payment of the amount
17 of the check, if (i) the claimant is the drawer or payee of a
18 certified check or the remitter or payee of a cashier's check
19 or teller's check, (ii) the communication contains or is
20 accompanied by a declaration of loss of the claimant with
21 respect to the check, (iii) the communication is received at a
22 time and in a manner affording the bank a reasonable time to
23 act on it before the check is paid, and (iv) the claimant
24 provides reasonable identification if requested by the
25 obligated bank. Delivery of a declaration of loss is a
26 warranty of the truth of the statements made in the

1 declaration. If a claim is asserted in compliance with this
2 subsection, the following rules apply:

3 (1) The claim becomes enforceable at the later of (i)
4 the time the claim is asserted, or (ii) the 90th day
5 following the date of the check, in the case of a cashier's
6 check or teller's check, or the 90th day following the
7 date of the acceptance, in the case of a certified check.

8 (2) Until the claim becomes enforceable, it has no
9 legal effect and the obligated bank may pay the check or,
10 in the case of a teller's check, may permit the drawee to
11 pay the check. Payment to a person entitled to enforce the
12 check discharges all liability of the obligated bank with
13 respect to the check.

14 (3) If the claim becomes enforceable before the check
15 is presented for payment, the obligated bank is not
16 obliged to pay the check.

17 (4) When the claim becomes enforceable, the obligated
18 bank becomes obliged to pay the amount of the check to the
19 claimant if payment of the check has not been made to a
20 person entitled to enforce the check. Subject to Section
21 4-302(a)(1), payment to the claimant discharges all
22 liability of the obligated bank with respect to the check.

23 (c) If the obligated bank pays the amount of a check to a
24 claimant under subsection (b)(4) and the check is presented
25 for payment by a person having rights of a holder in due
26 course, the claimant is obliged to (i) refund the payment to

1 the obligated bank if the check is paid, or (ii) pay the amount
2 of the check to the person having rights of a holder in due
3 course if the check is dishonored.

4 (d) If a claimant has the right to assert a claim under
5 subsection (b) and is also a person entitled to enforce a
6 cashier's check, teller's check, or certified check that is
7 lost, destroyed, or stolen, the claimant may assert rights
8 with respect to the check either under this Section or Section
9 3-309.

10 (Source: P.A. 87-582; 87-895; 87-1135.)

11 (810 ILCS 5/3-401) (from Ch. 26, par. 3-401)

12 Sec. 3-401. Signature necessary for liability on
13 instrument. ~~(a)~~ A person is not liable on an instrument unless
14 (i) the person signed the instrument, or (ii) the person is
15 represented by an agent or representative who signed the
16 instrument and the signature is binding on the represented
17 person under Section 3-402.

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

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

24 (810 ILCS 5/3-604) (from Ch. 26, par. 3-604)

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

2 (a) A person entitled to enforce an instrument, with or
3 without consideration, may discharge the obligation of a party
4 to pay the instrument (i) by an intentional voluntary act,
5 such as surrender of the instrument to the party, destruction,
6 mutilation, or cancellation of the instrument, cancellation or
7 striking out of the party's signature, or the addition of
8 words to the instrument indicating discharge, or (ii) by
9 agreeing not to sue or otherwise renouncing rights against the
10 party by a signed record ~~writing~~. The obligation of a party to
11 pay a check is not discharged solely by destruction of the
12 check in connection with a process in which information is
13 extracted from the check and an image of the check is made and,
14 subsequently, the information and image are transmitted for
15 payment.

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

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

20 (810 ILCS 5/4A-103) (from Ch. 26, par. 4A-103)

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

22 (a) In this Article:

23 (1) "Payment order" means an instruction of a sender
24 to a receiving bank, transmitted orally or in a record,
25 ~~electronically, or in writing,~~ to pay, or to cause another

1 bank to pay, a fixed or determinable amount of money to a
2 beneficiary if:

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

5 (ii) the receiving bank is to be reimbursed by
6 debiting an account of, or otherwise receiving payment
7 from, the sender, and

8 (iii) the instruction is transmitted by the sender
9 directly to the receiving bank or to an agent, funds
10 transfer system, or communication system for
11 transmittal to the receiving bank.

12 (2) "Beneficiary" means the person to be paid by the
13 beneficiary's bank.

14 (3) "Beneficiary's bank" means the bank identified in
15 a payment order in which an account of the beneficiary is
16 to be credited pursuant to the order or which otherwise is
17 to make payment to the beneficiary if the order does not
18 provide for payment to an account.

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

21 (5) "Sender" means the person giving the instruction
22 to the receiving bank.

23 (b) If an instruction complying with subsection (a)(1) is
24 to make more than one payment to a beneficiary, the
25 instruction is a separate payment order with respect to each
26 payment.

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

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

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

5 Sec. 4A-201. Security procedure. "Security procedure"
6 means a procedure established by agreement of a customer and a
7 receiving bank for the purpose of (i) verifying that a payment
8 order or communication amending or cancelling a payment order
9 is that of the customer, or (ii) detecting error in the
10 transmission or the content of the payment order or
11 communication. A security procedure may impose an obligation
12 on the receiving bank or the customer and may require the use
13 of algorithms or other codes, identifying words, ~~or~~ numbers, symbols, sounds, biometrics, encryption, callback procedures,
14 or similar security devices. Comparison of a signature on a
15 payment order or communication with an authorized specimen
16 signature of the customer or requiring a payment order to be
17 sent from a known email address, IP address, or telephone
18 number is not by itself a security procedure.

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

20 (810 ILCS 5/4A-202) (from Ch. 26, par. 4A-202)

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

22 (a) A payment order received by the receiving bank is the
23 authorized order of the person identified as sender if that
24

1 person authorized the order or is otherwise bound by it under
2 the law of agency.

3 (b) If a bank and its customer have agreed that the
4 authenticity of payment orders issued to the bank in the name
5 of the customer as sender will be verified pursuant to a
6 security procedure, a payment order received by the receiving
7 bank is effective as the order of the customer, whether or not
8 authorized, if (i) the security procedure is a commercially
9 reasonable method of providing security against unauthorized
10 payment orders, and (ii) the bank proves that it accepted the
11 payment order in good faith and in compliance with the bank's
12 obligations under the security procedure and any ~~written~~
13 agreement or instruction of the customer, evidenced by a
14 record, restricting acceptance of payment orders issued in the
15 name of the customer. The bank is not required to follow an
16 instruction that violates an ~~a written~~ agreement with the
17 customer, evidenced by a record, or notice of which is not
18 received at a time and in a manner affording the bank a
19 reasonable opportunity to act on it before the payment order
20 is accepted.

21 (c) Commercial reasonableness of a security procedure is a
22 question of law to be determined by considering the wishes of
23 the customer expressed to the bank, the circumstances of the
24 customer known to the bank, including the size, type, and
25 frequency of payment orders normally issued by the customer to
26 the bank, alternative security procedures offered to the

1 customer, and security procedures in general use by customers
2 and receiving banks similarly situated. A security procedure
3 is deemed to be commercially reasonable if (i) the security
4 procedure was chosen by the customer after the bank offered,
5 and the customer refused, a security procedure that was
6 commercially reasonable for that customer, and (ii) the
7 customer expressly agreed in a record ~~writing~~ to be bound by
8 any payment order, whether or not authorized, issued in its
9 name and accepted by the bank in compliance with the bank's
10 obligations under the security procedure chosen by the
11 customer.

12 (d) The term "sender" in this Article includes the
13 customer in whose name a payment order is issued if the order
14 is the authorized order of the customer under subsection (a),
15 or it is effective as the order of the customer under
16 subsection (b).

17 (e) This Section applies to amendments and cancellations
18 of payment orders to the same extent it applies to payment
19 orders.

20 (f) Except as provided in this Section and in Section
21 4A-203(a)(1), rights and obligations arising under this
22 Section or Section 4A-203 may not be varied by agreement.

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

24 (810 ILCS 5/4A-203) (from Ch. 26, par. 4A-203)

25 Sec. 4A-203. Unenforceability of certain verified payment

1 orders.

2 (a) If an accepted payment order is not, under Section
3 4A-202(a), an authorized order of a customer identified as
4 sender, but is effective as an order of the customer pursuant
5 to Section 4A-202(b), the following rules apply:

6 (1) By express ~~written~~ agreement evidenced by a
7 record, the receiving bank may limit the extent to which
8 it is entitled to enforce or retain payment of the payment
9 order.

10 (2) The receiving bank is not entitled to enforce or
11 retain payment of the payment order if the customer proves
12 that the order was not caused, directly or indirectly, by
13 a person (i) entrusted at any time with duties to act for
14 the customer with respect to payment orders or the
15 security procedure, or (ii) who obtained access to
16 transmitting facilities of the customer or who obtained,
17 from a source controlled by the customer and without
18 authority of the receiving bank, information facilitating
19 breach of the security procedure, regardless of how the
20 information was obtained or whether the customer was at
21 fault. Information includes any access device, computer
22 software, or the like.

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

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

1 (810 ILCS 5/4A-207) (from Ch. 26, par. 4A-207)

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

3 (a) Subject to subsection (b), if, in a payment order
4 received by the beneficiary's bank, the name, bank account
5 number, or other identification of the beneficiary refers to a
6 nonexistent or unidentifiable person or account, no person has
7 rights as a beneficiary of the order and acceptance of the
8 order cannot occur.

9 (b) If a payment order received by the beneficiary's bank
10 identifies the beneficiary both by name and by an identifying
11 or bank account number and the name and number identify
12 different persons, the following rules apply:

13 (1) Except as otherwise provided in subsection (c), if
14 the beneficiary's bank does not know that the name and
15 number refer to different persons, it may rely on the
16 number as the proper identification of the beneficiary of
17 the order. The beneficiary's bank need not determine
18 whether the name and number refer to the same person.

19 (2) If the beneficiary's bank pays the person
20 identified by name or knows that the name and number
21 identify different persons, no person has rights as
22 beneficiary except the person paid by the beneficiary's
23 bank if that person was entitled to receive payment from
24 the originator of the funds transfer. If no person has
25 rights as beneficiary, acceptance of the order cannot
26 occur.

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

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

8 (2) If the originator is not a bank and proves that the
9 person identified by number was not entitled to receive
10 payment from the originator, the originator is not obliged
11 to pay its order unless the originator's bank proves that
12 the originator, before acceptance of the originator's
13 order, had notice that payment of a payment order issued
14 by the originator might be made by the beneficiary's bank
15 on the basis of an identifying or bank account number
16 event if it identifies a person different from the named
17 beneficiary. Proof of notice may be made by any admissible
18 evidence. The originator's bank satisfies the burden of ~~as~~
19 proof if it proves that the originator, before the payment
20 order was accepted, signed a record writing stating the
21 information to which the notice relates.

22 (d) In a case governed by subsection (b) (1), if the
23 beneficiary's bank rightfully pays the person identified by
24 number and that person was not entitled to receive payment
25 from the originator, the amount paid may be recovered from
26 that person to the extent allowed by the law governing mistake

1 and restitution as follows:

2 (1) If the originator is obligated to pay its payment
3 order as stated in subsection (c), the originator has the
4 right to recover.

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

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

9 (810 ILCS 5/4A-208) (from Ch. 26, par. 4A-208)

10 Sec. 4A-208. Misdescription of intermediary bank or
11 beneficiary's bank.

12 (a) This subsection applies to a payment order identifying
13 an intermediary bank or the beneficiary's bank only by an
14 identifying number.

15 (1) The receiving bank may rely on the number as the
16 proper identification of the intermediary or beneficiary's
17 bank and need not determine whether the number identifies
18 a bank.

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

23 (b) This subsection applies to a payment order identifying
24 an intermediary bank or the beneficiary's bank both by name
25 and an identifying number if the name and number identify

1 different persons.

2 (1) If the sender is a bank, the receiving bank may
3 rely on the number as the proper identification of the
4 intermediary or beneficiary's bank if the receiving bank,
5 when it executes the sender's order, does not know that
6 the name and number identify different persons. The
7 receiving bank need not determine whether the name and
8 number refer to the same person or whether the number
9 refers to a bank. The sender is obliged to compensate the
10 receiving bank for any loss and expenses incurred by the
11 receiving bank as a result of its reliance on the number in
12 executing or attempting to execute the order.

13 (2) If the sender is not a bank and the receiving bank
14 proves that the sender, before the payment order was
15 accepted, had notice that the receiving bank might rely on
16 the number as the proper identification of the
17 intermediary or beneficiary's bank even if it identifies a
18 person different from the bank identified by name, the
19 rights and obligations of the sender and the receiving
20 bank are governed by subsection (b)(1), as though the
21 sender were a bank. Proof of notice may be made by any
22 admissible evidence. The receiving bank satisfies the
23 burden of proof if it proves that the sender, before the
24 payment order was accepted, signed a record writing
25 stating the information to which the notice relates.

26 (3) Regardless of whether the sender is a bank, the

1 receiving bank may rely on the name as the proper
2 identification of the intermediary or beneficiary's bank
3 if the receiving bank, at the time it executes the
4 sender's order, does not know that the name and number
5 identify different persons. The receiving bank need not
6 determine whether the name and number refer to the same
7 person.

8 (4) If the receiving bank knows that the name and
9 number identify different persons, reliance on either the
10 name or the number in executing the sender's payment order
11 is a breach of the obligation stated in Section
12 4A-302(a)(1).

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

14 (810 ILCS 5/4A-210) (from Ch. 26, par. 4A-210)

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

16 (a) A payment order is rejected by the receiving bank by a
17 notice of rejection transmitted to the sender orally,
18 ~~electronically,~~ or in a record writing. A notice of rejection
19 need not use any particular words and is sufficient if it
20 indicates that the receiving bank is rejecting the order or
21 will not execute or pay the order. Rejection is effective when
22 the notice is given if transmission is by a means that is
23 reasonable in the circumstances. If notice of rejection is
24 given by a means that is not reasonable, rejection is
25 effective when the notice is received. If an agreement of the

1 sender and receiving bank establishes the means to be used to
2 reject a payment order, (i) any means complying with the
3 agreement is reasonable and (ii) any means not complying is
4 not reasonable unless no significant delay in receipt of the
5 notice resulted from the use of the noncomplying means.

6 (b) This subsection applies if a receiving bank other than
7 the beneficiary's bank fails to execute a payment order
8 despite the existence on the execution date of a withdrawable
9 credit balance in an authorized account of the sender
10 sufficient to cover the order. If the sender does not receive
11 notice of rejection of the order on the execution date and the
12 authorized account of the sender does not bear interest, the
13 bank is obliged to pay interest to the sender on the amount of
14 the order for the number of days elapsing after the execution
15 date to the earlier of the day the order is canceled pursuant
16 to Section 4A-211(d) or the day the sender receives notice or
17 learns that the order was not executed, counting the final day
18 of the period as an elapsed day. If the withdrawable credit
19 balance during that period falls below the amount of the
20 order, the amount of interest is reduced accordingly.

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

24 (d) Acceptance of a payment order precludes a later
25 rejection of the order. Rejection of a payment order precludes
26 a later acceptance of the order.

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

2 (810 ILCS 5/4A-211) (from Ch. 26, par. 4A-211)

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

4 (a) A communication of the sender of a payment order
5 cancelling or amending the order may be transmitted to the
6 receiving bank orally, ~~electronically,~~ or in a record writing.
7 If a security procedure is in effect between the sender and the
8 receiving bank, the communication is not effective to cancel
9 or amend the order unless the communication is verified
10 pursuant to the security procedure or the bank agrees to the
11 cancellation or amendment.

12 (b) Subject to subsection (a), a communication by the
13 sender cancelling or amending a payment order is effective to
14 cancel or amend the order if notice of the communication is
15 received at a time and in a manner affording the receiving bank
16 a reasonable opportunity to act on the communication before
17 the bank accepts the payment order.

18 (c) After a payment order has been accepted, cancellation
19 or amendment of the order is not effective unless the
20 receiving bank agrees or a funds transfer system rule allows
21 cancellation or amendment without agreement of the bank.

22 (1) With respect to a payment order accepted by a
23 receiving bank other than the beneficiary's bank,
24 cancellation or amendment is not effective unless a
25 conforming cancellation or amendment of the payment order

1 issued by the receiving bank is also made.

2 (2) With respect to a payment order accepted by the
3 beneficiary's bank, cancellation or amendment is not
4 effective unless the order was issued in execution of an
5 unauthorized payment order, or because of a mistake by a
6 sender in the funds transfer which resulted in the
7 issuance of a payment order (i) that is a duplicate of a
8 payment order previously issued by the sender, (ii) that
9 orders payment to a beneficiary not entitled to receive
10 payment from the originator, or (iii) that orders payment
11 in an amount greater than the amount the beneficiary was
12 entitled to receive from the originator. If the payment
13 order is canceled or amended, the beneficiary's bank is
14 entitled to recover from the beneficiary any amount paid
15 to the beneficiary to the extent allowed by the law
16 governing mistake and restitution.

17 (d) An unaccepted payment order is canceled by operation
18 of law at the close of the fifth funds transfer business day of
19 the receiving bank after the execution date or payment date of
20 the order.

21 (e) A canceled payment order cannot be accepted. If an
22 accepted payment order is canceled, the acceptance is
23 nullified and no person has any right or obligation based on
24 the acceptance. Amendment of a payment order is deemed to be
25 cancellation of the original order at the time of amendment
26 and issue of a new payment order in the amended form at the

1 same time.

2 (f) Unless otherwise provided in an agreement of the
3 parties or in a funds transfer system rule, if the receiving
4 bank, after accepting a payment order, agrees to cancellation
5 or amendment of the order by the sender or is bound by a funds
6 transfer system rule allowing cancellation or amendment
7 without the bank's agreement, the sender, whether or not
8 cancellation or amendment is effective, is liable to the bank
9 for any loss and expenses, including reasonable attorney's
10 fees, incurred by the bank as a result of the cancellation or
11 amendment or attempted cancellation or amendment.

12 (g) A payment order is not revoked by the death or legal
13 incapacity of the sender unless the receiving bank knows of
14 the death or of an adjudication of incapacity by a court of
15 competent jurisdiction and has reasonable opportunity to act
16 before acceptance of the order.

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

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

20 (810 ILCS 5/4A-305) (from Ch. 26, par. 4A-305)

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

23 (a) If a funds transfer is completed but execution of a
24 payment order by the receiving bank in breach of Section
25 4A-302 results in delay in payment to the beneficiary, the

1 bank is obliged to pay interest to either the originator or the
2 beneficiary of the funds transfer for the period of delay
3 caused by the improper execution. Except as provided in
4 subsection (c), additional damages are not recoverable.

5 (b) If execution of a payment order by a receiving bank in
6 breach of Section 4A-302 results in (i) noncompletion of the
7 funds transfer, (ii) failure to use an intermediary bank
8 designated by the originator, or (iii) issuance of a payment
9 order that does not comply with the terms of the payment order
10 of the originator, the bank is liable to the originator for its
11 expenses in the funds transfer and for incidental expenses and
12 interest losses, to the extent not covered by subsection (a),
13 resulting from the improper execution. Except as provided in
14 subsection (c), additional damages are not recoverable.

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

19 (d) If a receiving bank fails to execute a payment order it
20 was obliged by express agreement to execute, the receiving
21 bank is liable to the sender for its expenses in the
22 transaction and for incidental expenses and interest losses
23 resulting from the failure to execute. Additional damages,
24 including consequential damages, are recoverable to the extent
25 provided in an express ~~written~~ agreement of the receiving
26 bank, evidenced by a record, but are not otherwise

1 recoverable.

2 (e) Reasonable attorney's fees are recoverable if demand
3 for compensation under subsection (a) or (b) is made and
4 refused before an action is brought on the claim. If a claim is
5 made for breach of an agreement under subsection (d) and the
6 agreement does not provide for damages, reasonable attorney's
7 fees are recoverable if demand for compensation under
8 subsection (d) is made and refused before an action is brought
9 on the claim.

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

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

14 (810 ILCS 5/5-104) (from Ch. 26, par. 5-104)

15 Sec. 5-104. Formal requirements. A letter of credit,
16 confirmation, advice, transfer, amendment, or cancellation may
17 be issued in any form that is a signed record ~~and is~~
18 ~~authenticated (i) by a signature or (ii) in accordance with~~
19 ~~the agreement of the parties or the standard practice referred~~
20 ~~to in Section 5-108(c).~~

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

22 (810 ILCS 5/5-116) (from Ch. 26, par. 5-116)

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

24 (a) The liability of an issuer, nominated person, or

1 adviser for action or omission is governed by the law of the
2 jurisdiction chosen by an agreement in the form of a record
3 signed ~~or otherwise authenticated~~ by the affected parties ~~in~~
4 ~~the manner provided in Section 5-104~~ or by a provision in the
5 person's letter of credit, confirmation, or other undertaking.
6 The jurisdiction whose law is chosen need not bear any
7 relation to the transaction.

8 (b) Unless subsection (a) applies, the liability of an
9 issuer, nominated person, or adviser for action or omission is
10 governed by the law of the jurisdiction in which the person is
11 located. The person is considered to be located at the address
12 indicated in the person's undertaking. If more than one
13 address is indicated, the person is considered to be located
14 at the address from which the person's undertaking was issued.

15 (c) For the purpose of jurisdiction, choice of law, and
16 recognition of interbranch letters of credit, but not
17 enforcement of a judgment, all branches of a bank are
18 considered separate juridical entities and a bank is
19 considered to be located at the place where its relevant
20 branch is considered to be located under ~~this~~ subsection (d).

21 (d) A branch of a bank is considered to be located at the
22 address indicated in the branch's undertaking. If more than
23 one address is indicated, the branch is considered to be
24 located at the address from which the undertaking was issued.

25 (e) ~~(e)~~ Except as otherwise provided in this subsection,
26 the liability of an issuer, nominated person, or adviser is

1 governed by any rules of custom or practice, such as the
2 Uniform Customs and Practice for Documentary Credits, to which
3 the letter of credit, confirmation, or other undertaking is
4 expressly made subject. If (i) this Article would govern the
5 liability of an issuer, nominated person, or adviser under
6 subsection (a) or (b), (ii) the relevant undertaking
7 incorporates rules of custom or practice, and (iii) there is
8 conflict between this Article and those rules as applied to
9 that undertaking, those rules govern except to the extent of
10 any conflict with the nonvariable provisions specified in
11 Section 5-103(c).

12 (f) ~~(d)~~ If there is conflict between this Article and
13 Article 3, 4, 4A, or 9, this Article governs.

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

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

19 (810 ILCS 5/7-102) (from Ch. 26, par. 7-102)

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

21 (a) In this Article, unless the context otherwise
22 requires:

23 (1) "Bailee" means a person that by a warehouse
24 receipt, bill of lading, or other document of title
25 acknowledges possession of goods and contracts to deliver

1 them.

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

4 (3) "Consignee" means a person named in a bill of
5 lading to which or to whose order the bill promises
6 delivery.

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

10 (5) "Delivery order" means a record that contains an
11 order to deliver goods directed to a warehouse, carrier,
12 or other person that in the ordinary course of business
13 issues warehouse receipts or bills of lading.

14 (6) "Good faith" means honesty in fact and the
15 observance of reasonable commercial standards of fair
16 dealing.

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

20 (8) "Issuer" means a bailee that issues a document of
21 title or, in the case of an unaccepted delivery order, the
22 person that orders the possessor of goods to deliver. The
23 term includes a person for which an agent or employee
24 purports to act in issuing a document if the agent or
25 employee has real or apparent authority to issue
26 documents, even if the issuer did not receive any goods,

1 the goods were misdescribed, or in any other respect the
2 agent or employee violated the issuer's instructions.

3 (9) "Person entitled under the document" means the
4 holder, in the case of a negotiable document of title, or
5 the person to which delivery of the goods is to be made by
6 the terms of, or pursuant to instructions in a record
7 under, a nonnegotiable document of title.

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

12 (11) (Reserved). ~~"Sign" means, with present intent to~~
13 ~~authenticate or adopt a record:~~

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

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

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

19 (13) "Warehouse" means a person engaged in the
20 business of storing goods for hire. The owner of a
21 self-service storage facility as defined in the
22 Self-Service Storage Facility Act is not a warehouse for
23 the purposes of this Article.

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

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

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

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

4 (c) In addition, Article 1 contains general definitions
5 and principles of construction and interpretation applicable
6 throughout this Article.

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

8 (810 ILCS 5/7-106)

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

10 (a) A person has control of an electronic document of
11 title if a system employed for evidencing the transfer of
12 interests in the electronic document reliably establishes that
13 person as the person to which the electronic document was
14 issued or transferred.

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

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

22 (2) the authoritative copy identifies the person
23 asserting control as:

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

25 or

1 (B) if the authoritative copy indicates that the
2 document has been transferred, the person to which the
3 document was most recently transferred;

4 (3) the authoritative copy is communicated to and
5 maintained by the person asserting control or its
6 designated custodian;

7 (4) copies or amendments that add or change an
8 identified transferee ~~assignee~~ of the authoritative copy
9 can be made only with the consent of the person asserting
10 control;

11 (5) each copy of the authoritative copy and any copy
12 of a copy is readily identifiable as a copy that is not the
13 authoritative copy; and

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

16 (c) A system satisfies subsection (a), and a person has
17 control of an electronic document of title, if an
18 authoritative electronic copy of the document, a record
19 attached to or logically associated with the electronic copy,
20 or a system in which the electronic copy is recorded:

21 (1) enables the person readily to identify each
22 electronic copy as either an authoritative copy or a
23 nonauthoritative copy;

24 (2) enables the person readily to identify itself in
25 any way, including by name, identifying number,
26 cryptographic key, office, or account number, as the

1 person to which each authoritative electronic copy was
2 issued or transferred; and

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

5 (A) prevent others from adding or changing the
6 person to which each authoritative electronic copy has
7 been issued or transferred; and

8 (B) transfer control of each authoritative
9 electronic copy.

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

12 (1) the authoritative electronic copy, a record
13 attached to or logically associated with the authoritative
14 electronic copy, or a system in which the authoritative
15 electronic copy is recorded limits the use of the document
16 of title or has a protocol that is programmed to cause a
17 change, including a transfer or loss of control; or

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

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

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

24 (2) the other person:

25 (A) can exercise the power without exercise of the
26 power by the person; or

1 (B) is the transferor to the person of an interest
2 in the document of title.

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

5 (g) A person has control of an electronic document of
6 title if another person, other than the transferor to the
7 person of an interest in the document:

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

10 (2) obtains control of the document after having
11 acknowledged that it will obtain control of the document
12 on behalf of the person.

13 (h) A person that has control under this Section is not
14 required to acknowledge that it has control on behalf of
15 another person.

16 (i) If a person acknowledges that it has or will obtain
17 control on behalf of another person, unless the person
18 otherwise agrees or law other than this Article or Article 9
19 otherwise provides, the person does not owe any duty to the
20 other person and is not required to confirm the acknowledgment
21 to any other person.

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

23 (810 ILCS 5/8-102) (from Ch. 26, par. 8-102)

24 Sec. 8-102. Definitions.

25 (a) In this Article:

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

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

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

12 (4) "Certificated security" means a security that is
13 represented by a certificate.

14 (5) "Clearing corporation" means:

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

17 (ii) a federal reserve bank; or

18 (iii) any other person that provides clearance or
19 settlement services with respect to financial assets
20 that would require it to register as a clearing agency
21 under the federal securities laws but for an exclusion
22 or exemption from the registration requirement, if its
23 activities as a clearing corporation, including
24 promulgation of rules, are subject to regulation by a
25 federal or state governmental authority.

26 (6) "Communicate" means to:

- 1 (i) send a signed record ~~writing~~; or
2 (ii) transmit information by any mechanism agreed
3 upon by the persons transmitting and receiving the
4 information.

5 (7) "Entitlement holder" means a person identified in
6 the records of a securities intermediary as the person
7 having a security entitlement against the securities
8 intermediary. If a person acquires a security entitlement
9 by virtue of Section 8-501(b)(2) or (3), that person is
10 the entitlement holder.

11 (8) "Entitlement order" means a notification
12 communicated to a securities intermediary directing
13 transfer or redemption of a financial asset to which the
14 entitlement holder has a security entitlement.

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

- 17 (i) a security;
18 (ii) an obligation of a person or a share,
19 participation, or other interest in a person or in
20 property or an enterprise of a person, which is, or is
21 of a type, dealt in or traded on financial markets, or
22 which is recognized in any area in which it is issued
23 or dealt in as a medium for investment; or
24 (iii) any property that is held by a securities
25 intermediary for another person in a securities
26 account if the securities intermediary has expressly

1 agreed with the other person that the property is to be
2 treated as a financial asset under this Article. As
3 context requires, the term means either the interest
4 itself or the means by which a person's claim to it is
5 evidenced, including a certificated or uncertificated
6 security, a security certificate, or a security
7 entitlement.

8 (10) "Good faith," for purposes of the obligation of
9 good faith in the performance or enforcement of contracts
10 or duties within this Article, means honesty in fact and
11 the observance of reasonable commercial standards of fair
12 dealing.

13 (11) "Indorsement" means a signature that alone or
14 accompanied by other words is made on a security
15 certificate in registered form or on a separate document
16 for the purpose of assigning, transferring, or redeeming
17 the security or granting a power to assign, transfer, or
18 redeem it.

19 (12) "Instruction" means a notification communicated
20 to the issuer of an uncertificated security which directs
21 that the transfer of the security be registered or that
22 the security be redeemed.

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

25 (i) the security certificate specifies a person
26 entitled to the security; and

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

4 (14) "Securities intermediary" means:

5 (i) a clearing corporation; or

6 (ii) a person, including a bank or broker, that in
7 the ordinary course of its business maintains
8 securities accounts for others and is acting in that
9 capacity.

10 (15) "Security," except as otherwise provided in
11 Section 8-103, means an obligation of an issuer or a
12 share, participation, or other interest in an issuer or in
13 property or an enterprise of an issuer:

14 (i) which is represented by a security certificate
15 in bearer or registered form, or the transfer of which
16 may be registered upon books maintained for that
17 purpose by or on behalf of the issuer;

18 (ii) which is one of a class or series or by its
19 terms is divisible into a class or series of shares,
20 participations, interests, or obligations; and

21 (iii) which:

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

24 (B) is a medium for investment and by its
25 terms expressly provides that it is a security
26 governed by this Article.

1 (16) "Security certificate" means a certificate
2 representing a security.

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

6 (18) "Uncertificated security" means a security that
7 is not represented by a certificate.

8 (b) The following ~~Other~~ definitions in ~~applying to~~ this
9 Article and other Articles apply to this Article ~~the Sections~~
10 ~~in which they appear are:~~

11	Appropriate person	Section 8-107
12	Control	Section 8-106
13	<u>Controllable account</u>	<u>Section 9-102</u>
14	<u>Controllable electronic</u>	
15	<u>record</u>	<u>Section 12-102</u>
16	<u>Controllable payment</u>	
17	<u>intangible</u>	<u>Section 9-102</u>
18	Delivery	Section 8-301
19	Investment company security	Section 8-103
20	Issuer	Section 8-201
21	Overissue	Section 8-210
22	Protected purchaser	Section 8-303
23	Securities account	Section 8-501

24 (c) In addition, Article 1 contains general definitions

1 and principles of construction and interpretation applicable
2 throughout this Article.

3 (d) The characterization of a person, business, or
4 transaction for purposes of this Article does not determine
5 the characterization of the person, business, or transaction
6 for purposes of any other law, regulation, or rule.

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

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

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

11 (a) A share or similar equity interest issued by a
12 corporation, business trust, joint stock company, or similar
13 entity is a security.

14 (b) An "investment company security" is a security.
15 "Investment company security" means a share or similar equity
16 interest issued by an entity that is registered as an
17 investment company under the federal investment company laws,
18 an interest in a unit investment trust that is so registered,
19 or a face-amount certificate issued by a face-amount
20 certificate company that is so registered. Investment company
21 security does not include an insurance policy or endowment
22 policy or annuity contract issued by an insurance company.

23 (c) An interest in a partnership or limited liability
24 company is not a security unless it is dealt in or traded on
25 securities exchanges or in securities markets, its terms

1 expressly provide that it is a security governed by this
2 Article, or it is an investment company security. However, an
3 interest in a partnership or limited liability company is a
4 financial asset if it is held in a securities account.

5 (d) A writing that is a security certificate is governed
6 by this Article and not by Article 3, even though it also meets
7 the requirements of that Article. However, a negotiable
8 instrument governed by Article 3 is a financial asset if it is
9 held in a securities account.

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

13 (f) A commodity contract, as defined in Section
14 9-102(a)(15), is not a security or a financial asset.

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

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

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

21 (810 ILCS 5/8-106) (from Ch. 26, par. 8-106)

22 Sec. 8-106. Control.

23 (a) A purchaser has "control" of a certificated security
24 in bearer form if the certificated security is delivered to
25 the purchaser.

1 (b) A purchaser has "control" of a certificated security
2 in registered form if the certificated security is delivered
3 to the purchaser, and:

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

6 (2) the certificate is registered in the name of the
7 purchaser, upon original issue or registration of transfer
8 by the issuer.

9 (c) A purchaser has "control" of an uncertificated
10 security if:

11 (1) the uncertificated security is delivered to the
12 purchaser; or

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

16 (d) A purchaser has "control" of a security entitlement
17 if:

18 (1) the purchaser becomes the entitlement holder;

19 (2) the securities intermediary has agreed that it
20 will comply with entitlement orders originated by the
21 purchaser without further consent by the entitlement
22 holder; or

23 (3) another person, other than the transferor to the
24 purchaser of an interest in the security entitlement: ~~has~~
25 ~~control of the security entitlement on behalf of the~~
26 ~~purchaser or, having previously acquired control of the~~

1 ~~security entitlement, acknowledges that it has control on~~
2 ~~behalf of the purchaser.~~

3 (A) has control of the security entitlement and
4 acknowledges that it has control on behalf of the
5 purchaser; or

6 (B) obtains control of the security entitlement
7 after having acknowledged that it will obtain control
8 of the security entitlement on behalf of the
9 purchaser.

10 (e) If an interest in a security entitlement is granted by
11 the entitlement holder to the entitlement holder's own
12 securities intermediary, the securities intermediary has
13 control.

14 (f) A purchaser who has satisfied the requirements of
15 subsection (c) or (d) has control even if the registered owner
16 in the case of subsection (c) or the entitlement holder in the
17 case of subsection (d) retains the right to make substitutions
18 for the uncertificated security or security entitlement, to
19 originate instructions or entitlement orders to the issuer or
20 securities intermediary, or otherwise to deal with the
21 uncertificated security or security entitlement.

22 (g) An issuer or a securities intermediary may not enter
23 into an agreement of the kind described in subsection (c)(2)
24 or (d)(2) without the consent of the registered owner or
25 entitlement holder, but an issuer or a securities intermediary
26 is not required to enter into such an agreement even though the

1 registered owner or entitlement holder so directs. An issuer
2 or securities intermediary that has entered into such an
3 agreement is not required to confirm the existence of the
4 agreement to another party unless requested to do so by the
5 registered owner or entitlement holder.

6 (h) A person that has control under this Section is not
7 required to acknowledge that it has control on behalf of a
8 purchaser.

9 (i) If a person acknowledges that it has or will obtain
10 control on behalf of a purchaser, unless the person otherwise
11 agrees or law other than this Article or Article 9 otherwise
12 provides, the person does not owe any duty to the purchaser and
13 is not required to confirm the acknowledgment to any other
14 person.

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

16 (810 ILCS 5/8-110)

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

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

20 (1) the validity of a security;

21 (2) the rights and duties of the issuer with respect
22 to registration of transfer;

23 (3) the effectiveness of registration of transfer by
24 the issuer;

25 (4) whether the issuer owes any duties to an adverse

1 claimant to a security; and

2 (5) whether an adverse claim can be asserted against a
3 person to whom transfer of a certificated or
4 uncertificated security is registered or a person who
5 obtains control of an uncertificated security.

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

8 (1) acquisition of a security entitlement from the
9 securities intermediary;

10 (2) the rights and duties of the securities
11 intermediary and entitlement holder arising out of a
12 security entitlement;

13 (3) whether the securities intermediary owes any
14 duties to an adverse claimant to a security entitlement;
15 and

16 (4) whether an adverse claim can be asserted against a
17 person who acquires a security entitlement from the
18 securities intermediary or a person who purchases a
19 security entitlement or interest therein from an
20 entitlement holder.

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

25 (d) "Issuer's jurisdiction" means the jurisdiction under
26 which the issuer of the security is organized or, if permitted

1 by the law of that jurisdiction, the law of another
2 jurisdiction specified by the issuer. An issuer organized
3 under the law of this State may specify the law of another
4 jurisdiction as the law governing the matters specified in
5 subsection (a) (2) through (5).

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

8 (1) If an agreement between the securities
9 intermediary and its entitlement holder governing the
10 securities account expressly provides that a particular
11 jurisdiction is the securities intermediary's jurisdiction
12 for purposes of this Part, this Article, or this Act, that
13 jurisdiction is the securities intermediary's
14 jurisdiction.

15 (2) If paragraph (1) does not apply and an agreement
16 between the securities intermediary and its entitlement
17 holder governing the securities account expressly provides
18 that the agreement is governed by the law of a particular
19 jurisdiction, that jurisdiction is the securities
20 intermediary's jurisdiction.

21 (3) If neither paragraph (1) nor paragraph (2) applies
22 and an agreement between the securities intermediary and
23 its entitlement holder governing the securities account
24 expressly provides that the securities account is
25 maintained at an office in a particular jurisdiction, that
26 jurisdiction is the securities intermediary's

1 jurisdiction.

2 (4) If none of the preceding paragraphs applies, the
3 securities intermediary's jurisdiction is the jurisdiction
4 in which the office identified in an account statement as
5 the office serving the entitlement holder's account is
6 located.

7 (5) If none of the preceding paragraphs applies, the
8 securities intermediary's jurisdiction is the jurisdiction
9 in which the chief executive office of the securities
10 intermediary is located.

11 (f) A securities intermediary's jurisdiction is not
12 determined by the physical location of certificates
13 representing financial assets, or by the jurisdiction in which
14 is organized the issuer of the financial asset with respect to
15 which an entitlement holder has a security entitlement, or by
16 the location of facilities for data processing or other record
17 keeping concerning the account.

18 (g) The local law of the issuer's jurisdiction or the
19 securities intermediary's jurisdiction governs a matter or
20 transaction specified in subsection (a) or (b) even if the
21 matter or transaction does not bear any relation to the
22 jurisdiction.

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

24 (810 ILCS 5/8-303) (from Ch. 26, par. 8-303)

25 Sec. 8-303. Protected purchaser.

1 (a) "Protected purchaser" means a purchaser of a
2 certificated or uncertificated security, or of an interest
3 therein, who:

4 (1) gives value;

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

7 (3) obtains control of the certificated or
8 uncertificated security.

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

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

13 (810 ILCS 5/9-102) (from Ch. 26, par. 9-102)

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

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

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

19 (2) "Account", except as used in "account for",
20 "account statement", "account to", "commodity account" in
21 paragraph (14), "customer's account", "deposit account" in
22 paragraph (29), "on account of", and "statement of
23 account", means a right to payment of a monetary
24 obligation, whether or not earned by performance, (i) for
25 property that has been or is to be sold, leased, licensed,

1 assigned, or otherwise disposed of, (ii) for services
2 rendered or to be rendered, (iii) for a policy of
3 insurance issued or to be issued, (iv) for a secondary
4 obligation incurred or to be incurred, (v) for energy
5 provided or to be provided, (vi) for the use or hire of a
6 vessel under a charter or other contract, (vii) arising
7 out of the use of a credit or charge card or information
8 contained on or for use with the card, or (viii) as
9 winnings in a lottery or other game of chance operated or
10 sponsored by a State, governmental unit of a State, or
11 person licensed or authorized to operate the game by a
12 State or governmental unit of a State. The term includes
13 controllable accounts and health-care-insurance
14 receivables. The term does not include (i) ~~rights to~~
15 ~~payment evidenced by chattel paper or an instrument,~~ (ii)
16 commercial tort claims, (iii) deposit accounts, (iv)
17 investment property, (v) letter-of-credit rights or
18 letters of credit, ~~or~~ (vi) rights to payment for money or
19 funds advanced or sold, other than rights arising out of
20 the use of a credit or charge card or information
21 contained on or for use with the card, or (vii) rights to
22 payment evidenced by an instrument.

23 (3) "Account debtor" means a person obligated on an
24 account, chattel paper, or general intangible. The term
25 does not include persons obligated to pay a negotiable
26 instrument, even if the negotiable instrument evidences

1 ~~constitutes part of~~ chattel paper.

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

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

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

8 (C) identifying the components of the obligations
9 in reasonable detail.

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

12 (A) which secures payment or performance of an
13 obligation for goods or services furnished in
14 connection with a debtor's farming operation;

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

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

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

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

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

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

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

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

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

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

9 (7A) "Assignee", except as used in "assignee for
10 benefit of creditors", means a person (i) in whose favor a
11 security interest that secures an obligation is created or
12 provided for under a security agreement, whether or not
13 the obligation is outstanding or (ii) to which an account,
14 chattel paper, payment intangible, or promissory note has
15 been sold. The term includes a person to which a security
16 interest has been transferred by a secured party.

17 (7B) "Assignor" means a person that (i) under a
18 security agreement creates or provides for a security
19 interest that secures an obligation or (ii) sells an
20 account, chattel paper, payment intangible, or promissory
21 note. The term includes a secured party that has
22 transferred a security interest to another person.

23 (8) "Bank" means an organization that is engaged in
24 the business of banking. The term includes savings banks,
25 savings and loan associations, credit unions, and trust
26 companies.

1 (ii) the predominant purpose of the
2 transaction giving rise to the lease was to give
3 the lessee the right to possession and use of the
4 goods.

5 The term does not include a right to payment arising out of a
6 charter or other contract involving the use or hire of a
7 vessel or a right to payment arising out of the use of a
8 credit or charge card or information contained on or for
9 use with the card.

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

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

3 (A) proceeds to which a security interest
4 attaches;

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

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

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

10 (A) the claimant is an organization; or

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

12 (i) arose in the course of the claimant's
13 business or profession; and

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

16 (14) "Commodity account" means an account maintained
17 by a commodity intermediary in which a commodity contract
18 is carried for a commodity customer.

19 (15) "Commodity contract" means a commodity futures
20 contract, an option on a commodity futures contract, a
21 commodity option, or another contract if the contract or
22 option is:

23 (A) traded on or subject to the rules of a board of
24 trade that has been designated as a contract market
25 for such a contract pursuant to federal commodities
26 laws; or

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

4 (16) "Commodity customer" means a person for which a
5 commodity intermediary carries a commodity contract on its
6 books.

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

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

10 (B) in the ordinary course of its business
11 provides clearance or settlement services for a board
12 of trade that has been designated as a contract market
13 pursuant to federal commodities law.

14 (18) "Communicate" means:

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

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

18 (C) in the case of transmission of a record to or
19 by a filing office, to transmit a record by any means
20 prescribed by filing-office rule.

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

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

26 (A) the merchant:

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

3 (ii) is not an auctioneer; and

4 (iii) is not generally known by its creditors
5 to be substantially engaged in selling the goods
6 of others;

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

10 (C) the goods are not consumer goods immediately
11 before delivery; and

12 (D) the transaction does not create a security
13 interest that secures an obligation.

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

16 (22) "Consumer debtor" means a debtor in a consumer
17 transaction.

18 (23) "Consumer goods" means goods that are used or
19 bought for use primarily for personal, family, or
20 household purposes.

21 (24) "Consumer-goods transaction" means a consumer
22 transaction in which:

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

25 (B) a security interest in consumer goods secures
26 the obligation.

1 (25) "Consumer obligor" means an obligor who is an
2 individual and who incurred the obligation as part of a
3 transaction entered into primarily for personal, family,
4 or household purposes.

5 (26) "Consumer transaction" means a transaction in
6 which (i) an individual incurs an obligation primarily for
7 personal, family, or household purposes, (ii) a security
8 interest secures the obligation, and (iii) the collateral
9 is held or acquired primarily for personal, family, or
10 household purposes. The term includes consumer-goods
11 transactions.

12 (27) "Continuation statement" means an amendment of a
13 financing statement which:

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

16 (B) indicates that it is a continuation statement
17 for, or that it is filed to continue the effectiveness
18 of, the identified financing statement.

19 (27A) "Controllable account" means an account
20 evidenced by a controllable electronic record that
21 provides that the account debtor undertakes to pay the
22 person that has control under Section 12-105 of the
23 controllable electronic record.

24 (27B) "Controllable payment intangible" means a
25 payment intangible evidenced by a controllable electronic
26 record that provides that the account debtor undertakes to

1 pay the person that has control under Section 12-105 of
2 the controllable electronic record.

3 (28) "Debtor" means:

4 (A) a person having an interest, other than a
5 security interest or other lien, in the collateral,
6 whether or not the person is an obligor;

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

9 (C) a consignee.

10 (29) "Deposit account" means a demand, time, savings,
11 passbook, nonnegotiable certificates of deposit,
12 uncertificated certificates of deposit, nontransferable
13 ~~nontransferable~~ certificates of deposit, or similar
14 account maintained with a bank. The term does not include
15 investment property or accounts evidenced by an
16 instrument.

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

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

22 (31A) "Electronic money" means money in an electronic
23 form.

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

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

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

6 (A) crops grown, growing, or to be grown,
7 including:

8 (i) crops produced on trees, vines, and
9 bushes; and

10 (ii) aquatic goods produced in aquacultural
11 operations;

12 (B) livestock, born or unborn, including aquatic
13 goods produced in aquacultural operations;

14 (C) supplies used or produced in a farming
15 operation; or

16 (D) products of crops or livestock in their
17 unmanufactured states.

18 (35) "Farming operation" means raising, cultivating,
19 propagating, fattening, grazing, or any other farming,
20 livestock, or aquacultural operation.

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

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

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

1 (39) "Financing statement" means a record or records
2 composed of an initial financing statement and any filed
3 record relating to the initial financing statement.

4 (40) "Fixture filing" means the filing of a financing
5 statement covering goods that are or are to become
6 fixtures and satisfying Section 9-502(a) and (b). The term
7 includes the filing of a financing statement covering
8 goods of a transmitting utility which are or are to become
9 fixtures.

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

13 (42) "General intangible" means any personal property,
14 including things in action, other than accounts, chattel
15 paper, commercial tort claims, deposit accounts,
16 documents, goods, instruments, investment property,
17 letter-of-credit rights, letters of credit, money, and
18 oil, gas, or other minerals before extraction. The term
19 includes controllable electronic records, payment
20 intangibles, and software.

21 (43) "Good faith" means honesty in fact and the
22 observance of reasonable commercial standards of fair
23 dealing.

24 (44) "Goods" means all things that are movable when a
25 security interest attaches. The term includes (i)
26 fixtures, (ii) standing timber that is to be cut and

1 removed under a conveyance or contract for sale, (iii) the
2 unborn young of animals, (iv) crops grown, growing, or to
3 be grown, even if the crops are produced on trees, vines,
4 or bushes, and (v) manufactured homes. The term also
5 includes a computer program embedded in goods and any
6 supporting information provided in connection with a
7 transaction relating to the program if (i) the program is
8 associated with the goods in such a manner that it
9 customarily is considered part of the goods, or (ii) by
10 becoming the owner of the goods, a person acquires a right
11 to use the program in connection with the goods. The term
12 does not include a computer program embedded in goods that
13 consist solely of the medium in which the program is
14 embedded. The term also does not include accounts, chattel
15 paper, commercial tort claims, deposit accounts,
16 documents, general intangibles, instruments, investment
17 property, letter-of-credit rights, letters of credit,
18 money, or oil, gas, or other minerals before extraction.

19 (45) "Governmental unit" means a subdivision, agency,
20 department, county, parish, municipality, or other unit of
21 the government of the United States, a State, or a foreign
22 country. The term includes an organization having a
23 separate corporate existence if the organization is
24 eligible to issue debt on which interest is exempt from
25 income taxation under the laws of the United States.

26 (46) "Health-care-insurance receivable" means an

1 interest in or claim under a policy of insurance which is a
2 right to payment of a monetary obligation for health-care
3 goods or services provided.

4 (47) "Instrument" means a negotiable instrument or any
5 other writing that evidences a right to the payment of a
6 monetary obligation, is not itself a security agreement or
7 lease, and is of a type that in ordinary course of business
8 is transferred by delivery with any necessary indorsement
9 or assignment. The term does not include (i) investment
10 property, (ii) letters of credit, (iii) nonnegotiable
11 certificates of deposit, (iv) uncertificated certificates
12 of deposit, (v) nontransferable ~~nontransferrable~~
13 certificates of deposit, ~~or~~ (vi) writings that evidence a
14 right to payment arising out of the use of a credit or
15 charge card or information contained on or for use with
16 the card, or (vii) writings that evidence chattel paper.

17 (48) "Inventory" means goods, other than farm
18 products, which:

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

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

22 (C) are furnished by a person under a contract of
23 service; or

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

26 (49) "Investment property" means a security, whether

1 certificated or uncertificated, security entitlement,
2 securities account, commodity contract, or commodity
3 account.

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

7 (51) "Letter-of-credit right" means a right to payment
8 or performance under a letter of credit, whether or not
9 the beneficiary has demanded or is at the time entitled to
10 demand payment or performance. The term does not include
11 the right of a beneficiary to demand payment or
12 performance under a letter of credit.

13 (52) "Lien creditor" means:

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

16 (B) an assignee for benefit of creditors from the
17 time of assignment;

18 (C) a trustee in bankruptcy from the date of the
19 filing of the petition; or

20 (D) a receiver in equity from the time of
21 appointment.

22 (53) "Manufactured home" means a structure,
23 transportable in one or more sections, which, in the
24 traveling mode, is eight body feet or more in width or 40
25 body feet or more in length, or, when erected on site, is
26 320 or more square feet, and which is built on a permanent

1 chassis and designed to be used as a dwelling with or
2 without a permanent foundation when connected to the
3 required utilities, and includes the plumbing, heating,
4 air-conditioning, and electrical systems contained
5 therein. The term includes any structure that meets all of
6 the requirements of this paragraph except the size
7 requirements and with respect to which the manufacturer
8 voluntarily files a certification required by the United
9 States Secretary of Housing and Urban Development and
10 complies with the standards established under Title 42 of
11 the United States Code. The term "manufactured home" does
12 not include campers and recreational vehicles.

13 (54) "Manufactured-home transaction" means a secured
14 transaction:

15 (A) that creates a purchase-money security
16 interest in a manufactured home, other than a
17 manufactured home held as inventory; or

18 (B) in which a manufactured home, other than a
19 manufactured home held as inventory, is the primary
20 collateral.

21 (54A) "Money" has the meaning in Section 1-201(b) (24),
22 but does not include (i) a deposit account or (ii) money in
23 an electronic form that cannot be subjected to control
24 under Section 9-105A.

25 (55) "Mortgage" means a consensual interest in real
26 property, including fixtures, which secures payment or

1 performance of an obligation.

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

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

10 (58) "Noncash proceeds" means proceeds other than cash
11 proceeds.

12 (59) "Obligor" means a person that, with respect to an
13 obligation secured by a security interest in or an
14 agricultural lien on the collateral, (i) owes payment or
15 other performance of the obligation, (ii) has provided
16 property other than the collateral to secure payment or
17 other performance of the obligation, or (iii) is otherwise
18 accountable in whole or in part for payment or other
19 performance of the obligation. The term does not include
20 issuers or nominated persons under a letter of credit.

21 (60) "Original debtor", except as used in Section
22 9-310(c), means a person that, as debtor, entered into a
23 security agreement to which a new debtor has become bound
24 under Section 9-203(d).

25 (61) "Payment intangible" means a general intangible
26 under which the account debtor's principal obligation is a

1 monetary obligation. The term includes a controllable
2 payment intangible.

3 (62) "Person related to", with respect to an
4 individual, means:

5 (A) the spouse of the individual;

6 (B) a brother, brother-in-law, sister, or
7 sister-in-law of the individual;

8 (C) an ancestor or lineal descendant of the
9 individual or the individual's spouse; or

10 (D) any other relative, by blood or marriage, of
11 the individual or the individual's spouse who shares
12 the same home with the individual.

13 (63) "Person related to", with respect to an
14 organization, means:

15 (A) a person directly or indirectly controlling,
16 controlled by, or under common control with the
17 organization;

18 (B) an officer or director of, or a person
19 performing similar functions with respect to, the
20 organization;

21 (C) an officer or director of, or a person
22 performing similar functions with respect to, a person
23 described in subparagraph (A);

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

26 (E) an individual who is related by blood or

1 marriage to an individual described in subparagraph
2 (A), (B), (C), or (D) and shares the same home with the
3 individual.

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

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

8 (B) whatever is collected on, or distributed on
9 account of, collateral;

10 (C) rights arising out of collateral;

11 (D) to the extent of the value of collateral,
12 claims arising out of the loss, nonconformity, or
13 interference with the use of, defects or infringement
14 of rights in, or damage to, the collateral; or

15 (E) to the extent of the value of collateral and to
16 the extent payable to the debtor or the secured party,
17 insurance payable by reason of the loss or
18 nonconformity of, defects or infringement of rights
19 in, or damage to, the collateral.

20 (65) "Promissory note" means an instrument that
21 evidences a promise to pay a monetary obligation, does not
22 evidence an order to pay, and does not contain an
23 acknowledgment by a bank that the bank has received for
24 deposit a sum of money or funds.

25 (66) "Proposal" means a record signed ~~authenticated~~ by
26 a secured party which includes the terms on which the

1 secured party is willing to accept collateral in full or
2 partial satisfaction of the obligation it secures pursuant
3 to Sections 9-620, 9-621, and 9-622.

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

6 (A) debt securities are issued;

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

9 (C) the debtor, obligor, secured party, account
10 debtor or other person obligated on collateral,
11 assignor or assignee of a secured obligation, or
12 assignor or assignee of a security interest is a State
13 or a governmental unit of a State.

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

16 (A) a record consisting of the record initially
17 filed with or issued by a State or the United States to
18 form or organize an organization and any record filed
19 with or issued by the State or the United States which
20 amends or restates the initial record;

21 (B) an organic record of a business trust
22 consisting of the record initially filed with a State
23 and any record filed with the State which amends or
24 restates the initial record, if a statute of the State
25 governing business trusts requires that the record be
26 filed with the State; or

1 (C) a record consisting of legislation enacted by
2 the legislature of a State or the Congress of the
3 United States which forms or organizes an
4 organization, any record amending the legislation, and
5 any record filed with or issued by the State or the
6 United States which amends or restates the name of the
7 organization.

8 (69) "Pursuant to commitment", with respect to an
9 advance made or other value given by a secured party,
10 means pursuant to the secured party's obligation, whether
11 or not a subsequent event of default or other event not
12 within the secured party's control has relieved or may
13 relieve the secured party from its obligation.

14 (70) "Record", except as used in "for record", "of
15 record", "record or legal title", and "record owner",
16 means information that is inscribed on a tangible medium
17 or which is stored in an electronic or other medium and is
18 retrievable in perceivable form.

19 (71) "Registered organization" means an organization
20 formed or organized solely under the law of a single State
21 or the United States by the filing of a public organic
22 record with, the issuance of a public organic record by,
23 or the enactment of legislation by the State or the United
24 States. The term includes a business trust that is formed
25 or organized under the law of a single State if a statute
26 of the State governing business trusts requires that the

1 business trust's organic record be filed with the State.

2 (72) "Secondary obligor" means an obligor to the
3 extent that:

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

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

8 (73) "Secured party" means:

9 (A) a person in whose favor a security interest is
10 created or provided for under a security agreement,
11 whether or not any obligation to be secured is
12 outstanding;

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

14 (C) a consignor;

15 (D) a person to which accounts, chattel paper,
16 payment intangibles, or promissory notes have been
17 sold;

18 (E) a trustee, indenture trustee, agent,
19 collateral agent, or other representative in whose
20 favor a security interest or agricultural lien is
21 created or provided for; or

22 (F) a person that holds a security interest
23 arising under Section 2-401, 2-505, 2-711(3),
24 2A-508(5), 4-210, or 5-118.

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

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

3 ~~(A) to deposit in the mail, deliver for~~
4 ~~transmission, or transmit by any other usual means of~~
5 ~~communication, with postage or cost of transmission~~
6 ~~provided for, addressed to any address reasonable~~
7 ~~under the circumstances; or~~

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

11 (76) "Software" means a computer program and any
12 supporting information provided in connection with a
13 transaction relating to the program. The term does not
14 include a computer program that is included in the
15 definition of goods.

16 (77) "State" means a State of the United States, the
17 District of Columbia, Puerto Rico, the United States
18 Virgin Islands, or any territory or insular possession
19 subject to the jurisdiction of the United States.

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

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

1 (79A) "Tangible money" means money in a tangible form.

2 (80) "Termination statement" means an amendment of a
3 financing statement which:

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

6 (B) indicates either that it is a termination
7 statement or that the identified financing statement
8 is no longer effective.

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

11 (A) operating a railroad, subway, street railway,
12 or trolley bus;

13 (B) transmitting communications electrically,
14 electromagnetically, or by light;

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

16 (D) transmitting or producing and transmitting
17 electricity, steam, gas, or water.

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

21 "Applicant". Section 5-102.

22 "Beneficiary". Section 5-102.

23 "Broker". Section 8-102.

24 "Certificated security". Section 8-102.

25 "Check". Section 3-104.

26 "Clearing corporation". Section 8-102.

1 "Contract for sale". Section 2-106.
2 "Controllable electronic record". Section 12-102.
3 "Customer". Section 4-104.
4 "Entitlement holder". Section 8-102.
5 "Financial asset". Section 8-102.
6 "Holder in due course". Section 3-302.
7 "Issuer" (with respect to a letter of credit or
8 letter-of-credit right). Section 5-102.
9 "Issuer" (with respect to a security). Section 8-201.
10 "Issuer" (with respect to documents of title). Section
11 7-102.
12 "Lease". Section 2A-103.
13 "Lease agreement". Section 2A-103.
14 "Lease contract". Section 2A-103.
15 "Leasehold interest". Section 2A-103.
16 "Lessee". Section 2A-103.
17 "Lessee in ordinary course of business". Section 2A-103.
18 "Lessor". Section 2A-103.
19 "Lessor's residual interest". Section 2A-103.
20 "Letter of credit". Section 5-102.
21 "Merchant". Section 2-104.
22 "Negotiable instrument". Section 3-104.
23 "Nominated person". Section 5-102.
24 "Note". Section 3-104.
25 "Proceeds of a letter of credit". Section 5-114.
26 "Protected purchaser". Section 8-303.

1 "Prove". Section 3-103.
2 "Qualifying purchaser". Section 12-102.
3 "Sale". Section 2-106.
4 "Securities account". Section 8-501.
5 "Securities intermediary". Section 8-102.
6 "Security". Section 8-102.
7 "Security certificate". Section 8-102.
8 "Security entitlement". Section 8-102.
9 "Uncertificated security". Section 8-102.

10 (c) Article 1 definitions and principles. Article 1
11 contains general definitions and principles of construction
12 and interpretation applicable throughout this Article.

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

14 (810 ILCS 5/9-104) (from Ch. 26, par. 9-104)

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

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

18 (1) the secured party is the bank with which the
19 deposit account is maintained;

20 (2) the debtor, secured party, and bank have agreed in
21 a signed ~~an authenticated~~ record that the bank will comply
22 with instructions originated by the secured party
23 directing disposition of the funds in the deposit account
24 without further consent by the debtor; ~~or~~

25 (3) the secured party becomes the bank's customer with

1 respect to the deposit account; ~~or~~

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

3 (A) has control of the deposit account and
4 acknowledges that it has control on behalf of the
5 secured party; or

6 (B) obtains control of the deposit account after
7 having acknowledged that it will obtain control of the
8 deposit account on behalf of the secured party.

9 (b) Debtor's right to direct disposition. A secured party
10 that has satisfied subsection (a) has control, even if the
11 debtor retains the right to direct the disposition of funds
12 from the deposit account.

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

14 (810 ILCS 5/9-105) (from Ch. 26, par. 9-105)

15 Sec. 9-105. Control of electronic copy of record
16 evidencing chattel paper.

17 (a) General rule: control of electronic copy of record
18 evidencing chattel paper. A purchaser has control of an
19 authoritative electronic copy of a record evidencing chattel
20 paper if a system employed for evidencing the assignment of
21 interests in the chattel paper reliably establishes the
22 purchaser as the person to which the authoritative electronic
23 copy was assigned.

24 (b) Single authoritative copy. A system satisfies
25 subsection (a) if the record or records evidencing the chattel

1 paper are created, stored, and assigned in a manner that:

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

6 (2) the authoritative copy identifies the purchaser as
7 the assignee of the record or records;

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

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

13 (5) each copy of the authoritative copy and any copy
14 of a copy is readily identifiable as a copy that is not the
15 authoritative copy; and

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

18 (c) One or more authoritative copies. A system satisfies
19 subsection (a), and a purchaser has control of an
20 authoritative electronic copy of a record evidencing chattel
21 paper, if the electronic copy, a record attached to or
22 logically associated with the electronic copy, or a system in
23 which the electronic copy is recorded:

24 (1) enables the purchaser readily to identify each
25 electronic copy as either an authoritative copy or a
26 nonauthoritative copy;

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

5 (3) gives the purchaser exclusive power, subject to
6 subsection (d), to:

7 (A) prevent others from adding or changing an
8 identified assignee of the authoritative electronic
9 copy; and

10 (B) transfer control of the authoritative
11 electronic copy.

12 (d) Meaning of exclusive. Subject to subsection (e), a
13 power is exclusive under subsection (c) (3) (A) and (B) even if:

14 (1) the authoritative electronic copy, a record
15 attached to or logically associated with the authoritative
16 electronic copy, or a system in which the authoritative
17 electronic copy is recorded limits the use of the
18 authoritative electronic copy or has a protocol programmed
19 to cause a change, including a transfer or loss of
20 control; or

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

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

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

1 (2) the other person:

2 (A) can exercise the power without exercise of the
3 power by the purchaser; or

4 (B) is the transferor to the purchaser of an
5 interest in the chattel paper.

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

9 (g) Obtaining control through another person. A purchaser
10 has control of an authoritative electronic copy of a record
11 evidencing chattel paper if another person, other than the
12 transferor to the purchaser of an interest in the chattel
13 paper:

14 (1) has control of the authoritative electronic copy
15 and acknowledges that it has control on behalf of the
16 purchaser; or

17 (2) obtains control of the authoritative electronic
18 copy after having acknowledged that it will obtain control
19 of the electronic copy on behalf of the purchaser.

20 ~~(a) General rule: Control of electronic chattel paper. A~~
21 ~~secured party has control of electronic chattel paper if a~~
22 ~~system employed for evidencing the transfer of interests in~~
23 ~~the chattel paper reliably establishes the secured party as~~
24 ~~the person to which the chattel paper was assigned.~~

25 ~~(b) Specific facts giving control. A system satisfies~~
26 ~~subsection (a) if the record or records comprising the chattel~~

1 ~~paper are created, stored, and assigned in such a manner that:~~

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

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

8 ~~(3) the authoritative copy is communicated to and~~
9 ~~maintained by the secured party or its designated~~
10 ~~custodian;~~

11 ~~(4) copies or amendments that add or change an~~
12 ~~identified assignee of the authoritative copy can be made~~
13 ~~only with the consent of the secured party;~~

14 ~~(5) each copy of the authoritative copy and any copy~~
15 ~~of a copy is readily identifiable as a copy that is not the~~
16 ~~authoritative copy; and~~

17 ~~(6) any amendment of the authoritative copy is readily~~
18 ~~identifiable as authorized or unauthorized.~~

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

20 (810 ILCS 5/9-105A new)

21 Sec. 9-105A. Control of electronic money.

22 (a) General rule: control of electronic money. A person
23 has control of electronic money if:

24 (1) the electronic money, a record attached to or
25 logically associated with the electronic money, or a

1 system in which the electronic money is recorded gives the
2 person:

3 (A) power to avail itself of substantially all the
4 benefit from the electronic money; and

5 (B) exclusive power, subject to subsection (b),

6 to:

7 (i) prevent others from availing themselves of
8 substantially all the benefit from the electronic
9 money; and

10 (ii) transfer control of the electronic money
11 to another person or cause another person to
12 obtain control of other electronic money as a
13 result of the transfer of the electronic money;
14 and

15 (2) the electronic money, a record attached to or
16 logically associated with the electronic money, or a
17 system in which the electronic money is recorded enables
18 the person readily to identify itself in any way,
19 including by name, identifying number, cryptographic key,
20 office, or account number, as having the powers under
21 paragraph (1).

22 (b) Meaning of exclusive. Subject to subsection (c), a
23 power is exclusive under subsection (a) (1) (B) (i) and (ii) even
24 if:

25 (1) the electronic money, a record attached to or
26 logically associated with the electronic money, or a

1 system in which the electronic money is recorded limits
2 the use of the electronic money or has a protocol
3 programmed to cause a change, including a transfer or loss
4 of control; or

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

6 (c) When power not shared with another person. A power of a
7 person is not shared with another person under subsection
8 (b) (2) and the person's power is not exclusive if:

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

11 (2) the other person:

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

14 (B) is the transferor to the person of an interest
15 in the electronic money.

16 (d) Presumption of exclusivity of certain powers. If a
17 person has the powers specified in subsection (a) (1) (B) (i) and
18 (ii), the powers are presumed to be exclusive.

19 (e) Control through another person. A person has control
20 of electronic money if another person, other than the
21 transferor to the person of an interest in the electronic
22 money:

23 (1) has control of the electronic money and
24 acknowledges that it has control on behalf of the person;

25 or

26 (2) obtains control of the electronic money after

1 having acknowledged that it will obtain control of the
2 electronic money on behalf of the person.

3 (810 ILCS 5/9-107A new)

4 Sec. 9-107A. Control of controllable electronic record,
5 controllable account, or controllable payment intangible.

6 (a) Control under Section 12-105. A secured party has
7 control of a controllable electronic record as provided in
8 Section 12-105.

9 (b) Control of controllable account and controllable
10 payment intangible. A secured party has control of a
11 controllable account or controllable payment intangible if the
12 secured party has control of the controllable electronic
13 record that evidences the controllable account or controllable
14 payment intangible.

15 (810 ILCS 5/9-107B new)

16 Sec. 9-107B. No requirement to acknowledge or confirm; no
17 duties.

18 (a) No requirement to acknowledge. A person that has
19 control under Section 9-104, 9-105, or 9-105A is not required
20 to acknowledge that it has control on behalf of another
21 person.

22 (b) No duties or confirmation. If a person acknowledges
23 that it has or will obtain control on behalf of another person,
24 unless the person otherwise agrees or law other than this

1 Article otherwise provides, the person does not owe any duty
2 to the other person and is not required to confirm the
3 acknowledgment to any other person.

4 (810 ILCS 5/9-201) (from Ch. 26, par. 9-201)

5 Sec. 9-201. General effectiveness of security agreement.

6 (a) General effectiveness. Except as otherwise provided in
7 the Uniform Commercial Code, a security agreement is effective
8 according to its terms between the parties, against purchasers
9 of the collateral, and against creditors.

10 (b) Applicable consumer laws and other law. A transaction
11 subject to this Article is subject to any applicable rule of
12 law, statute, or regulation which establishes a different rule
13 for consumers, including, without limitation:

14 (1) the Retail Installment Sales Act;

15 (2) the Motor Vehicle Retail Installment Sales Act;

16 (3) Article II of Chapter 3 of the Illinois Vehicle
17 Code;

18 (4) Article IIIB of the Boat Registration and Safety
19 Act;

20 (5) the Pawnbroker Regulation Act of 2023;

21 (6) the Motor Vehicle Leasing Act;

22 (7) the Consumer Installment Loan Act; ~~and~~

23 (8) the Consumer Deposit Security Act of 1987; ~~and~~

24 (9) the Predatory Loan Prevention Act;

25 (10) the Consumer Fraud and Deceptive Business

1 Practices Act;

2 (11) any other statute or regulation that regulates
3 the rates, charges, agreements, and practices for loans,
4 credit sales, or other extensions of credit; and

5 (12) any consumer protection statute or regulation.

6 (c) Other applicable law controls. In case of conflict
7 between this Article and a rule of law, statute, or regulation
8 described in subsection (b), the rule of law, statute, or
9 regulation controls. Failure to comply with a rule of law,
10 statute, or regulation described in subsection (b) has only
11 the effect such rule of law, statute, or regulation specifies.

12 (d) Further deference to other applicable law. This
13 Article does not:

14 (1) validate any rate, charge, agreement, or practice
15 that violates a rule of law, statute, or regulation
16 described in subsection (b); or

17 (2) extend the application of the rule of law,
18 statute, or regulation to a transaction not otherwise
19 subject to it.

20 (Source: P.A. 103-585, eff. 3-22-24.)

21 (810 ILCS 5/9-203) (from Ch. 26, par. 9-203)

22 Sec. 9-203. Attachment and enforceability of security
23 interest; proceeds; supporting obligations; formal requisites.

24 (a) Attachment. A security interest attaches to collateral
25 when it becomes enforceable against the debtor with respect to

1 the collateral, unless an agreement expressly postpones the
2 time of attachment.

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

7 (1) value has been given;

8 (2) the debtor has rights in the collateral or the
9 power to transfer rights in the collateral to a secured
10 party; and

11 (3) one of the following conditions is met:

12 (A) the debtor has signed ~~authenticated~~ a security
13 agreement that provides a description of the
14 collateral and, if the security interest covers timber
15 to be cut, a description of the land concerned;

16 (B) the collateral is not a certificated security
17 and is in the possession of the secured party under
18 Section 9-313 pursuant to the debtor's security
19 agreement;

20 (C) the collateral is a certificated security in
21 registered form and the security certificate has been
22 delivered to the secured party under Section 8-301
23 pursuant to the debtor's security agreement; ~~or~~

24 (D) the collateral is controllable accounts,
25 controllable electronic records, controllable payment
26 intangibles, deposit accounts, electronic documents,

1 electronic money, ~~electronic chattel paper,~~ investment
2 property, or letter-of-credit rights, ~~or electronic~~
3 ~~documents,~~ and the secured party has control under
4 Section 7-106, 9-104, 9-105A, 9-105, 9-106, ~~or~~ 9-107,
5 or 9-107A pursuant to the debtor's security agreement;
6 or-

7 (E) the collateral is chattel paper and the
8 secured party has possession and control under Section
9 9-314A pursuant to the debtor's security agreement.

10 (c) Other UCC provisions. Subsection (b) is subject to
11 Section 4-210 on the security interest of a collecting bank,
12 Section 5-118 on the security interest of a letter-of-credit
13 issuer or nominated person, Section 9-110 on a security
14 interest arising under Article 2 or 2A, and Section 9-206 on
15 security interests in investment property.

16 (d) When person becomes bound by another person's security
17 agreement. A person becomes bound as debtor by a security
18 agreement entered into by another person if, by operation of
19 law other than this Article or by contract:

20 (1) the security agreement becomes effective to create
21 a security interest in the person's property; or

22 (2) the person becomes generally obligated for the
23 obligations of the other person, including the obligation
24 secured under the security agreement, and acquires or
25 succeeds to all or substantially all of the assets of the
26 other person.

1 (e) Effect of new debtor becoming bound. If a new debtor
2 becomes bound as debtor by a security agreement entered into
3 by another person:

4 (1) the agreement satisfies subsection (b)(3) with
5 respect to existing or after-acquired property of the new
6 debtor to the extent the property is described in the
7 agreement; and

8 (2) another agreement is not necessary to make a
9 security interest in the property enforceable.

10 (f) Proceeds and supporting obligations. The attachment of
11 a security interest in collateral gives the secured party the
12 rights to proceeds provided by Section 9-315 and is also
13 attachment of a security interest in a supporting obligation
14 for the collateral.

15 (g) Lien securing right to payment. The attachment of a
16 security interest in a right to payment or performance secured
17 by a security interest or other lien on personal or real
18 property is also attachment of a security interest in the
19 security interest, mortgage, or other lien.

20 (h) Security entitlement carried in securities account.
21 The attachment of a security interest in a securities account
22 is also attachment of a security interest in the security
23 entitlements carried in the securities account.

24 (i) Commodity contracts carried in commodity account. The
25 attachment of a security interest in a commodity account is
26 also attachment of a security interest in the commodity

1 contracts carried in the commodity account.

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

3 (810 ILCS 5/9-204) (from Ch. 26, par. 9-204)

4 Sec. 9-204. After-acquired property; future advances.

5 (a) After-acquired collateral. Except as otherwise
6 provided in subsection (b), a security agreement may create or
7 provide for a security interest in after-acquired collateral.

8 (b) When after-acquired property clause not effective.
9 Subject to subsection (b.1), a ~~A~~ security interest does not
10 attach under a term constituting an after-acquired property
11 clause to:

12 (1) consumer goods, other than an accession when given
13 as additional security, unless the debtor acquires rights
14 in them within 10 days after the secured party gives
15 value; or

16 (2) a commercial tort claim.

17 (b.1) Limitation on subsection (b). Subsection (b) does
18 not prevent a security interest from attaching:

19 (1) to consumer goods as proceeds under Section
20 9-315(a) or commingled goods under Section 9-336(c);

21 (2) to a commercial tort claim as proceeds under
22 Section 9-315(a); or

23 (3) under an after-acquired property clause to
24 property that is proceeds of consumer goods or a
25 commercial tort claim.

1 (c) Future advances and other value. A security agreement
2 may provide that collateral secures, or that accounts, chattel
3 paper, payment intangibles, or promissory notes are sold in
4 connection with, future advances or other value, whether or
5 not the advances or value are given pursuant to commitment.

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

7 (810 ILCS 5/9-207) (from Ch. 26, par. 9-207)

8 Sec. 9-207. Rights and duties of secured party having
9 possession or control of collateral.

10 (a) Duty of care when secured party in possession. Except
11 as otherwise provided in subsection (d), a secured party shall
12 use reasonable care in the custody and preservation of
13 collateral in the secured party's possession. In the case of
14 chattel paper or an instrument, reasonable care includes
15 taking necessary steps to preserve rights against prior
16 parties unless otherwise agreed.

17 (b) Expenses, risks, duties, and rights when secured party
18 in possession. Except as otherwise provided in subsection (d),
19 if a secured party has possession of collateral:

20 (1) reasonable expenses, including the cost of
21 insurance and payment of taxes or other charges, incurred
22 in the custody, preservation, use, or operation of the
23 collateral are chargeable to the debtor and are secured by
24 the collateral;

25 (2) the risk of accidental loss or damage is on the

1 debtor to the extent of a deficiency in any effective
2 insurance coverage;

3 (3) the secured party shall keep the collateral
4 identifiable, but fungible collateral may be commingled;
5 and

6 (4) the secured party may use or operate the
7 collateral:

8 (A) for the purpose of preserving the collateral
9 or its value;

10 (B) as permitted by an order of a court having
11 competent jurisdiction; or

12 (C) except in the case of consumer goods, in the
13 manner and to the extent agreed by the debtor.

14 (c) Duties and rights when secured party in possession or
15 control. Except as otherwise provided in subsection (d), a
16 secured party having possession of collateral or control of
17 collateral under Section 7-106, 9-104, 9-105, 9-105A, 9-106,
18 ~~or~~ 9-107, or 9-107A:

19 (1) may hold as additional security any proceeds,
20 except money or funds, received from the collateral;

21 (2) shall apply money or funds received from the
22 collateral to reduce the secured obligation, unless
23 remitted to the debtor; and

24 (3) may create a security interest in the collateral.

25 (d) Buyer of certain rights to payment. If the secured
26 party is a buyer of accounts, chattel paper, payment

1 intangibles, or promissory notes or a consignor:

2 (1) subsection (a) does not apply unless the secured
3 party is entitled under an agreement:

4 (A) to charge back uncollected collateral; or

5 (B) otherwise to full or limited recourse against
6 the debtor or a secondary obligor based on the
7 nonpayment or other default of an account debtor or
8 other obligor on the collateral; and

9 (2) subsections (b) and (c) do not apply.

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

11 (810 ILCS 5/9-208) (from Ch. 26, par. 9-208)

12 Sec. 9-208. Additional duties of secured party having
13 control of collateral.

14 (a) Applicability of Section. This Section applies to
15 cases in which there is no outstanding secured obligation and
16 the secured party is not committed to make advances, incur
17 obligations, or otherwise give value.

18 (b) Duties of secured party after receiving demand from
19 debtor. Within 10 days after receiving a signed ~~an~~
20 ~~authenticated~~ demand by the debtor:

21 (1) a secured party having control of a deposit
22 account under Section 9-104(a)(2) shall send to the bank
23 with which the deposit account is maintained a signed
24 record ~~an authenticated statement~~ that releases the bank
25 from any further obligation to comply with instructions

1 originated by the secured party;

2 (2) a secured party having control of a deposit
3 account under Section 9-104(a) (3) shall:

4 (A) pay the debtor the balance on deposit in the
5 deposit account; or

6 (B) transfer the balance on deposit into a deposit
7 account in the debtor's name;

8 (3) a secured party, other than a buyer, having
9 control under Section 9-105 of an authoritative electronic
10 copy of a record evidencing chattel paper shall transfer
11 control of the electronic copy to the debtor or a person
12 designated by the debtor; a secured party, other than a
13 buyer, having control of electronic chattel paper under
14 Section 9-105 shall:

15 ~~(A) communicate the authoritative copy of the~~
16 ~~electronic chattel paper to the debtor or its~~
17 ~~designated custodian;~~

18 ~~(B) if the debtor designates a custodian that is~~
19 ~~the designated custodian with which the authoritative~~
20 ~~copy of the electronic chattel paper is maintained for~~
21 ~~the secured party, communicate to the custodian an~~
22 ~~authenticated record releasing the designated~~
23 ~~custodian from any further obligation to comply with~~
24 ~~instructions originated by the secured party and~~
25 ~~instructing the custodian to comply with instructions~~
26 ~~originated by the debtor; and~~

1 ~~(C) take appropriate action to enable the debtor~~
2 ~~or its designated custodian to make copies of or~~
3 ~~revisions to the authoritative copy which add or~~
4 ~~change an identified assignee of the authoritative~~
5 ~~copy without the consent of the secured party;~~

6 (4) a secured party having control of investment
7 property under Section 8-106(d) (2) or 9-106(b) shall send
8 to the securities intermediary or commodity intermediary
9 with which the security entitlement or commodity contract
10 is maintained a signed ~~an authenticated~~ record that
11 releases the securities intermediary or commodity
12 intermediary from any further obligation to comply with
13 entitlement orders or directions originated by the secured
14 party;

15 (5) a secured party having control of a
16 letter-of-credit right under Section 9-107 shall send to
17 each person having an unfulfilled obligation to pay or
18 deliver proceeds of the letter of credit to the secured
19 party a signed ~~an authenticated~~ release from any further
20 obligation to pay or deliver proceeds of the letter of
21 credit to the secured party; ~~and~~

22 (6) a secured party having control under Section 7-106
23 of an authoritative electronic copy of an electronic
24 document shall transfer control of the electronic copy to
25 the debtor or a person designated by the debtor; ~~a secured~~
26 ~~party having control of an electronic document shall:~~

1 (7) a secured party having control under Section
2 9-105A of electronic money shall transfer control of the
3 electronic money to the debtor or a person designated by
4 the debtor; and

5 (8) a secured party having control under Section
6 12-105 of a controllable electronic record, other than a
7 buyer of a controllable account or controllable payment
8 intangible evidenced by the controllable electronic
9 record, shall transfer control of the controllable
10 electronic record to the debtor or a person designated by
11 the debtor.

12 ~~(A) give control of the electronic document to the~~
13 ~~debtor or its designated custodian;~~

14 ~~(B) if the debtor designates a custodian that is~~
15 ~~the designated custodian with which the authoritative~~
16 ~~copy of the electronic document is maintained for the~~
17 ~~secured party, communicate to the custodian an~~
18 ~~authenticated record releasing the designated~~
19 ~~custodian from any further obligation to comply with~~
20 ~~instructions originated by the secured party and~~
21 ~~instructing the custodian to comply with instructions~~
22 ~~originated by the debtor; and~~

23 ~~(C) take appropriate action to enable the debtor~~
24 ~~or its designated custodian to make copies of or~~
25 ~~revisions to the authoritative copy which add or~~
26 ~~change an identified assignee of the authoritative~~

1 ~~copy without the consent of the secured party.~~

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

3 (810 ILCS 5/9-209)

4 Sec. 9-209. Duties of secured party if account debtor has
5 been notified of assignment.

6 (a) Applicability of Section. Except as otherwise provided
7 in subsection (c), this Section applies if:

8 (1) there is no outstanding secured obligation; and

9 (2) the secured party is not committed to make
10 advances, incur obligations, or otherwise give value.

11 (b) Duties of secured party after receiving demand from
12 debtor. Within 10 days after receiving a signed ~~an~~
13 ~~authenticated~~ demand by the debtor, a secured party shall send
14 to an account debtor that has received notification under
15 Section 9-406(a) or 12-106(b) of an assignment to the secured
16 party as assignee a signed ~~under Section 9-406(a) an~~
17 ~~authenticated~~ record that releases the account debtor from any
18 further obligation to the secured party.

19 (c) Inapplicability to sales. This Section does not apply
20 to an assignment constituting the sale of an account, chattel
21 paper, or payment intangible.

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

23 (810 ILCS 5/9-210)

24 Sec. 9-210. Request for accounting; request regarding list

1 of collateral or statement of account.

2 (a) Definitions. In this Section:

3 (1) "Request" means a record of a type described in
4 paragraph (2), (3), or (4).

5 (2) "Request for an accounting" means a record signed
6 ~~authenticated~~ by a debtor requesting that the recipient
7 provide an accounting of the unpaid obligations secured by
8 collateral and reasonably identifying the transaction or
9 relationship that is the subject of the request.

10 (3) "Request regarding a list of collateral" means a
11 record signed ~~authenticated~~ by a debtor requesting that
12 the recipient approve or correct a list of what the debtor
13 believes to be the collateral securing an obligation and
14 reasonably identifying the transaction or relationship
15 that is the subject of the request.

16 (4) "Request regarding a statement of account" means a
17 record signed ~~authenticated~~ by a debtor requesting that
18 the recipient approve or correct a statement indicating
19 what the debtor believes to be the aggregate amount of
20 unpaid obligations secured by collateral as of a specified
21 date and reasonably identifying the transaction or
22 relationship that is the subject of the request.

23 (b) Duty to respond to requests. Subject to subsections
24 (c), (d), (e), and (f), a secured party, other than a buyer of
25 accounts, chattel paper, payment intangibles, or promissory
26 notes or a consignor, shall comply with a request within 14

1 days after receipt:

2 (1) in the case of a request for an accounting, by
3 signing ~~authenticating~~ and sending to the debtor an
4 accounting; and

5 (2) in the case of a request regarding a list of
6 collateral or a request regarding a statement of account,
7 by signing ~~authenticating~~ and sending to the debtor an
8 approval or correction.

9 (c) Request regarding list of collateral; statement
10 concerning type of collateral. A secured party that claims a
11 security interest in all of a particular type of collateral
12 owned by the debtor may comply with a request regarding a list
13 of collateral by sending to the debtor a signed ~~an~~
14 ~~authenticated~~ record including a statement to that effect
15 within 14 days after receipt.

16 (d) Request regarding list of collateral; no interest
17 claimed. A person that receives a request regarding a list of
18 collateral, claims no interest in the collateral when it
19 receives the request, and claimed an interest in the
20 collateral at an earlier time shall comply with the request
21 within 14 days after receipt by sending to the debtor a signed
22 ~~an authenticated~~ record:

23 (1) disclaiming any interest in the collateral; and

24 (2) if known to the recipient, providing the name and
25 mailing address of any assignee of or successor to the
26 recipient's interest in the collateral.

1 (e) Request for accounting or regarding statement of
2 account; no interest in obligation claimed. A person that
3 receives a request for an accounting or a request regarding a
4 statement of account, claims no interest in the obligations
5 when it receives the request, and claimed an interest in the
6 obligations at an earlier time shall comply with the request
7 within 14 days after receipt by sending to the debtor a signed
8 ~~an authenticated~~ record:

9 (1) disclaiming any interest in the obligations; and

10 (2) if known to the recipient, providing the name and
11 mailing address of any assignee of or successor to the
12 recipient's interest in the obligations.

13 (f) Charges for responses. A debtor is entitled without
14 charge to one response to a request under this Section during
15 any six-month period. The secured party may require payment of
16 a charge not exceeding \$25 for each additional response.

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

18 (810 ILCS 5/9-301) (from Ch. 26, par. 9-301)

19 Sec. 9-301. Law governing perfection and priority of
20 security interests. Except as otherwise provided in Sections
21 9-303 through 9-306B ~~9-306.1~~, the following rules determine
22 the law governing perfection, the effect of perfection or
23 nonperfection, and the priority of a security interest in
24 collateral:

25 (1) Except as otherwise provided in this Section,

1 while a debtor is located in a jurisdiction, the local law
2 of that jurisdiction governs perfection, the effect of
3 perfection or nonperfection, and the priority of a
4 security interest in collateral.

5 (2) While collateral is located in a jurisdiction, the
6 local law of that jurisdiction governs perfection, the
7 effect of perfection or nonperfection, and the priority of
8 a possessory security interest in that collateral.

9 (3) Except as otherwise provided in paragraph (4),
10 while tangible negotiable documents, goods, instruments,
11 or tangible money, ~~or tangible chattel paper~~ is located in
12 a jurisdiction, the local law of that jurisdiction
13 governs:

14 (A) perfection of a security interest in the goods
15 by filing a fixture filing;

16 (B) perfection of a security interest in timber to
17 be cut; and

18 (C) the effect of perfection or nonperfection and
19 the priority of a nonpossessory security interest in
20 the collateral.

21 (4) The local law of the jurisdiction in which the
22 wellhead or minehead is located governs perfection, the
23 effect of perfection or nonperfection, and the priority of
24 a security interest in as-extracted collateral.

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

1 (810 ILCS 5/9-304) (from Ch. 26, par. 9-304)

2 Sec. 9-304. Law governing perfection and priority of
3 security interests in deposit accounts.

4 (a) Law of bank's jurisdiction governs. The local law of a
5 bank's jurisdiction governs perfection, the effect of
6 perfection or nonperfection, and the priority of a security
7 interest in a deposit account maintained with that bank even
8 if the transaction does not bear any relation to the bank's
9 jurisdiction.

10 (b) Bank's jurisdiction. The following rules determine a
11 bank's jurisdiction for purposes of this Part:

12 (1) If an agreement between the bank and the debtor
13 governing the deposit account expressly provides that a
14 particular jurisdiction is the bank's jurisdiction for
15 purposes of this Part, this Article, or the Uniform
16 Commercial Code, that jurisdiction is the bank's
17 jurisdiction.

18 (2) If paragraph (1) does not apply and an agreement
19 between the bank and its customer governing the deposit
20 account expressly provides that the agreement is governed
21 by the law of a particular jurisdiction, that jurisdiction
22 is the bank's jurisdiction.

23 (3) If neither paragraph (1) nor paragraph (2) applies
24 and an agreement between the bank and its customer
25 governing the deposit account expressly provides that the
26 deposit account is maintained at an office in a particular

1 jurisdiction, that jurisdiction is the bank's
2 jurisdiction.

3 (4) If none of the preceding paragraphs applies, the
4 bank's jurisdiction is the jurisdiction in which the
5 office identified in an account statement as the office
6 serving the customer's account is located.

7 (5) If none of the preceding paragraphs applies, the
8 bank's jurisdiction is the jurisdiction in which the chief
9 executive office of the bank is located.

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

11 (810 ILCS 5/9-305) (from Ch. 26, par. 9-305)

12 Sec. 9-305. Law governing perfection and priority of
13 security interests in investment property.

14 (a) Governing law: general rules. Except as otherwise
15 provided in subsection (c), the following rules apply:

16 (1) While a security certificate is located in a
17 jurisdiction, the local law of that jurisdiction governs
18 perfection, the effect of perfection or nonperfection, and
19 the priority of a security interest in the certificated
20 security represented thereby.

21 (2) The local law of the issuer's jurisdiction as
22 specified in Section 8-110(d) governs perfection, the
23 effect of perfection or nonperfection, and the priority of
24 a security interest in an uncertificated security.

25 (3) The local law of the securities intermediary's

1 jurisdiction as specified in Section 8-110(e) governs
2 perfection, the effect of perfection or nonperfection, and
3 the priority of a security interest in a security
4 entitlement or securities account.

5 (4) The local law of the commodity intermediary's
6 jurisdiction governs perfection, the effect of perfection
7 or nonperfection, and the priority of a security interest
8 in a commodity contract or commodity account.

9 (5) Paragraphs (2), (3), and (4) apply even if the
10 transaction does not bear any relation to the
11 jurisdiction.

12 (b) Commodity intermediary's jurisdiction. The following
13 rules determine a commodity intermediary's jurisdiction for
14 purposes of this Part:

15 (1) If an agreement between the commodity intermediary
16 and commodity customer governing the commodity account
17 expressly provides that a particular jurisdiction is the
18 commodity intermediary's jurisdiction for purposes of this
19 Part, this Article, or the Uniform Commercial Code, that
20 jurisdiction is the commodity intermediary's jurisdiction.

21 (2) If paragraph (1) does not apply and an agreement
22 between the commodity intermediary and commodity customer
23 governing the commodity account expressly provides that
24 the agreement is governed by the law of a particular
25 jurisdiction, that jurisdiction is the commodity
26 intermediary's jurisdiction.

1 (3) If neither paragraph (1) nor paragraph (2) applies
2 and an agreement between the commodity intermediary and
3 commodity customer governing the commodity account
4 expressly provides that the commodity account is
5 maintained at an office in a particular jurisdiction, that
6 jurisdiction is the commodity intermediary's jurisdiction.

7 (4) If none of the preceding paragraphs applies, the
8 commodity intermediary's jurisdiction is the jurisdiction
9 in which the office identified in an account statement as
10 the office serving the commodity customer's account is
11 located.

12 (5) If none of the preceding paragraphs applies, the
13 commodity intermediary's jurisdiction is the jurisdiction
14 in which the chief executive office of the commodity
15 intermediary is located.

16 (c) When perfection governed by law of jurisdiction where
17 debtor located. The local law of the jurisdiction in which the
18 debtor is located governs:

19 (1) perfection of a security interest in investment
20 property by filing;

21 (2) automatic perfection of a security interest in
22 investment property created by a broker or securities
23 intermediary; and

24 (3) automatic perfection of a security interest in a
25 commodity contract or commodity account created by a
26 commodity intermediary.

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

2 (810 ILCS 5/9-306A new)

3 Sec. 9-306A. Law governing perfection and priority of
4 security interests in chattel paper.

5 (a) Chattel paper evidenced by authoritative electronic
6 copy. Except as provided in subsection (d), if chattel paper
7 is evidenced only by an authoritative electronic copy of the
8 chattel paper or is evidenced by an authoritative electronic
9 copy and an authoritative tangible copy, the local law of the
10 chattel paper's jurisdiction governs perfection, the effect of
11 perfection or nonperfection, and the priority of a security
12 interest in the chattel paper, even if the transaction does
13 not bear any relation to the chattel paper's jurisdiction.

14 (b) Chattel paper's jurisdiction. The following rules
15 determine the chattel paper's jurisdiction under this Section:

16 (1) If the authoritative electronic copy of the record
17 evidencing chattel paper, or a record attached to or
18 logically associated with the electronic copy and readily
19 available for review, expressly provides that a particular
20 jurisdiction is the chattel paper's jurisdiction for
21 purposes of this part, this Article, or the Uniform
22 Commercial Code, that jurisdiction is the chattel paper's
23 jurisdiction.

24 (2) If paragraph (1) does not apply and the rules of
25 the system in which the authoritative electronic copy is

1 recorded are readily available for review and expressly
2 provide that a particular jurisdiction is the chattel
3 paper's jurisdiction for purposes of this part, this
4 Article, or the Uniform Commercial Code, that jurisdiction
5 is the chattel paper's jurisdiction.

6 (3) If paragraphs (1) and (2) do not apply and the
7 authoritative electronic copy, or a record attached to or
8 logically associated with the electronic copy and readily
9 available for review, expressly provides that the chattel
10 paper is governed by the law of a particular jurisdiction,
11 that jurisdiction is the chattel paper's jurisdiction.

12 (4) If paragraphs (1), (2), and (3) do not apply and
13 the rules of the system in which the authoritative
14 electronic copy is recorded are readily available for
15 review and expressly provide that the chattel paper or the
16 system is governed by the law of a particular
17 jurisdiction, that jurisdiction is the chattel paper's
18 jurisdiction.

19 (5) If paragraphs (1) through (4) do not apply, the
20 chattel paper's jurisdiction is the jurisdiction in which
21 the debtor is located.

22 (c) Chattel paper evidenced by authoritative tangible
23 copy. If an authoritative tangible copy of a record evidences
24 chattel paper and the chattel paper is not evidenced by an
25 authoritative electronic copy, while the authoritative
26 tangible copy of the record evidencing chattel paper is

1 located in a jurisdiction, the local law of that jurisdiction
2 governs:

3 (1) perfection of a security interest in the chattel
4 paper by possession under Section 9-314A; and

5 (2) the effect of perfection or nonperfection and the
6 priority of a security interest in the chattel paper.

7 (d) When perfection governed by law of jurisdiction where
8 debtor located. The local law of the jurisdiction in which the
9 debtor is located governs perfection of a security interest in
10 chattel paper by filing.

11 (810 ILCS 5/9-306B new)

12 Sec. 9-306B. Law governing perfection and priority of
13 security interests in controllable accounts, controllable
14 electronic records, and controllable payment intangibles.

15 (a) Governing law: general rules. Except as provided in
16 subsection (b), the local law of the controllable electronic
17 record's jurisdiction specified in Section 12-107(c) and (d)
18 governs perfection, the effect of perfection or nonperfection,
19 and the priority of a security interest in a controllable
20 electronic record and a security interest in a controllable
21 account or controllable payment intangible evidenced by the
22 controllable electronic record.

23 (b) When perfection governed by law of jurisdiction where
24 debtor located. The local law of the jurisdiction in which the
25 debtor is located governs:

- 1 (1) perfection of a security interest in a
2 controllable account, controllable electronic record, or
3 controllable payment intangible by filing; and
4 (2) automatic perfection of a security interest in a
5 controllable payment intangible created by a sale of the
6 controllable payment intangible.

7 (810 ILCS 5/9-310) (from Ch. 26, par. 9-310)

8 Sec. 9-310. When filing required to perfect security
9 interest or agricultural lien; security interests and
10 agricultural liens to which filing provisions do not apply.

11 (a) General rule: perfection by filing. Except as
12 otherwise provided in subsection (b) and Section 9-312(b), a
13 financing statement must be filed to perfect all security
14 interests and agricultural liens.

15 (b) Exceptions: filing not necessary. The filing of a
16 financing statement is not necessary to perfect a security
17 interest:

18 (1) that is perfected under Section 9-308(d), (e),
19 (f), or (g);

20 (2) that is perfected under Section 9-309 when it
21 attaches;

22 (3) in property subject to a statute, regulation, or
23 treaty described in Section 9-311(a);

24 (4) in goods in possession of a bailee which is
25 perfected under Section 9-312(d) (1) or (2);

1 (5) in certificated securities, documents, goods, or
2 instruments which is perfected without filing, control, or
3 possession under Section 9-312(e), (f), or (g);

4 (6) in collateral in the secured party's possession
5 under Section 9-313;

6 (7) in a certificated security which is perfected by
7 delivery of the security certificate to the secured party
8 under Section 9-313;

9 (8) in controllable accounts, controllable electronic
10 records, controllable payment intangibles, deposit
11 accounts, ~~electronic chattel paper,~~ electronic documents,
12 investment property, letter-of-credit rights, or
13 beneficial interests in Illinois land trusts which is
14 perfected by control under Section 9-314;

15 (8.1) in chattel paper which is perfected by
16 possession and control under Section 9-314A;

17 (9) in proceeds which is perfected under Section
18 9-315; or

19 (10) that is perfected under Section 9-316.

20 (c) Assignment of perfected security interest. If a
21 secured party assigns a perfected security interest or
22 agricultural lien, a filing under this Article is not required
23 to continue the perfected status of the security interest
24 against creditors of and transferees from the original debtor.

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

1 (810 ILCS 5/9-312) (from Ch. 26, par. 9-312)

2 Sec. 9-312. Perfection of security interests in chattel
3 paper, controllable accounts, controllable electronic records,
4 controllable payment intangibles, deposit accounts, negotiable
5 documents, goods covered by documents, instruments, investment
6 property, letter-of-credit rights, and money; perfection by
7 permissive filing; temporary perfection without filing or
8 transfer of possession.

9 (a) Perfection by filing permitted. A security interest in
10 chattel paper, controllable accounts, controllable electronic
11 records, controllable payment intangibles, ~~negotiable~~
12 ~~documents,~~ instruments, beneficial interests in Illinois land
13 trusts, ~~or~~ investment property, or negotiable documents may be
14 perfected by filing.

15 (b) Control or possession of certain collateral. Except as
16 otherwise provided in Section 9-315(c) and (d) for proceeds:

17 (1) a security interest in a deposit account may be
18 perfected only by control under Section 9-314;

19 (2) and except as otherwise provided in Section
20 9-308(d), a security interest in a letter-of-credit right
21 may be perfected only by control under Section 9-314; ~~and~~

22 (3) a security interest in tangible money may be
23 perfected only by the secured party's taking possession
24 under Section 9-313; and-

25 (4) a security interest in electronic money may be
26 perfected only by control under Section 9-314.

1 (c) Goods covered by negotiable document. While goods are
2 in the possession of a bailee that has issued a negotiable
3 document covering the goods:

4 (1) a security interest in the goods may be perfected
5 by perfecting a security interest in the document; and

6 (2) a security interest perfected in the document has
7 priority over any security interest that becomes perfected
8 in the goods by another method during that time.

9 (d) Goods covered by nonnegotiable document. While goods
10 are in the possession of a bailee that has issued a
11 nonnegotiable document covering the goods, a security interest
12 in the goods may be perfected by:

13 (1) issuance of a document in the name of the secured
14 party;

15 (2) the bailee's receipt of notification of the
16 secured party's interest; or

17 (3) filing as to the goods.

18 (e) Temporary perfection: new value. A security interest
19 in certificated securities, negotiable documents, or
20 instruments is perfected without filing or the taking of
21 possession or control for a period of 20 days from the time it
22 attaches to the extent that it arises for new value given under
23 a signed ~~an authenticated~~ security agreement.

24 (f) Temporary perfection: goods or documents made
25 available to debtor. A perfected security interest in a
26 negotiable document or goods in possession of a bailee, other

1 than one that has issued a negotiable document for the goods,
2 remains perfected for 20 days without filing if the secured
3 party makes available to the debtor the goods or documents
4 representing the goods for the purpose of:

5 (1) ultimate sale or exchange; or

6 (2) loading, unloading, storing, shipping,
7 transshipping, manufacturing, processing, or otherwise
8 dealing with them in a manner preliminary to their sale or
9 exchange.

10 (g) Temporary perfection: delivery of security certificate
11 or instrument to debtor. A perfected security interest in a
12 certificated security or instrument remains perfected for 20
13 days without filing if the secured party delivers the security
14 certificate or instrument to the debtor for the purpose of:

15 (1) ultimate sale or exchange; or

16 (2) presentation, collection, enforcement, renewal, or
17 registration of transfer.

18 (h) Expiration of temporary perfection. After the 20-day
19 period specified in subsection (e), (f), or (g) expires,
20 perfection depends upon compliance with this Article.

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

22 (810 ILCS 5/9-313) (from Ch. 26, par. 9-313)

23 Sec. 9-313. When possession by or delivery to secured
24 party perfects security interest without filing.

25 (a) Perfection by possession or delivery. Except as

1 otherwise provided in subsection (b), a secured party may
2 perfect a security interest in ~~tangible negotiable documents,~~
3 goods, instruments, negotiable tangible documents, or tangible
4 ~~money, or tangible chattel paper~~ by taking possession of the
5 collateral. A secured party may perfect a security interest in
6 certificated securities by taking delivery of the certificated
7 securities under Section 8-301.

8 (b) Goods covered by certificate of title. With respect to
9 goods covered by a certificate of title issued by this State, a
10 secured party may perfect a security interest in the goods by
11 taking possession of the goods only in the circumstances
12 described in Section 9-316(d).

13 (c) Collateral in possession of person other than debtor.
14 With respect to collateral other than certificated securities
15 and goods covered by a document, a secured party takes
16 possession of collateral in the possession of a person other
17 than the debtor, the secured party, or a lessee of the
18 collateral from the debtor in the ordinary course of the
19 debtor's business, when:

20 (1) the person in possession signs ~~authenticates~~ a
21 record acknowledging that it holds possession of the
22 collateral for the secured party's benefit; or

23 (2) the person takes possession of the collateral
24 after having signed ~~authenticated~~ a record acknowledging
25 that it will hold possession of the collateral for the
26 secured party's benefit.

1 (d) Time of perfection by possession; continuation of
2 perfection. If perfection of a security interest depends upon
3 possession of the collateral by a secured party, perfection
4 occurs not ~~no~~ earlier than the time the secured party takes
5 possession and continues only while the secured party retains
6 possession.

7 (e) Time of perfection by delivery; continuation of
8 perfection. A security interest in a certificated security in
9 registered form is perfected by delivery when delivery of the
10 certificated security occurs under Section 8-301 and remains
11 perfected by delivery until the debtor obtains possession of
12 the security certificate.

13 (f) Acknowledgment not required. A person in possession of
14 collateral is not required to acknowledge that it holds
15 possession for a secured party's benefit.

16 (g) Effectiveness of acknowledgment; no duties or
17 confirmation. If a person acknowledges that it holds
18 possession for the secured party's benefit:

19 (1) the acknowledgment is effective under subsection
20 (c) or Section 8-301(a), even if the acknowledgment
21 violates the rights of a debtor; and

22 (2) unless the person otherwise agrees or law other
23 than this Article otherwise provides, the person does not
24 owe any duty to the secured party and is not required to
25 confirm the acknowledgment to another person.

26 (h) Secured party's delivery to person other than debtor.

1 A secured party having possession of collateral does not
2 relinquish possession by delivering the collateral to a person
3 other than the debtor or a lessee of the collateral from the
4 debtor in the ordinary course of the debtor's business if the
5 person was instructed before the delivery or is instructed
6 contemporaneously with the delivery:

7 (1) to hold possession of the collateral for the
8 secured party's benefit; or

9 (2) to redeliver the collateral to the secured party.

10 (i) Effect of delivery under subsection (h); no duties or
11 confirmation. A secured party does not relinquish possession,
12 even if a delivery under subsection (h) violates the rights of
13 a debtor. A person to which collateral is delivered under
14 subsection (h) does not owe any duty to the secured party and
15 is not required to confirm the delivery to another person
16 unless the person otherwise agrees or law other than this
17 Article otherwise provides.

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

19 (810 ILCS 5/9-314) (from Ch. 26, par. 9-314)

20 Sec. 9-314. Perfection by control.

21 (a) Perfection by control. A security interest in
22 controllable accounts, controllable electronic records,
23 controllable payment intangibles, deposit accounts, electronic
24 documents, electronic money, investment property, or
25 letter-of-credit rights ~~investment property, deposit accounts,~~

1 ~~electronic chattel paper, letter of credit rights, electronic~~
2 ~~documents,~~ or beneficial interests in Illinois land trusts may
3 be perfected by control of the collateral under Section 7-106,
4 9-104, 9-105A ~~9-105,~~ 9-106, 9-107, ~~or~~ 9-107.1, or 9-107A.

5 (b) Specified collateral: time of perfection by control;
6 continuation of perfection. A security interest in
7 controllable accounts, controllable electronic records,
8 controllable payment intangibles, deposit accounts, electronic
9 documents, electronic money, or letter-of-credit rights
10 ~~deposit accounts, electronic chattel paper, letter of credit~~
11 ~~rights, electronic documents,~~ or beneficial interests in
12 Illinois land trusts is perfected by control under Section
13 7-106, 9-104, 9-105A, ~~9-105,~~ 9-107, ~~or~~ 9-107.1, or 9-107A not
14 earlier than the time ~~when~~ the secured party obtains control
15 and remains perfected by control only while the secured party
16 retains control.

17 (c) Investment property: time of perfection by control;
18 continuation of perfection. A security interest in investment
19 property is perfected by control under Section 9-106 not
20 earlier than ~~from~~ the time the secured party obtains control
21 and remains perfected by control until:

22 (1) the secured party does not have control; and

23 (2) one of the following occurs:

24 (A) if the collateral is a certificated security,
25 the debtor has or acquires possession of the security
26 certificate;

1 (B) if the collateral is an uncertificated
2 security, the issuer has registered or registers the
3 debtor as the registered owner; or

4 (C) if the collateral is a security entitlement,
5 the debtor is or becomes the entitlement holder.

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

7 (810 ILCS 5/9-314A new)

8 Sec. 9-314A. Perfection by possession and control of
9 chattel paper.

10 (a) Perfection by possession and control. A secured party
11 may perfect a security interest in chattel paper by taking
12 possession of each authoritative tangible copy of the record
13 evidencing the chattel paper and obtaining control of each
14 authoritative electronic copy of the electronic record
15 evidencing the chattel paper.

16 (b) Time of perfection; continuation of perfection. A
17 security interest is perfected under subsection (a) not
18 earlier than the time the secured party takes possession and
19 obtains control and remains perfected under subsection (a)
20 only while the secured party retains possession and control.

21 (c) Application of Section 9-313 to perfection by
22 possession of chattel paper. Section 9-313(c) and (f) through
23 (i) applies to perfection by possession of an authoritative
24 tangible copy of a record evidencing chattel paper.

1 (810 ILCS 5/9-316) (from Ch. 26, par. 9-316)

2 Sec. 9-316. Effect of change in governing law.

3 (a) General rule: effect on perfection of change in
4 governing law. A security interest perfected pursuant to the
5 law of the jurisdiction designated in Section 9-301(1), ~~or~~
6 9-305(c), 9-306A(d), or 9-306B(b) remains perfected until the
7 earliest of:

8 (1) the time perfection would have ceased under the
9 law of that jurisdiction;

10 (2) the expiration of four months after a change of
11 the debtor's location to another jurisdiction; or

12 (3) the expiration of one year after a transfer of
13 collateral to a person that thereby becomes a debtor and
14 is located in another jurisdiction.

15 (b) Security interest perfected or unperfected under law
16 of new jurisdiction. If a security interest described in
17 subsection (a) becomes perfected under the law of the other
18 jurisdiction before the earliest time or event described in
19 that subsection, it remains perfected thereafter. If the
20 security interest does not become perfected under the law of
21 the other jurisdiction before the earliest time or event, it
22 becomes unperfected and is deemed never to have been perfected
23 as against a purchaser of the collateral for value.

24 (c) Possessory security interest in collateral moved to
25 new jurisdiction. A possessory security interest in
26 collateral, other than goods covered by a certificate of title

1 and as-extracted collateral consisting of goods, remains
2 continuously perfected if:

3 (1) the collateral is located in one jurisdiction and
4 subject to a security interest perfected under the law of
5 that jurisdiction;

6 (2) thereafter the collateral is brought into another
7 jurisdiction; and

8 (3) upon entry into the other jurisdiction, the
9 security interest is perfected under the law of the other
10 jurisdiction.

11 (d) Goods covered by certificate of title from this State.
12 Except as otherwise provided in subsection (e), a security
13 interest in goods covered by a certificate of title which is
14 perfected by any method under the law of another jurisdiction
15 when the goods become covered by a certificate of title from
16 this State remains perfected until the security interest would
17 have become unperfected under the law of the other
18 jurisdiction had the goods not become so covered.

19 (e) When subsection (d) security interest becomes
20 unperfected against purchasers. A security interest described
21 in subsection (d) becomes unperfected as against a purchaser
22 of the goods for value and is deemed never to have been
23 perfected as against a purchaser of the goods for value if the
24 applicable requirements for perfection under Section 9-311(b)
25 or 9-313 are not satisfied before the earlier of:

26 (1) the time the security interest would have become

1 unperfected under the law of the other jurisdiction had
2 the goods not become covered by a certificate of title
3 from this State; or

4 (2) the expiration of four months after the goods had
5 become so covered.

6 (f) Change in jurisdiction of chattel paper, controllable
7 electronic record, bank, issuer, nominated person, securities
8 intermediary, or commodity intermediary. A security interest
9 in chattel paper, controllable accounts, controllable
10 electronic records, controllable payment intangibles, deposit
11 accounts, letter-of-credit rights, or investment property
12 which is perfected under the law of the chattel paper's
13 jurisdiction, the controllable electronic record's
14 jurisdiction, the bank's jurisdiction, the issuer's
15 jurisdiction, a nominated person's jurisdiction, the
16 securities intermediary's jurisdiction, or the commodity
17 intermediary's jurisdiction, as applicable, remains perfected
18 until the earlier of:

19 (1) the time the security interest would have become
20 unperfected under the law of that jurisdiction; or

21 (2) the expiration of four months after a change of
22 the applicable jurisdiction to another jurisdiction.

23 (g) Subsection (f) security interest perfected or
24 unperfected under law of new jurisdiction. If a security
25 interest described in subsection (f) becomes perfected under
26 the law of the other jurisdiction before the earlier of the

1 time or the end of the period described in that subsection, it
2 remains perfected thereafter. If the security interest does
3 not become perfected under the law of the other jurisdiction
4 before the earlier of that time or the end of that period, it
5 becomes unperfected and is deemed never to have been perfected
6 as against a purchaser of the collateral for value.

7 (h) Effect on filed financing statement of change in
8 governing law. The following rules apply to collateral to
9 which a security interest attaches within four months after
10 the debtor changes its location to another jurisdiction:

11 (1) A financing statement filed before the change
12 pursuant to the law of the jurisdiction designated in
13 Section 9-301(1) or 9-305(c) is effective to perfect a
14 security interest in the collateral if the financing
15 statement would have been effective to perfect a security
16 interest in the collateral had the debtor not changed its
17 location.

18 (2) If a security interest perfected by a financing
19 statement that is effective under paragraph (1) becomes
20 perfected under the law of the other jurisdiction before
21 the earlier of the time the financing statement would have
22 become ineffective under the law of the jurisdiction
23 designated in Section 9-301(1) or 9-305(c) or the
24 expiration of the four-month period, it remains perfected
25 thereafter. If the security interest does not become
26 perfected under the law of the other jurisdiction before

1 the earlier time or event, it becomes unperfected and is
2 deemed never to have been perfected as against a purchaser
3 of the collateral for value.

4 (i) Effect of change in governing law on financing
5 statement filed against original debtor. If a financing
6 statement naming an original debtor is filed pursuant to the
7 law of the jurisdiction designated in Section 9-301(1) or
8 9-305(c) and the new debtor is located in another
9 jurisdiction, the following rules apply:

10 (1) The financing statement is effective to perfect a
11 security interest in collateral acquired by the new debtor
12 before, and within four months after, the new debtor
13 becomes bound under Section 9-203(d), if the financing
14 statement would have been effective to perfect a security
15 interest in the collateral had the collateral been
16 acquired by the original debtor.

17 (2) A security interest perfected by the financing
18 statement and which becomes perfected under the law of the
19 other jurisdiction before the earlier of the time the
20 financing statement would have become ineffective under
21 the law of the jurisdiction designated in Section 9-301(1)
22 or 9-305(c) or the expiration of the four-month period
23 remains perfected thereafter. A security interest that is
24 perfected by the financing statement but which does not
25 become perfected under the law of the other jurisdiction
26 before the earlier time or event becomes unperfected and

1 is deemed never to have been perfected as against a
2 purchaser of the collateral for value.

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

4 (810 ILCS 5/9-317) (from Ch. 26, par. 9-317)

5 Sec. 9-317. Interests that take priority over or take free
6 of security interest or agricultural lien.

7 (a) Conflicting security interests and rights of lien
8 creditors. A security interest or agricultural lien is
9 subordinate to the rights of:

10 (1) a person entitled to priority under Section 9-322;
11 and

12 (2) except as otherwise provided in subsection (e) or
13 (f), a person that becomes a lien creditor before the
14 earlier of the time:

15 (A) the security interest or agricultural lien is
16 perfected; or

17 (B) one of the conditions specified in Section
18 9-203(b)(3) is met and a financing statement covering
19 the collateral is filed.

20 (b) Buyers that receive delivery. Except as otherwise
21 provided in subsection (e), a buyer, other than a secured
22 party, of ~~tangible chattel paper, tangible documents,~~ goods,
23 instruments, tangible documents, or a certificated security
24 takes free of a security interest or agricultural lien if the
25 buyer gives value and receives delivery of the collateral

1 without knowledge of the security interest or agricultural
2 lien and before it is perfected.

3 (c) Lessees that receive delivery. Except as otherwise
4 provided in subsection (e), a lessee of goods takes free of a
5 security interest or agricultural lien if the lessee gives
6 value and receives delivery of the collateral without
7 knowledge of the security interest or agricultural lien and
8 before it is perfected.

9 (d) Licensees and buyers of certain collateral. Subject to
10 subsections (g) through (j), a ~~A~~ licensee of a general
11 intangible or a buyer, other than a secured party, of
12 collateral other than electronic money ~~tangible chattel paper,~~
13 ~~tangible documents,~~ goods, instruments, tangible documents, or
14 a certificated security takes free of a security interest if
15 the licensee or buyer gives value without knowledge of the
16 security interest and before it is perfected.

17 (e) Purchase-money security interest. Except as otherwise
18 provided in Sections 9-320 and 9-321, if a person files a
19 financing statement with respect to a purchase-money security
20 interest before or within 20 days after the debtor receives
21 delivery of the collateral, the security interest takes
22 priority over the rights of a buyer, lessee, or lien creditor
23 which arise between the time the security interest attaches
24 and the time of filing.

25 (f) Public deposits. An unperfected security interest
26 shall take priority over the rights of a lien creditor if (i)

1 the lien creditor is a trustee or receiver of a bank or acting
2 in furtherance of its supervisory authority over such bank and
3 (ii) a security interest is granted by the bank to secure a
4 deposit of public funds with the bank or a repurchase
5 agreement with the bank pursuant to the Government Securities
6 Act of 1986, as amended.

7 (g) Buyers of chattel paper. A buyer, other than a secured
8 party, of chattel paper takes free of a security interest if,
9 without knowledge of the security interest and before it is
10 perfected, the buyer gives value and:

11 (1) receives delivery of each authoritative tangible
12 copy of the record evidencing the chattel paper; and

13 (2) if each authoritative electronic copy of the
14 record evidencing the chattel paper can be subjected to
15 control under Section 9-105, obtains control of each
16 authoritative electronic copy.

17 (h) Buyers of electronic documents. A buyer of an
18 electronic document takes free of a security interest if,
19 without knowledge of the security interest and before it is
20 perfected, the buyer gives value and, if each authoritative
21 electronic copy of the document can be subjected to control
22 under Section 7-106, obtains control of each authoritative
23 electronic copy.

24 (i) Buyers of controllable electronic records. A buyer of
25 a controllable electronic record takes free of a security
26 interest if, without knowledge of the security interest and

1 before it is perfected, the buyer gives value and obtains
2 control of the controllable electronic record.

3 (j) Buyers of controllable accounts and controllable
4 payment intangibles. A buyer, other than a secured party, of a
5 controllable account or a controllable payment intangible
6 takes free of a security interest if, without knowledge of the
7 security interest and before it is perfected, the buyer gives
8 value and obtains control of the controllable account or
9 controllable payment intangible.

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

11 (810 ILCS 5/9-323)

12 Sec. 9-323. Future advances.

13 (a) When priority based on time of advance. Except as
14 otherwise provided in subsection (c), for purposes of
15 determining the priority of a perfected security interest
16 under Section 9-322(a)(1), perfection of the security interest
17 dates from the time an advance is made to the extent that the
18 security interest secures an advance that:

19 (1) is made while the security interest is perfected
20 only:

21 (A) under Section 9-309 when it attaches; or

22 (B) temporarily under Section 9-312(e), (f), or

23 (g); and

24 (2) is not made pursuant to a commitment entered into
25 before or while the security interest is perfected by a

1 method other than under Section 9-309 or 9-312(e), (f), or
2 (g).

3 (b) Lien creditor. Except as otherwise provided in
4 subsection (c), a security interest is subordinate to the
5 rights of a person that becomes a lien creditor to the extent
6 that the security interest secures an advance made more than
7 45 days after the person becomes a lien creditor unless the
8 advance is made:

9 (1) without knowledge of the lien; or

10 (2) pursuant to a commitment entered into without
11 knowledge of the lien.

12 (c) Buyer of receivables. Subsections (a) and (b) do not
13 apply to a security interest held by a secured party that is a
14 buyer of accounts, chattel paper, payment intangibles, or
15 promissory notes or a consignor.

16 (d) Buyer of goods. Except as otherwise provided in
17 subsection (e), a buyer of goods ~~other than a buyer in ordinary~~
18 ~~course of business~~ takes free of a security interest to the
19 extent that it secures advances made after the earlier of:

20 (1) the time the secured party acquires knowledge of
21 the buyer's purchase; or

22 (2) 45 days after the purchase.

23 (e) Advances made pursuant to commitment: priority of
24 buyer of goods. Subsection (d) does not apply if the advance is
25 made pursuant to a commitment entered into without knowledge
26 of the buyer's purchase and before the expiration of the

1 45-day period.

2 (f) Lessee of goods. Except as otherwise provided in
3 subsection (g), a lessee of goods, ~~other than a lessee in~~
4 ~~ordinary course of business~~, takes the leasehold interest free
5 of a security interest to the extent that it secures advances
6 made after the earlier of:

7 (1) the time the secured party acquires knowledge of
8 the lease; or

9 (2) 45 days after the lease contract becomes
10 enforceable.

11 (g) Advances made pursuant to commitment: priority of
12 lessee of goods. Subsection (f) does not apply if the advance
13 is made pursuant to a commitment entered into without
14 knowledge of the lease and before the expiration of the 45-day
15 period.

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

17 (810 ILCS 5/9-324)

18 Sec. 9-324. Priority of purchase-money security interests.

19 (a) General rule: purchase-money priority. Except as
20 otherwise provided in subsection (g), a perfected
21 purchase-money security interest in goods other than inventory
22 or livestock has priority over a conflicting security interest
23 in the same goods, and, except as otherwise provided in
24 Section 9-327, a perfected security interest in its
25 identifiable proceeds also has priority, if the purchase-money

1 security interest is perfected when the debtor receives
2 possession of the collateral or within 20 days thereafter.

3 (b) Inventory purchase-money priority. Subject to
4 subsection (c) and except as otherwise provided in subsection
5 (g), a perfected purchase-money security interest in inventory
6 has priority over a conflicting security interest in the same
7 inventory, has priority over a conflicting security interest
8 in chattel paper or an instrument constituting proceeds of the
9 inventory and in proceeds of the chattel paper, if so provided
10 in Section 9-330, and, except as otherwise provided in Section
11 9-327, also has priority in identifiable cash proceeds of the
12 inventory to the extent the identifiable cash proceeds are
13 received on or before the delivery of the inventory to a buyer,
14 if:

15 (1) the purchase-money security interest is perfected
16 when the debtor receives possession of the inventory;

17 (2) the purchase-money secured party sends a signed ~~an~~
18 ~~authenticated~~ notification to the holder of the
19 conflicting security interest;

20 (3) the holder of the conflicting security interest
21 receives the notification within five years before the
22 debtor receives possession of the inventory; and

23 (4) the notification states that the person sending
24 the notification has or expects to acquire a
25 purchase-money security interest in inventory of the
26 debtor and describes the inventory.

1 (c) Holders of conflicting inventory security interests to
2 be notified. Subsections (b) (2) through (4) apply only if the
3 holder of the conflicting security interest had filed a
4 financing statement covering the same types of inventory:

5 (1) if the purchase-money security interest is
6 perfected by filing, before the date of the filing; or

7 (2) if the purchase-money security interest is
8 temporarily perfected without filing or possession under
9 Section 9-312(f), before the beginning of the 20-day
10 period thereunder.

11 (d) Livestock purchase-money priority. Subject to
12 subsection (e) and except as otherwise provided in subsection
13 (g), a perfected purchase-money security interest in livestock
14 that are farm products has priority over a conflicting
15 security interest in the same livestock, and, except as
16 otherwise provided in Section 9-327, a perfected security
17 interest in their identifiable proceeds and identifiable
18 products in their unmanufactured states also has priority, if:

19 (1) the purchase-money security interest is perfected
20 when the debtor receives possession of the livestock;

21 (2) the purchase-money secured party sends a signed ~~an~~
22 ~~authenticated~~ notification to the holder of the
23 conflicting security interest;

24 (3) the holder of the conflicting security interest
25 receives the notification within six months before the
26 debtor receives possession of the livestock; and

1 (4) the notification states that the person sending
2 the notification has or expects to acquire a
3 purchase-money security interest in livestock of the
4 debtor and describes the livestock.

5 (e) Holders of conflicting livestock security interests to
6 be notified. Subsections (d) (2) through (4) apply only if the
7 holder of the conflicting security interest had filed a
8 financing statement covering the same types of livestock:

9 (1) if the purchase-money security interest is
10 perfected by filing, before the date of the filing; or

11 (2) if the purchase-money security interest is
12 temporarily perfected without filing or possession under
13 Section 9-312(f), before the beginning of the 20-day
14 period thereunder.

15 (f) Software purchase-money priority. Except as otherwise
16 provided in subsection (g), a perfected purchase-money
17 security interest in software has priority over a conflicting
18 security interest in the same collateral, and, except as
19 otherwise provided in Section 9-327, a perfected security
20 interest in its identifiable proceeds also has priority, to
21 the extent that the purchase-money security interest in the
22 goods in which the software was acquired for use has priority
23 in the goods and proceeds of the goods under this Section.

24 (g) Conflicting purchase-money security interests. If more
25 than one security interest qualifies for priority in the same
26 collateral under subsection (a), (b), (d), or (f):

1 (1) a security interest securing an obligation
2 incurred as all or part of the price of the collateral has
3 priority over a security interest securing an obligation
4 incurred for value given to enable the debtor to acquire
5 rights in or the use of collateral; and

6 (2) in all other cases, Section 9-322(a) applies to
7 the qualifying security interests.

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

9 (810 ILCS 5/9-326A new)

10 Sec. 9-326A. Priority of security interest in controllable
11 account, controllable electronic record, and controllable
12 payment intangible. A security interest in a controllable
13 account, controllable electronic record, or controllable
14 payment intangible held by a secured party having control of
15 the account, electronic record, or payment intangible has
16 priority over a conflicting security interest held by a
17 secured party that does not have control.

18 (810 ILCS 5/9-330)

19 Sec. 9-330. Priority of purchaser of chattel paper or
20 instrument.

21 (a) Purchaser's priority: security interest claimed merely
22 as proceeds. A purchaser of chattel paper has priority over a
23 security interest in the chattel paper which is claimed merely
24 as proceeds of inventory subject to a security interest if:

1 (1) in good faith and in the ordinary course of the
2 purchaser's business, the purchaser gives new value, ~~and~~
3 takes possession of each authoritative tangible copy of
4 the record evidencing the chattel paper, and ~~or~~ obtains
5 control under Section 9-105 of each authoritative
6 electronic copy of the record evidencing ~~of~~ the chattel
7 paper ~~under Section 9-105~~; and

8 (2) the authoritative copies of the record evidencing
9 the chattel paper do ~~chattel paper does~~ not indicate that
10 the chattel paper ~~it~~ has been assigned to an identified
11 assignee other than the purchaser.

12 (b) Purchaser's priority: other security interests. A
13 purchaser of chattel paper has priority over a security
14 interest in the chattel paper which is claimed other than
15 merely as proceeds of inventory subject to a security interest
16 if the purchaser gives new value, ~~and~~ takes possession of each
17 authoritative tangible copy of the record evidencing the
18 chattel paper, ~~and~~ ~~or~~ obtains control under Section 9-105 of
19 each authoritative electronic copy of the record evidencing ~~of~~
20 the chattel paper ~~under Section 9-105~~ in good faith, in the
21 ordinary course of the purchaser's business, and without
22 knowledge that the purchase violates the rights of the secured
23 party.

24 (c) Chattel paper purchaser's priority in proceeds. Except
25 as otherwise provided in Section 9-327, a purchaser having
26 priority in chattel paper under subsection (a) or (b) also has

1 priority in proceeds of the chattel paper to the extent that:

2 (1) Section 9-322 provides for priority in the
3 proceeds; or

4 (2) the proceeds consist of the specific goods covered
5 by the chattel paper or cash proceeds of the specific
6 goods, even if the purchaser's security interest in the
7 proceeds is unperfected.

8 (d) Instrument purchaser's priority. Except as otherwise
9 provided in Section 9-331(a), a purchaser of an instrument has
10 priority over a security interest in the instrument perfected
11 by a method other than possession if the purchaser gives value
12 and takes possession of the instrument in good faith and
13 without knowledge that the purchase violates the rights of the
14 secured party.

15 (e) Holder of purchase-money security interest gives new
16 value. For purposes of subsections (a) and (b), the holder of a
17 purchase-money security interest in inventory gives new value
18 for chattel paper constituting proceeds of the inventory.

19 (f) Indication of assignment gives knowledge. For purposes
20 of subsections (b) and (d), if the authoritative copies of the
21 record evidencing chattel paper or an instrument indicate
22 ~~indicates~~ that the chattel paper or instrument ~~it~~ has been
23 assigned to an identified secured party other than the
24 purchaser, a purchaser of the chattel paper or instrument has
25 knowledge that the purchase violates the rights of the secured
26 party.

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

2 (810 ILCS 5/9-331)

3 Sec. 9-331. Priority of rights of purchasers of
4 controllable accounts, controllable electronic records,
5 controllable payment intangibles, ~~instruments,~~ documents,
6 instruments, and securities under other Articles; priority of
7 interests in financial assets and security entitlements and
8 protection against assertion of claim under Articles ~~Article~~ 8
9 and 12.

10 (a) Rights under Articles 3, 7, ~~and 8,~~ and 12 not limited.
11 This Article does not limit the rights of a holder in due
12 course of a negotiable instrument, a holder to which a
13 negotiable document of title has been duly negotiated, ~~or~~ a
14 protected purchaser of a security, or a qualifying purchaser
15 of a controllable account, controllable electronic record, or
16 controllable payment intangible. These holders or purchasers
17 take priority over an earlier security interest, even if
18 perfected, to the extent provided in Articles 3, 7, ~~and 8,~~ and
19 12.

20 (b) Protection under Articles ~~Article~~ 8 and 12. This
21 Article does not limit the rights of or impose liability on a
22 person to the extent that the person is protected against the
23 assertion of a claim under Article 8 or 12.

24 (c) Filing not notice. Filing under this Article does not
25 constitute notice of a claim or defense to the holders, or

1 purchasers, or persons described in subsections (a) and (b).

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

3 (810 ILCS 5/9-332)

4 Sec. 9-332. Transfer of money; transfer of funds from
5 deposit account.

6 (a) Transferee of tangible money. A transferee of tangible
7 money takes the money free of a security interest if the
8 transferee receives possession of the money without acting
9 ~~unless the transferee acts~~ in collusion with the debtor in
10 violating the rights of the secured party.

11 (b) Transferee of funds from deposit account. A transferee
12 of funds from a deposit account takes the funds free of a
13 security interest in the deposit account if the transferee
14 receives the funds without acting ~~unless the transferee acts~~
15 in collusion with the debtor in violating the rights of the
16 secured party.

17 (c) Transferee of electronic money. A transferee of
18 electronic money takes the money free of a security interest
19 if the transferee obtains control of the money without acting
20 in collusion with the debtor in violating the rights of the
21 secured party.

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

23 (810 ILCS 5/9-334)

24 Sec. 9-334. Priority of security interests in fixtures and

1 crops.

2 (a) Security interest in fixtures under this Article. A
3 security interest under this Article may be created in goods
4 that are fixtures or may continue in goods that become
5 fixtures. A security interest does not exist under this
6 Article in ordinary building materials incorporated into an
7 improvement on land.

8 (b) Security interest in fixtures under real-property law.
9 This Article does not prevent creation of an encumbrance upon
10 fixtures under real property law.

11 (c) General rule: subordination of security interest in
12 fixtures. In cases not governed by subsections (d) through
13 (h), a security interest in fixtures is subordinate to a
14 conflicting interest of an encumbrancer or owner of the
15 related real property other than the debtor.

16 (d) Fixtures purchase-money priority. Except as otherwise
17 provided in subsection (h), a perfected security interest in
18 fixtures has priority over a conflicting interest of an
19 encumbrancer or owner of the real property if the debtor has an
20 interest of record in or is in possession of the real property
21 and:

22 (1) the security interest is a purchase-money security
23 interest;

24 (2) the interest of the encumbrancer or owner arises
25 before the goods become fixtures; and

26 (3) the security interest is perfected by a fixture

1 filing before the goods become fixtures or within 20 days
2 thereafter.

3 (e) Priority of security interest in fixtures over
4 interests in real property. A perfected security interest in
5 fixtures has priority over a conflicting interest of an
6 encumbrancer or owner of the real property if:

7 (1) the debtor has an interest of record in the real
8 property or is in possession of the real property and the
9 security interest:

10 (A) is perfected by a fixture filing before the
11 interest of the encumbrancer or owner is of record;
12 and

13 (B) has priority over any conflicting interest of
14 a predecessor in title of the encumbrancer or owner;

15 (2) before the goods become fixtures, the security
16 interest is perfected by any method permitted by this
17 Article and the fixtures are readily removable:

18 (A) factory or office machines;

19 (B) equipment that is not primarily used or leased
20 for use in the operation of the real property; or

21 (C) replacements of domestic appliances that are
22 consumer goods;

23 (3) the conflicting interest is a lien on the real
24 property obtained by legal or equitable proceedings after
25 the security interest was perfected by any method
26 permitted by this Article; or

1 (4) the security interest is:

2 (A) created in a manufactured home in a
3 manufactured-home transaction; and

4 (B) perfected pursuant to a statute described in
5 Section 9-311(a)(2).

6 (f) Priority based on consent, disclaimer, or right to
7 remove. A security interest in fixtures, whether or not
8 perfected, has priority over a conflicting interest of an
9 encumbrancer or owner of the real property if:

10 (1) the encumbrancer or owner has, in a signed ~~an~~
11 ~~authenticated~~ record, consented to the security interest
12 or disclaimed an interest in the goods as fixtures; or

13 (2) the debtor has a right to remove the goods as
14 against the encumbrancer or owner.

15 (g) Continuation of subsection (f)(2) priority. The
16 priority of the security interest under subsection (f)(2)
17 continues for a reasonable time if the debtor's right to
18 remove the goods as against the encumbrancer or owner
19 terminates.

20 (h) Priority of construction mortgage. A mortgage is a
21 construction mortgage to the extent that it secures an
22 obligation incurred for the construction of an improvement on
23 land, including the acquisition cost of the land, if a
24 recorded record of the mortgage so indicates. Except as
25 otherwise provided in subsections (e) and (f), a security
26 interest in fixtures is subordinate to a construction mortgage

1 if a record of the mortgage is recorded before the goods become
2 fixtures and the goods become fixtures before the completion
3 of the construction. A mortgage has this priority to the same
4 extent as a construction mortgage to the extent that it is
5 given to refinance a construction mortgage.

6 (i) Priority of security interest in crops.

7 (1) Subject to Section 9-322(g), a perfected security
8 interest in crops growing on real property has priority
9 over:

10 (A) a conflicting interest of an encumbrancer or
11 owner of the real property; and

12 (B) the rights of a holder of an obligation
13 secured by a collateral assignment of beneficial
14 interest in a land trust, including rights by virtue
15 of an equitable lien.

16 (2) For purposes of this subsection:

17 (A) "Collateral assignment of beneficial interest"
18 means any pledge or assignment of the beneficial
19 interest in a land trust to a person to secure a debt
20 to other obligation.

21 (B) "Land trust" means any trust arrangement under
22 which the legal and equitable title to real estate is
23 held by a trustee, the interest of the beneficiary of
24 the trust is personal property, and the beneficiary or
25 any person designated in writing by the beneficiary
26 has (i) the exclusive power to direct or control the

1 trustee in dealing with the title to the trust
2 property, (ii) the exclusive control of the
3 management, operation, renting, and selling of the
4 trust property, and (iii) the exclusive right to the
5 earnings, avails, and proceeds of trust property.

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

7 (810 ILCS 5/9-341)

8 Sec. 9-341. Bank's rights and duties with respect to
9 deposit account. Except as otherwise provided in Section
10 9-340(c), and unless the bank otherwise agrees in a signed ~~an~~
11 ~~authenticated~~ record, a bank's rights and duties with respect
12 to a deposit account maintained with the bank are not
13 terminated, suspended, or modified by:

14 (1) the creation, attachment, or perfection of a
15 security interest in the deposit account;

16 (2) the bank's knowledge of the security interest; or

17 (3) the bank's receipt of instructions from the
18 secured party.

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

20 (810 ILCS 5/9-404) (from Ch. 26, par. 9-404)

21 Sec. 9-404. Rights acquired by assignee; claims and
22 defenses against assignee.

23 (a) Assignee's rights subject to terms, claims, and
24 defenses; exceptions. Unless an account debtor has made an

1 enforceable agreement not to assert defenses or claims, and
2 subject to subsections (b) through (e), the rights of an
3 assignee are subject to:

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

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

12 (b) Account debtor's claim reduces amount owed to
13 assignee. Subject to subsection (c) and except as otherwise
14 provided in subsection (d), the claim of an account debtor
15 against an assignor may be asserted against an assignee under
16 subsection (a) only to reduce the amount the account debtor
17 owes.

18 (c) Rule for individual under other law. This Section is
19 subject to law other than this Article which establishes a
20 different rule for an account debtor who is an individual and
21 who incurred the obligation primarily for personal, family, or
22 household purposes.

23 (d) Omission of required statement in consumer
24 transaction. In a consumer transaction, if a record evidences
25 the account debtor's obligation, law other than this Article
26 requires that the record include a statement to the effect

1 that the account debtor's recovery against an assignee with
2 respect to claims and defenses against the assignor may not
3 exceed amounts paid by the account debtor under the record,
4 and the record does not include such a statement, the extent to
5 which a claim of an account debtor against the assignor may be
6 asserted against an assignee is determined as if the record
7 included such a statement.

8 (e) Inapplicability to health-care-insurance receivable.
9 This Section does not apply to an assignment of a
10 health-care-insurance receivable.

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

12 (810 ILCS 5/9-406) (from Ch. 26, par. 9-406)

13 Sec. 9-406. Discharge of account debtor; notification of
14 assignment; identification and proof of assignment;
15 restrictions on assignment of accounts, chattel paper, payment
16 intangibles, and promissory notes ineffective.

17 (a) Discharge of account debtor; effect of notification.
18 Subject to subsections (b) through (i) and (1), an account
19 debtor on an account, chattel paper, or a payment intangible
20 may discharge its obligation by paying the assignor until, but
21 not after, the account debtor receives a notification, signed
22 ~~authenticated~~ by the assignor or the assignee, that the amount
23 due or to become due has been assigned and that payment is to
24 be made to the assignee. After receipt of the notification,
25 the account debtor may discharge its obligation by paying the

1 assignee and may not discharge the obligation by paying the
2 assignor.

3 (b) When notification ineffective. Subject to subsections
4 ~~subsection~~ (h) and (1), notification is ineffective under
5 subsection (a):

6 (1) if it does not reasonably identify the rights
7 assigned;

8 (2) to the extent that an agreement between an account
9 debtor and a seller of a payment intangible limits the
10 account debtor's duty to pay a person other than the
11 seller and the limitation is effective under law other
12 than this Article; or

13 (3) at the option of an account debtor, if the
14 notification notifies the account debtor to make less than
15 the full amount of any installment or other periodic
16 payment to the assignee, even if:

17 (A) only a portion of the account, chattel paper,
18 or payment intangible has been assigned to that
19 assignee;

20 (B) a portion has been assigned to another
21 assignee; or

22 (C) the account debtor knows that the assignment
23 to that assignee is limited.

24 (c) Proof of assignment. Subject to subsections ~~subsection~~
25 (h) and (1), if requested by the account debtor, an assignee
26 shall seasonably furnish reasonable proof that the assignment

1 has been made. Unless the assignee complies, the account
2 debtor may discharge its obligation by paying the assignor,
3 even if the account debtor has received a notification under
4 subsection (a).

5 (d) Term restricting assignment generally ineffective. In
6 this subsection, "promissory note" includes a negotiable
7 instrument that evidences chattel paper. Except as otherwise
8 provided in subsection (e) and Sections 2A-303 and 9-407, and
9 subject to subsection (h), a term in an agreement between an
10 account debtor and an assignor or in a promissory note is
11 ineffective to the extent that it:

12 (1) prohibits, restricts, or requires the consent of
13 the account debtor or person obligated on the promissory
14 note to the assignment or transfer of, or the creation,
15 attachment, perfection, or enforcement of a security
16 interest in, the account, chattel paper, payment
17 intangible, or promissory note; or

18 (2) provides that the assignment or transfer or the
19 creation, attachment, perfection, or enforcement of the
20 security interest may give rise to a default, breach,
21 right of recoupment, claim, defense, termination, right of
22 termination, or remedy under the account, chattel paper,
23 payment intangible, or promissory note.

24 (e) Inapplicability of subsection (d) to certain sales.
25 Subsection (d) does not apply to the sale of a payment
26 intangible or promissory note, other than a sale pursuant to a

1 disposition under Section 9-610 or an acceptance of collateral
2 under Section 9-620.

3 (f) Legal restrictions on assignment generally
4 ineffective. Except as otherwise provided in Sections 2A-303
5 and 9-407 and subject to subsections (h) and (i), a rule of
6 law, statute, or regulation that prohibits, restricts, or
7 requires the consent of a government, governmental body or
8 official, or account debtor to the assignment or transfer of,
9 or creation of a security interest in, an account or chattel
10 paper is ineffective to the extent that the rule of law,
11 statute, or regulation:

12 (1) prohibits, restricts, or requires the consent of
13 the government, governmental body or official, or account
14 debtor to the assignment or transfer of, or the creation,
15 attachment, perfection, or enforcement of a security
16 interest in the account or chattel paper; or

17 (2) provides that the assignment or transfer or the
18 creation, attachment, perfection, or enforcement of the
19 security interest may give rise to a default, breach,
20 right of recoupment, claim, defense, termination, right of
21 termination, or remedy under the account or chattel paper.

22 (g) Subsection (b) (3) not waivable. Subject to subsections
23 ~~subsection~~ (h) and (1), an account debtor may not waive or vary
24 its option under subsection (b) (3).

25 (h) Rule for individual under other law. This Section is
26 subject to law other than this Article which establishes a

1 different rule for an account debtor who is an individual and
2 who incurred the obligation primarily for personal, family, or
3 household purposes.

4 (i) Inapplicability to health-care-insurance receivable.
5 This Section does not apply to an assignment of a
6 health-care-insurance receivable.

7 (j) (Reserved).

8 (k) (Reserved).

9 (l) Inapplicability of certain subsections. Subsections
10 (a), (b), (c), and (g) do not apply to a controllable account
11 or controllable payment intangible.

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

13 (810 ILCS 5/9-408) (from Ch. 26, par. 9-408)

14 Sec. 9-408. Restrictions on assignment of promissory
15 notes, health-care-insurance receivables, and certain general
16 intangibles ineffective.

17 (a) Term restricting assignment generally ineffective.
18 Except as otherwise provided in subsection (b), a term in a
19 promissory note or in an agreement between an account debtor
20 and a debtor which relates to a health-care-insurance
21 receivable or a general intangible, including a contract,
22 permit, license, or franchise, and which term prohibits,
23 restricts, or requires the consent of the person obligated on
24 the promissory note or the account debtor to, the assignment
25 or transfer of, or creation, attachment, or perfection of a

1 security interest in, the promissory note,
2 health-care-insurance receivable, or general intangible, is
3 ineffective to the extent that the term:

4 (1) would impair the creation, attachment, or
5 perfection of a security interest; or

6 (2) provides that the assignment or transfer or the
7 creation, attachment, or perfection of the security
8 interest may give rise to a default, breach, right of
9 recoupment, claim, defense, termination, right of
10 termination, or remedy under the promissory note,
11 health-care-insurance receivable, or general intangible.

12 (b) Applicability of subsection (a) to sales of certain
13 rights to payment. Subsection (a) applies to a security
14 interest in a payment intangible or promissory note only if
15 the security interest arises out of a sale of the payment
16 intangible or promissory note, other than a sale pursuant to a
17 disposition under Section 9-610 or an acceptance of collateral
18 under Section 9-620.

19 (c) Legal restrictions on assignment generally
20 ineffective. A rule of law, statute, or regulation that
21 prohibits, restricts, or requires the consent of a government,
22 governmental body or official, person obligated on a
23 promissory note, or account debtor to the assignment or
24 transfer of, or creation of a security interest in, a
25 promissory note, health-care-insurance receivable, or general
26 intangible, including a contract, permit, license, or

1 franchise between an account debtor and a debtor, is
2 ineffective to the extent that the rule of law, statute, or
3 regulation:

4 (1) would impair the creation, attachment, or
5 perfection of a security interest; or

6 (2) provides that the assignment or transfer or the
7 creation, attachment, or perfection of the security
8 interest may give rise to a default, breach, right of
9 recoupment, claim, defense, termination, right of
10 termination, or remedy under the promissory note,
11 health-care-insurance receivable, or general intangible.

12 (d) Limitation on ineffectiveness under subsections (a)
13 and (c). To the extent that a term in a promissory note or in
14 an agreement between an account debtor and a debtor which
15 relates to a health-care-insurance receivable or general
16 intangible or a rule of law, statute, or regulation described
17 in subsection (c) would be effective under law other than this
18 Article but is ineffective under subsection (a) or (c), the
19 creation, attachment, or perfection of a security interest in
20 the promissory note, health-care-insurance receivable, or
21 general intangible:

22 (1) is not enforceable against the person obligated on
23 the promissory note or the account debtor;

24 (2) does not impose a duty or obligation on the person
25 obligated on the promissory note or the account debtor;

26 (3) does not require the person obligated on the

1 promissory note or the account debtor to recognize the
2 security interest, pay or render performance to the
3 secured party, or accept payment or performance from the
4 secured party;

5 (4) does not entitle the secured party to use or
6 assign the debtor's rights under the promissory note,
7 health-care-insurance receivable, or general intangible,
8 including any related information or materials furnished
9 to the debtor in the transaction giving rise to the
10 promissory note, health-care-insurance receivable, or
11 general intangible;

12 (5) does not entitle the secured party to use, assign,
13 possess, or have access to any trade secrets or
14 confidential information of the person obligated on the
15 promissory note or the account debtor; and

16 (6) does not entitle the secured party to enforce the
17 security interest in the promissory note,
18 health-care-insurance receivable, or general intangible.

19 (e) "Promissory note". In this Section, "promissory note"
20 includes a negotiable instrument that evidences chattel paper.

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

22 (810 ILCS 5/9-509)

23 Sec. 9-509. Persons entitled to file a record.

24 (a) Person entitled to file record. A person may file an
25 initial financing statement, amendment that adds collateral

1 covered by a financing statement, or amendment that adds a
2 debtor to a financing statement only if:

3 (1) the debtor authorizes the filing in a signed ~~an~~
4 ~~authenticated~~ record or pursuant to subsection (b) or (c);
5 or

6 (2) the person holds an agricultural lien that has
7 become effective at the time of filing and the financing
8 statement covers only collateral in which the person holds
9 an agricultural lien.

10 (b) Security agreement as authorization. By signing
11 ~~authenticating~~ or becoming bound as debtor by a security
12 agreement, a debtor or new debtor authorizes the filing of an
13 initial financing statement, and an amendment, covering:

14 (1) the collateral described in the security
15 agreement; and

16 (2) property that becomes collateral under Section
17 9-315(a)(2), whether or not the security agreement
18 expressly covers proceeds.

19 (c) Acquisition of collateral as authorization. By
20 acquiring collateral in which a security interest or
21 agricultural lien continues under Section 9-315(a)(1), a
22 debtor authorizes the filing of an initial financing
23 statement, and an amendment, covering the collateral and
24 property that becomes collateral under Section 9-315(a)(2).

25 (d) Person entitled to file certain amendments. A person
26 may file an amendment other than an amendment that adds

1 collateral covered by a financing statement or an amendment
2 that adds a debtor to a financing statement only if:

3 (1) the secured party of record authorizes the filing;

4 or

5 (2) the amendment is a termination statement for a
6 financing statement as to which the secured party of
7 record has failed to file or send a termination statement
8 as required by Section 9-513(a) or (c), the debtor
9 authorizes the filing, and the termination statement
10 indicates that the debtor authorized it to be filed.

11 (e) Multiple secured parties of record. If there is more
12 than one secured party of record for a financing statement,
13 each secured party of record may authorize the filing of an
14 amendment under subsection (d).

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

16 (810 ILCS 5/9-513)

17 Sec. 9-513. Termination statement.

18 (a) Consumer goods. A secured party shall cause the
19 secured party of record for a financing statement to file a
20 termination statement for the financing statement if the
21 financing statement covers consumer goods and:

22 (1) there is no obligation secured by the collateral
23 covered by the financing statement and no commitment to
24 make an advance, incur an obligation, or otherwise give
25 value; or

1 (2) the debtor did not authorize the filing of the
2 initial financing statement.

3 (b) Time for compliance with subsection (a). To comply
4 with subsection (a), a secured party shall cause the secured
5 party of record to file the termination statement:

6 (1) within one month after there is no obligation
7 secured by the collateral covered by the financing
8 statement and no commitment to make an advance, incur an
9 obligation, or otherwise give value; or

10 (2) if earlier, within 20 days after the secured party
11 receives a signed ~~an authenticated~~ demand from a debtor.

12 (c) Other collateral. In cases not governed by subsection
13 (a), within 20 days after a secured party receives a signed ~~an~~
14 ~~authenticated~~ demand from a debtor, the secured party shall
15 cause the secured party of record for a financing statement to
16 send to the debtor a termination statement for the financing
17 statement or file the termination statement in the filing
18 office if:

19 (1) except in the case of a financing statement
20 covering accounts or chattel paper that has been sold or
21 goods that are the subject of a consignment, there is no
22 obligation secured by the collateral covered by the
23 financing statement and no commitment to make an advance,
24 incur an obligation, or otherwise give value;

25 (2) the financing statement covers accounts or chattel
26 paper that has been sold but as to which the account debtor

1 or other person obligated has discharged its obligation;

2 (3) the financing statement covers goods that were the
3 subject of a consignment to the debtor but are not in the
4 debtor's possession; or

5 (4) the debtor did not authorize the filing of the
6 initial financing statement.

7 (d) Effect of filing termination statement. Except as
8 otherwise provided in Section 9-510, upon the filing of a
9 termination statement with the filing office, the financing
10 statement to which the termination statement relates ceases to
11 be effective. Except as otherwise provided in Section 9-510,
12 for purposes of Sections 9-519(g), 9-522(a), and 9-523(c) the
13 filing with the filing office of a termination statement
14 relating to a financing statement that indicates that the
15 debtor is a transmitting utility also causes the effectiveness
16 of the financing statement to lapse.

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

18 (810 ILCS 5/9-601)

19 Sec. 9-601. Rights after default; judicial enforcement;
20 consignor or buyer of accounts, chattel paper, payment
21 intangibles, or promissory notes.

22 (a) Rights of secured party after default. After default,
23 a secured party has the rights provided in this Part and,
24 except as otherwise provided in Section 9-602, those provided
25 by agreement of the parties. A secured party:

1 (1) may reduce a claim to judgment, foreclose, or
2 otherwise enforce the claim, security interest, or
3 agricultural lien by any available judicial procedure; and

4 (2) if the collateral is documents, may proceed either
5 as to the documents or as to the goods they cover.

6 (b) Rights and duties of secured party in possession or
7 control. A secured party in possession of collateral or
8 control of collateral under Section 7-106, 9-104, 9-105,
9 9-105A, 9-106, ~~or~~ 9-107, or 9-107A has the rights and duties
10 provided in Section 9-207.

11 (c) Rights cumulative; simultaneous exercise. The rights
12 under subsections (a) and (b) are cumulative and may be
13 exercised simultaneously.

14 (d) Rights of debtor and obligor. Except as otherwise
15 provided in subsection (g) and Section 9-605, after default, a
16 debtor and an obligor have the rights provided in this Part and
17 by agreement of the parties.

18 (e) Lien of levy after judgment. If a secured party has
19 reduced its claim to judgment, the lien of any levy that may be
20 made upon the collateral by virtue of a judgment relates back
21 to the earliest of:

22 (1) the date of perfection of the security interest or
23 agricultural lien in the collateral;

24 (2) the date of filing a financing statement covering
25 the collateral; or

26 (3) any date specified in a statute under which the

1 agricultural lien was created.

2 (f) Execution sale. A sale pursuant to a judgment is a
3 foreclosure of the security interest or agricultural lien by
4 judicial procedure within the meaning of this Section. A
5 secured party may purchase at the sale and thereafter hold the
6 collateral free of any other requirements of this Article.

7 (g) Consignor or buyer of certain rights to payment.
8 Except as otherwise provided in Section 9-607(c), this Part
9 imposes no duties upon a secured party that is a consignor or
10 is a buyer of accounts, chattel paper, payment intangibles, or
11 promissory notes.

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

13 (810 ILCS 5/9-605)

14 Sec. 9-605. Unknown debtor or secondary obligor.

15 (a) In general: No duty owed by secured party. Except as
16 provided in subsection (b), a ~~A~~ secured party does not owe a
17 duty based on its status as secured party:

18 (1) to a person that is a debtor or obligor, unless the
19 secured party knows:

20 (A) that the person is a debtor or obligor;

21 (B) the identity of the person; and

22 (C) how to communicate with the person; or

23 (2) to a secured party or lienholder that has filed a
24 financing statement against a person, unless the secured
25 party knows:

1 (A) that the person is a debtor; and

2 (B) the identity of the person.

3 (b) Exception: Secured party owes duty to debtor or
4 obligor. A secured party owes a duty based on its status as a
5 secured party to a person if, at the time the secured party
6 obtains control of collateral that is a controllable account,
7 controllable electronic record, or controllable payment
8 intangible or at the time the security interest attaches to
9 the collateral, whichever is later:

10 (1) the person is a debtor or obligor; and

11 (2) the secured party knows that the information in
12 subsection (a) (1) (A), (B), or (C) relating to the person
13 is not provided by the collateral, a record attached to or
14 logically associated with the collateral, or the system in
15 which the collateral is recorded.

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

17 (810 ILCS 5/9-608)

18 Sec. 9-608. Application of proceeds of collection or
19 enforcement; liability for deficiency and right to surplus.

20 (a) Application of proceeds, surplus, and deficiency if
21 obligation secured. If a security interest or agricultural
22 lien secures payment or performance of an obligation, the
23 following rules apply:

24 (1) A secured party shall apply or pay over for
25 application the cash proceeds of collection or enforcement

1 under Section 9-607 in the following order to:

2 (A) the reasonable expenses of collection and
3 enforcement and, to the extent provided for by
4 agreement and not prohibited by law, reasonable
5 attorney's fees and legal expenses incurred by the
6 secured party;

7 (B) the satisfaction of obligations secured by the
8 security interest or agricultural lien under which the
9 collection or enforcement is made; and

10 (C) the satisfaction of obligations secured by any
11 subordinate security interest in or other lien on the
12 collateral subject to the security interest or
13 agricultural lien under which the collection or
14 enforcement is made if the secured party receives a
15 signed ~~an authenticated~~ demand for proceeds before
16 distribution of the proceeds is completed.

17 (2) If requested by a secured party, a holder of a
18 subordinate security interest or other lien shall furnish
19 reasonable proof of the interest or lien within a
20 reasonable time. Unless the holder complies, the secured
21 party need not comply with the holder's demand under
22 paragraph (1) (C).

23 (3) A secured party need not apply or pay over for
24 application noncash proceeds of collection and enforcement
25 under Section 9-607 unless the failure to do so would be
26 commercially unreasonable. A secured party that applies or

1 pays over for application noncash proceeds shall do so in
2 a commercially reasonable manner.

3 (4) A secured party shall account to and pay a debtor
4 for any surplus, and the obligor is liable for any
5 deficiency.

6 (b) No surplus or deficiency in sales of certain rights to
7 payment. If the underlying transaction is a sale of accounts,
8 chattel paper, payment intangibles, or promissory notes, the
9 debtor is not entitled to any surplus, and the obligor is not
10 liable for any deficiency.

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

12 (810 ILCS 5/9-611)

13 Sec. 9-611. Notification before disposition of collateral.

14 (a) "Notification date." In this Section, "notification
15 date" means the earlier of the date on which:

16 (1) a secured party sends to the debtor and any
17 secondary obligor a signed ~~an authenticated~~ notification
18 of disposition; or

19 (2) the debtor and any secondary obligor waive the
20 right to notification.

21 (b) Notification of disposition required. Except as
22 otherwise provided in subsection (d), a secured party that
23 disposes of collateral under Section 9-610 shall send to the
24 persons specified in subsection (c) a reasonable signed
25 ~~authenticated~~ notification of disposition.

1 (c) Persons to be notified. To comply with subsection (b),
2 the secured party shall send a signed ~~an authenticated~~
3 notification of disposition to:

4 (1) the debtor;

5 (2) any secondary obligor; and

6 (3) if the collateral is other than consumer goods:

7 (A) any other person from which the secured party
8 has received, before the notification date, a signed
9 ~~an authenticated~~ notification of a claim of an
10 interest in the collateral;

11 (B) any other secured party or lienholder that, 10
12 days before the notification date, held a security
13 interest in or other lien on the collateral perfected
14 by the filing of a financing statement that:

15 (i) identified the collateral;

16 (ii) was indexed under the debtor's name as of
17 that date; and

18 (iii) was filed in the office in which to file
19 a financing statement against the debtor covering
20 the collateral as of that date; and

21 (C) any other secured party that, 10 days before
22 the notification date, held a security interest in the
23 collateral perfected by compliance with a statute,
24 regulation, or treaty described in Section 9-311(a).

25 (d) Subsection (b) inapplicable: perishable collateral;
26 recognized market. Subsection (b) does not apply if the

1 collateral is perishable or threatens to decline speedily in
2 value or is of a type customarily sold on a recognized market.

3 (e) Compliance with subsection (c)(3)(B). A secured party
4 complies with the requirement for notification prescribed by
5 subsection (c)(3)(B) if:

6 (1) not later than 20 days or earlier than 30 days
7 before the notification date, the secured party requests,
8 in a commercially reasonable manner, information
9 concerning financing statements indexed under the debtor's
10 name in the office indicated in subsection (c)(3)(B); and

11 (2) before the notification date, the secured party:

12 (A) did not receive a response to the request for
13 information; or

14 (B) received a response to the request for
15 information and sent a signed ~~an authenticated~~
16 notification of disposition to each secured party or
17 other lienholder named in that response whose
18 financing statement covered the collateral.

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

20 (810 ILCS 5/9-613)

21 Sec. 9-613. Contents and form of notification before
22 disposition of collateral: general.

23 (a) Contents and form of notification. Except in a
24 consumer-goods transaction, the following rules apply:

25 (1) The contents of a notification of disposition are

1 sufficient if the notification:

2 (A) describes the debtor and the secured party;

3 (B) describes the collateral that is the subject
4 of the intended disposition;

5 (C) states the method of intended disposition;

6 (D) states that the debtor is entitled to an
7 accounting of the unpaid indebtedness and states the
8 charge, if any, for an accounting; and

9 (E) states the time and place of a public
10 disposition or the time after which any other
11 disposition is to be made.

12 (2) Whether the contents of a notification that lacks
13 any of the information specified in paragraph (1) are
14 nevertheless sufficient is a question of fact.

15 (3) The contents of a notification providing
16 substantially the information specified in paragraph (1)
17 are sufficient, even if the notification is accompanied by
18 or combined other notification or includes:

19 (A) information not specified by that paragraph;

20 or

21 (B) minor errors that are not seriously
22 misleading.

23 (4) A particular phrasing of the notification is not
24 required.

25 (5) The following form of notification and the form
26 appearing in Section 9-614(a)(4) ~~9-614(4)~~, when completed

1 in accordance with the instructions in subsection (b) and
2 Section 9-614(b), each provides sufficient information:

3 NOTIFICATION OF DISPOSITION OF COLLATERAL

4 To: (Name of debtor, obligor, or other person to which the
5 notification is sent)

6 From: (Name, address, and telephone number of secured party)

7 {1} Name of any debtor that is not an addressee: (Name of
8 each debtor)

9 {2} We will sell (describe collateral) (to the highest
10 qualified bidder) at public sale. A sale could include a lease
11 or license. The sale will be held as follows:

12 (Date)

13 (Time)

14 (Place)

15 {3} We will sell (describe collateral) at private sale
16 sometime after (date). A sale could include a lease or
17 license.

18 {4} You are entitled to an accounting of the unpaid
19 indebtedness secured by the property that we intend to sell
20 or, as applicable, lease or license.

21 {5} If you request an accounting you must pay a charge of \$
22 (amount).

23 {6} You may request an accounting by calling us at
24 (telephone number).

25 [End of Form]

26 (b) Instructions for form of notification. The following

1 instructions apply to the form of notification in subsection
2 (a) (5):

3 (1) The instructions in this subsection refer to the
4 numbers in braces before items in the form of notification
5 in subsection (a) (5). Do not include the numbers or braces
6 in the notification. The numbers and braces are used only
7 for the purpose of these instructions.

8 (2) Include and complete item {1} only if there is a
9 debtor that is not an addressee of the notification and
10 list the name or names.

11 (3) Include and complete either item {2}, if the
12 notification relates to a public disposition of the
13 collateral, or item {3}, if the notification relates to a
14 private disposition of the collateral. If item {2} is
15 included, include the words "to the highest qualified
16 bidder" only if applicable.

17 (4) Include and complete items {4} and {6}.

18 (5) Include and complete item {5} only if the sender
19 will charge the recipient for an accounting.

20 ~~NOTIFICATION OF DISPOSITION OF COLLATERAL~~

21 ~~To: (Name of~~
22 ~~debtor, obligor, or other person to which the notification~~
23 ~~is sent)~~

24 ~~From: (Name,~~
25 ~~address, and telephone number of secured party)~~

26 ~~Name of Debtor(s): (Include only~~

1 ~~if debtor(s) are not an addressee)~~

2 ~~For a public disposition:~~

3 ~~We will sell or lease or license, as applicable, the~~
4 ~~..... (describe collateral) to the~~
5 ~~highest qualified bidder in public as follows:~~

6 ~~Day and Date:~~

7 ~~Time:~~

8 ~~Place:~~

9 ~~For a private disposition:~~

10 ~~We will sell (or lease or license, as applicable) the~~
11 ~~..... (describe collateral)~~
12 ~~privately sometime after (day and date).~~

13 ~~You are entitled to an accounting of the unpaid~~
14 ~~indebtedness secured by the property that we intend to~~
15 ~~sell or lease or license, as applicable for a charge of~~
16 ~~\$. You may request an accounting by~~
17 ~~calling us at (telephone number).~~

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

19 (810 ILCS 5/9-614)

20 Sec. 9-614. Contents and form of notification before
21 disposition of collateral: consumer-goods transaction.

22 (a) Contents and form of notification. In a consumer-goods
23 transaction, the following rules apply:

1 (1) A notification of disposition must provide the
2 following information:

3 (A) the information specified in Section
4 9-613(a)(1) ~~9-613(1)~~;

5 (B) a description of any liability for a
6 deficiency of the person to which the notification is
7 sent;

8 (C) a telephone number from which the amount that
9 must be paid to the secured party to redeem the
10 collateral under Section 9-623 is available; and

11 (D) a telephone number or mailing address from
12 which additional information concerning the
13 disposition and the obligation secured is available.

14 (2) A particular phrasing of the notification is not
15 required.

16 (3) The contents of a notification providing
17 substantially the information specified in paragraph (1)
18 are sufficient, even if the notification:

19 (A) is accompanied by or combined with other
20 notifications;

21 (B) includes information not specified by that
22 paragraph; or

23 (C) includes minor errors that are not seriously
24 misleading.

25 (4) The following form of notification, when completed
26 in accordance with the instructions in subsection (b),

1 provides sufficient information:

2 (Name and address of secured party)

3 (Date)

4 NOTICE OF OUR PLAN TO SELL PROPERTY

5 (Name and address of any obligor who is also a debtor)

6 Subject: (Identify transaction)

7 We have your (describe collateral), because you broke
8 promises in our agreement.

9 {1} We will sell (describe collateral) at public sale. A
10 sale could include a lease or license. The sale will be held as
11 follows:

12 (Date)

13 (Time)

14 (Place)

15 You may attend the sale and bring bidders if you want.

16 {2} We will sell (describe collateral) at private sale
17 sometime after (date). A sale could include a lease or
18 license.

19 {3} The money that we get from the sale, after paying our
20 costs, will reduce the amount you owe. If we get less money
21 than you owe, you (will or will not, as applicable) still owe
22 us the difference. If we get more money than you owe, you will
23 get the extra money, unless we must pay it to someone else.

24 {4} You can get the property back at any time before we
25 sell it by paying us the full amount you owe, not just the past
26 due payments, including our expenses. To learn the exact

1 amount you must pay, call us at (telephone number).

2 {5} If you want us to explain to you in (writing) (writing
3 or in (description of electronic record)) (description of
4 electronic record) how we have figured the amount that you owe
5 us, {6} call us at (telephone number) (or) (write us at
6 (secured party's address)) (or contact us by (description of
7 electronic communication method)) {7} and request (a written
8 explanation) (a written explanation or an explanation in
9 (description of electronic record)) (an explanation in
10 (description of electronic record)).

11 {8} We will charge you \$ (amount) for the explanation if we
12 sent you another written explanation of the amount you owe us
13 within the last six months.

14 {9} If you need more information about the sale (call us at
15 (telephone number)) (or) (write us at (secured party's
16 address)) (or contact us by (description of electronic
17 communication method)).

18 {10} We are sending this notice to the following other
19 people who have an interest in (describe collateral) or who
20 owe money under your agreement:

21 (Names of all other debtors and obligors, if any)

22 [End of Form]

23 (b) Instructions for form of notification. The following
24 instructions apply to the form of notification in subsection

25 (a) (4):

26 (1) The instructions in this subsection refer to the

1 numbers in braces before items in the form of notification
2 in subsection (a) (4). Do not include the numbers or braces
3 in the notification. The numbers and braces are used only
4 for the purpose of these instructions.

5 (2) Include and complete either item {1}, if the
6 notification relates to a public disposition of the
7 collateral, or item {2}, if the notification relates to a
8 private disposition of the collateral.

9 (3) Include and complete items {3}, {4}, {5}, {6}, and
10 {7}.

11 (4) In item {5}, include and complete any one of the
12 three alternative methods for the explanation-writing,
13 writing or electronic record, or electronic record.

14 (5) In item {6}, include the telephone number. In
15 addition, the sender may include and complete either or
16 both of the two additional alternative methods of
17 communication-writing or electronic communication-for the
18 recipient of the notification to communicate with the
19 sender. Neither of the two additional methods of
20 communication is required to be included.

21 (6) In item {7}, include and complete the method or
22 methods for the explanation-writing, writing or electronic
23 record, or electronic record-included in item {5}.

24 (7) Include and complete item {8} only if a written
25 explanation is included in item {5} as a method for
26 communicating the explanation and the sender will charge

1 the recipient for another written explanation.

2 (8) In item {9}, include either the telephone number
3 or the address or both the telephone number and the
4 address. In addition, the sender may include and complete
5 the additional method of communication—electronic
6 communication—for the recipient of the notification to
7 communicate with the sender. The additional method of
8 electronic communication is not required to be included.

9 (9) If item {10} does not apply, insert "None" after
10 "agreement:".

11 ~~..... (Name and address of secured party)~~

12 ~~..... (Date)~~

13 ~~NOTICE OF OUR PLAN TO SELL PROPERTY~~

14 ~~.....~~

15 ~~(Name and address of any obligor who is also a debtor)~~

16 ~~Subject:~~

17 ~~(Identification of Transaction)~~

18 ~~We have your (describe~~
19 ~~collateral), because you broke promises in our agreement.~~

20 ~~For a public disposition:~~

21 ~~We will sell (describe~~
22 ~~collateral) at public sale. A sale could include a lease~~
23 ~~or license. The sale will be held as follows:~~

24 ~~Date:~~

25 ~~Time:~~

1 Place:

2 ~~You may attend the sale and bring bidders if you want.~~

3 ~~For a private disposition:~~

4 ~~We will sell (describe~~
5 ~~collateral) at private sale sometime after~~
6 ~~..... (date). A sale could include a lease~~
7 ~~or license.~~

8 ~~The money that we get from the sale (after paying our~~
9 ~~costs) will reduce the amount you owe. If we get less money~~
10 ~~than you owe, you (will or will not, as~~
11 ~~applicable) still owe us the difference. If we get more~~
12 ~~money than you owe, you will get the extra money, unless we~~
13 ~~must pay it to someone else.~~

14 ~~You can get the property back at any time before we~~
15 ~~sell it by paying us the full amount you owe (not just the~~
16 ~~past due payments), including our expenses. To learn the~~
17 ~~exact amount you must pay, call us at~~
18 ~~(telephone number).~~

19 ~~If you want us to explain to you in writing how we have~~
20 ~~figured the amount that you owe us, you may call us at~~
21 ~~..... (telephone number) or write us at~~
22 ~~..... (secured party's~~
23 ~~address) and request a written explanation. We will charge~~
24 ~~you \$ for the explanation if we sent you~~
25 ~~another written explanation of the amount you owe us~~

1 ~~within the last six months.~~

2 ~~If you need more information about the sale call us at~~
3 ~~..... (telephone number) or write us at~~
4 ~~..... (secured party's address).~~

5 ~~We are sending this notice to the following other~~
6 ~~people who have an interest~~
7 ~~(describe collateral) or who owe money under your~~
8 ~~agreement:~~

9 ~~.....~~

10 ~~(Names of all other debtors and obligors, if any)~~

11 ~~(5) A notification in the form of paragraph (4) is~~
12 ~~sufficient, even if it includes errors in information not~~
13 ~~required by paragraph (1).~~

14 ~~(6) If a notification under this Section is not in the~~
15 ~~form of paragraph (4), law other than this Article~~
16 ~~determines the effect of including information not~~
17 ~~required by paragraph (1).~~

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

19 (810 ILCS 5/9-615)

20 Sec. 9-615. Application of proceeds of disposition;
21 liability for deficiency and right to surplus.

22 (a) Application of proceeds. A secured party shall apply
23 or pay over for application the cash proceeds of disposition
24 in the following order to:

25 (1) the reasonable expenses of retaking, holding,

1 preparing for disposition, processing, and disposing, and,
2 to the extent provided for by agreement and not prohibited
3 by law, reasonable attorney's fees and legal expenses
4 incurred by the secured party;

5 (2) the satisfaction of obligations secured by the
6 security interest or agricultural lien under which the
7 disposition is made;

8 (3) the satisfaction of obligations secured by any
9 subordinate security interest in or other subordinate lien
10 on the collateral if:

11 (A) the secured party receives from the holder of
12 the subordinate security interest or other lien a
13 signed ~~an authenticated~~ demand for proceeds before
14 distribution of the proceeds is completed; and

15 (B) in a case in which a consignor has an interest
16 in the collateral, the subordinate security interest
17 or other lien is senior to the interest of the
18 consignor; and

19 (4) a secured party that is a consignor of the
20 collateral if the secured party receives from the
21 consignor a signed ~~an authenticated~~ demand for proceeds
22 before distribution of the proceeds is completed.

23 (b) Proof of subordinate interest. If requested by a
24 secured party, a holder of a subordinate security interest or
25 other lien shall furnish reasonable proof of the interest or
26 lien within a reasonable time. Unless the holder does so, the

1 secured party need not comply with the holder's demand under
2 subsection (a) (3).

3 (c) Application of noncash proceeds. A secured party need
4 not apply or pay over for application noncash proceeds of
5 disposition under this Section unless the failure to do so
6 would be commercially unreasonable. A secured party that
7 applies or pays over for application noncash proceeds shall do
8 so in a commercially reasonable manner.

9 (d) Surplus or deficiency if obligation secured. If the
10 security interest under which a disposition is made secures
11 payment or performance of an obligation, after making the
12 payments and applications required by subsection (a) and
13 permitted by subsection (c):

14 (1) unless subsection (a) (4) requires the secured
15 party to apply or pay over cash proceeds to a consignor,
16 the secured party shall account to and pay a debtor for any
17 surplus; and

18 (2) the obligor is liable for any deficiency.

19 (e) No surplus or deficiency in sales of certain rights to
20 payment. If the underlying transaction is a sale of accounts,
21 chattel paper, payment intangibles, or promissory notes:

22 (1) the debtor is not entitled to any surplus; and

23 (2) the obligor is not liable for any deficiency.

24 (f) Calculation of surplus or deficiency in disposition to
25 person related to secured party. The surplus or deficiency
26 following a disposition is calculated based on the amount of

1 proceeds that would have been realized in a disposition
2 complying with this Part and described in subsection (f)(2) of
3 this Section to a transferee other than the secured party, a
4 person related to the secured party, or a secondary obligor
5 if:

6 (1) the transferee in the disposition is the secured
7 party, a person related to the secured party, or a
8 secondary obligor; and

9 (2) the amount of proceeds of the disposition is
10 significantly below the range of proceeds that would have
11 been received from a complying disposition by a forced
12 sale without reserve to a willing buyer other than the
13 secured party, a person related to the secured party, or a
14 secondary obligor.

15 (g) Cash proceeds received by junior secured party. A
16 secured party that receives cash proceeds of a disposition in
17 good faith and without knowledge that the receipt violates the
18 rights of the holder of a security interest or other lien that
19 is not subordinate to the security interest or agricultural
20 lien under which the disposition is made:

21 (1) takes the cash proceeds free of the security
22 interest or other lien;

23 (2) is not obligated to apply the proceeds of the
24 disposition to the satisfaction of obligations secured by
25 the security interest or other lien; and

26 (3) is not obligated to account to or pay the holder of

1 the security interest or other lien for any surplus.

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

3 (810 ILCS 5/9-616)

4 Sec. 9-616. Explanation of calculation of surplus or
5 deficiency.

6 (a) Definitions. In this Section:

7 (1) "Explanation" means a record ~~writing~~ that:

8 (A) states whether a surplus or deficiency is owed
9 and the amount of the surplus, if applicable;

10 (B) states, if applicable, that future debits,
11 credits, charges, including additional credit service
12 charges or interest, rebates, and expenses may affect
13 the amount of the surplus or deficiency;

14 (C) provides a telephone number or mailing address
15 from which the debtor or consumer obligor may obtain
16 additional information concerning the transaction and
17 from which such person may request the amount of the
18 deficiency and further information regarding how the
19 secured party calculated the surplus or deficiency;
20 and

21 (D) at the sender's option, the information set
22 forth in subsection (c).

23 (2) "Request" means a record:

24 (A) signed ~~authenticated~~ by a debtor or consumer
25 obligor;

1 (B) requesting that the recipient provide
2 information of how it calculated the surplus or
3 deficiency; and

4 (C) sent after disposition of the collateral under
5 Section 9-610.

6 (b) Explanation of calculation. In a consumer-goods
7 transaction in which the debtor is entitled to a surplus or a
8 consumer obligor is liable for a deficiency under Section
9 9-615, the secured party shall:

10 (1) send an explanation to the debtor or consumer
11 obligor, as applicable, after the disposition and:

12 (A) before or when the secured party accounts to
13 the debtor and pays any surplus or first makes ~~written~~
14 demand in a record on the consumer obligor after the
15 disposition for payment of the deficiency, other than
16 in instances in which such demand is made by a
17 third-party debt collector covered by the Fair Debt
18 Collection Practices Act; and

19 (B) within 14 days after receipt of a request made
20 by the debtor or consumer obligor within one year
21 after the secured party has given an explanation under
22 this Section or notice to such debtor or consumer
23 obligor under Section 9-614 of this Article; or

24 (2) in the case of a consumer obligor who is liable for
25 a deficiency, within 14 days after receipt of a request,
26 send to the consumer obligor a record waiving the secured

1 party's right to a deficiency.

2 (c) Required information ~~for response to request~~. To
3 comply with subsection (a) (1) (B) ~~a request~~, an explanation ~~the~~
4 ~~secured party~~ must provide ~~a response in writing which~~
5 ~~includes~~ the following information in the following order:

6 (1) the aggregate amount of obligations secured by the
7 security interest under which the disposition was made,
8 and, if the amount reflects a rebate of unearned interest
9 or credit service charge, an indication of that fact,
10 calculated as of a specified date:

11 (A) if the secured party takes or receives
12 possession of the collateral after default, not more
13 than 35 days before the secured party takes or
14 receives possession; or

15 (B) if the secured party takes or receives
16 possession of the collateral before default or does
17 not take possession of the collateral, not more than
18 35 days before the disposition;

19 (2) the amount of proceeds of the disposition;

20 (3) the aggregate amount of the obligations after
21 deducting the amount of proceeds;

22 (4) the amount, in the aggregate or by type, and types
23 of expenses, including expenses of retaking, holding,
24 preparing for disposition, processing, and disposing of
25 the collateral, and attorney's fees secured by the
26 collateral which are known to the secured party and relate

1 to the current disposition;

2 (5) the amount, in the aggregate or by type, and types
3 of credits, including rebates of interest or credit
4 service charges, to which the obligor is known to be
5 entitled and which are not reflected in the amount in
6 paragraph (1); and

7 (6) the amount of the surplus or deficiency.

8 (d) Substantial compliance. A particular phrasing of the
9 explanation or response to a request is not required. An
10 explanation or a response to a request complying substantially
11 with the requirements of this Section is sufficient even if it
12 is:

13 (1) accompanied by or combined with other
14 notifications;

15 (2) includes information not specified by this
16 Section;

17 (3) includes minor errors that are not seriously
18 misleading; or

19 (4) includes errors in information not required by
20 this Section.

21 (e) Charges for responses. A debtor or consumer obligor is
22 entitled without charge to one response to a request under
23 this Section during any six-month period in which the secured
24 party did not send to the debtor or consumer obligor an
25 explanation pursuant to subsection (b)(1). The secured party
26 may require payment of a charge not exceeding \$25 for each

1 additional response.

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

3 (810 ILCS 5/9-619)

4 Sec. 9-619. Transfer of record or legal title.

5 (a) "Transfer statement." In this Section, "transfer
6 statement" means a record signed ~~authenticated~~ by a secured
7 party stating:

8 (1) that the debtor has defaulted in connection with
9 an obligation secured by specified collateral;

10 (2) that the secured party has exercised its
11 post-default remedies with respect to the collateral;

12 (3) that, by reason of the exercise, a transferee has
13 acquired the rights of the debtor in the collateral; and

14 (4) the name and mailing address of the secured party,
15 debtor, and transferee.

16 (b) Effect of transfer statement. A transfer statement
17 entitles the transferee to the transfer of record of all
18 rights of the debtor in the collateral specified in the
19 statement in any official filing, recording, registration, or
20 certificate-of-title system covering the collateral. If a
21 transfer statement is presented with the applicable fee and
22 request form to the official or office responsible for
23 maintaining the system, the official or office shall:

24 (1) accept the transfer statement;

25 (2) promptly amend its records to reflect the

1 transfer; and

2 (3) if applicable, issue a new appropriate certificate
3 of title in the name of the transferee.

4 (c) Transfer not a disposition; no relief of secured
5 party's duties. A transfer of the record or legal title to
6 collateral to a secured party under subsection (b) or
7 otherwise is not of itself a disposition of collateral under
8 this Article and does not of itself relieve the secured party
9 of its duties under this Article.

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

11 (810 ILCS 5/9-620)

12 Sec. 9-620. Acceptance of collateral in full or partial
13 satisfaction of obligation; compulsory disposition of
14 collateral.

15 (a) Conditions to acceptance in satisfaction. Except as
16 otherwise provided in subsection (g), a secured party may
17 accept collateral in full or partial satisfaction of the
18 obligation it secures only if:

19 (1) the debtor consents to the acceptance under
20 subsection (c);

21 (2) the secured party does not receive, within the
22 time set forth in subsection (d), a notification of
23 objection to the proposal signed ~~authenticated~~ by:

24 (A) a person to which the secured party was
25 required to send a proposal under Section 9-621; or

1 (B) any other person, other than the debtor,
2 holding an interest in the collateral subordinate to
3 the security interest that is the subject of the
4 proposal;

5 (3) if the collateral is consumer goods, the
6 collateral is not in the possession of the debtor when the
7 debtor consents to the acceptance; and

8 (4) subsection (e) does not require the secured party
9 to dispose of the collateral or the debtor waives the
10 requirement pursuant to Section 9-624.

11 (b) Purported acceptance ineffective. A purported or
12 apparent acceptance of collateral under this Section is
13 ineffective unless:

14 (1) the secured party consents to the acceptance in a
15 signed ~~an authenticated~~ record or sends a proposal to the
16 debtor; and

17 (2) the conditions of subsection (a) are met.

18 (c) Debtor's consent. For purposes of this Section:

19 (1) a debtor consents to an acceptance of collateral
20 in partial satisfaction of the obligation it secures only
21 if the debtor agrees to the terms of the acceptance in a
22 record signed ~~authenticated~~ after default; and

23 (2) a debtor consents to an acceptance of collateral
24 in full satisfaction of the obligation it secures only if
25 the debtor agrees to the terms of the acceptance in a
26 record signed ~~authenticated~~ after default or the secured

1 party:

2 (A) sends to the debtor after default a proposal
3 that is unconditional or subject only to a condition
4 that collateral not in the possession of the secured
5 party be preserved or maintained;

6 (B) in the proposal, proposes to accept collateral
7 in full satisfaction of the obligation it secures; and

8 (C) does not receive a notification of objection
9 signed ~~authenticated~~ by the debtor within 20 days
10 after the proposal is sent.

11 (d) Effectiveness of notification. To be effective under
12 subsection (a)(2), a notification of objection must be
13 received by the secured party:

14 (1) in the case of a person to which the proposal was
15 sent pursuant to Section 9-621, within 20 days after
16 notification was sent to that person; and

17 (2) in other cases:

18 (A) within 20 days after the last notification was
19 sent pursuant to Section 9-621; or

20 (B) if a notification was not sent, before the
21 debtor consents to the acceptance under subsection
22 (c).

23 (e) Mandatory disposition of consumer goods. A secured
24 party that has taken possession of collateral shall dispose of
25 the collateral pursuant to Section 9-610 within the time
26 specified in subsection (f) if:

1 (1) 60 percent of the cash price has been paid in the
2 case of a purchase-money security interest in consumer
3 goods; or

4 (2) 60 percent of the principal amount of the
5 obligation secured has been paid in the case of a
6 non-purchase-money security interest in consumer goods.

7 (f) Compliance with mandatory disposition requirement. To
8 comply with subsection (e), the secured party shall dispose of
9 the collateral:

10 (1) within 90 days after taking possession; or

11 (2) within any longer period to which the debtor and
12 all secondary obligors have agreed in an agreement to that
13 effect entered into and signed ~~authenticated~~ after
14 default.

15 (g) No partial satisfaction in consumer transaction. In a
16 consumer transaction, a secured party may not accept
17 collateral in partial satisfaction of the obligation it
18 secures.

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

20 (810 ILCS 5/9-621)

21 Sec. 9-621. Notification of proposal to accept collateral.

22 (a) Persons to which proposal to be sent. A secured party
23 that desires to accept collateral in full or partial
24 satisfaction of the obligation it secures shall send its
25 proposal to:

1 (1) any person from which the secured party has
2 received, before the debtor consented to the acceptance, a
3 signed ~~an authenticated~~ notification of a claim of an
4 interest in the collateral;

5 (2) any other secured party or lienholder that, 10
6 days before the debtor consented to the acceptance, held a
7 security interest in or other lien on the collateral
8 perfected by the filing of a financing statement that:

9 (A) identified the collateral;

10 (B) was indexed under the debtor's name as of that
11 date; and

12 (C) was filed in the office or offices in which to
13 file a financing statement against the debtor covering
14 the collateral as of that date; and

15 (3) any other secured party that, 10 days before the
16 debtor consented to the acceptance, held a security
17 interest in the collateral perfected by compliance with a
18 statute, regulation, or treaty described in Section
19 9-311(a).

20 (b) Proposal to be sent to secondary obligor in partial
21 satisfaction. A secured party that desires to accept
22 collateral in partial satisfaction of the obligation it
23 secures shall send its proposal to any secondary obligor in
24 addition to the persons described in subsection (a).

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

1 (810 ILCS 5/9-624)

2 Sec. 9-624. Waiver.

3 (a) Waiver of disposition notification. A debtor or
4 secondary obligor may waive the right to notification of
5 disposition of collateral under Section 9-611 only by an
6 agreement to that effect entered into and signed ~~authenticated~~
7 after default.

8 (b) Waiver of mandatory disposition. A debtor may waive
9 the right to require disposition of collateral under Section
10 9-620(e) only by an agreement to that effect entered into and
11 signed ~~authenticated~~ after default.

12 (c) Waiver of redemption right. A debtor or secondary
13 obligor may waive the right to redeem collateral under Section
14 9-623 only by an agreement to that effect entered into and
15 signed ~~authenticated~~ after default.

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

17 (810 ILCS 5/9-628)

18 Sec. 9-628. Nonliability and limitation on liability of
19 secured party; liability of secondary obligor.

20 (a) Limitation of liability to debtor or obligor. Subject
21 to subsection (f), unless ~~Unless~~ a secured party knows that a
22 person is a debtor or obligor, knows the identity of the
23 person, and knows how to communicate with the person:

24 (1) the secured party is not liable to the person, or
25 to a secured party or lienholder that has filed a

1 financing statement against the person, for failure to
2 comply with this Article; and

3 (2) the secured party's failure to comply with this
4 Article does not affect the liability of the person for a
5 deficiency.

6 (b) Limitation of liability to debtor, obligor, another
7 secured party, or lienholder. Subject to subsection (f), a ~~A~~
8 secured party is not liable because of its status as secured
9 party:

10 (1) to a person that is a debtor or obligor, unless the
11 secured party knows:

12 (A) that the person is a debtor or obligor;

13 (B) the identity of the person; and

14 (C) how to communicate with the person; or

15 (2) to a secured party or lienholder that has filed a
16 financing statement against a person, unless the secured
17 party knows:

18 (A) that the person is a debtor; and

19 (B) the identity of the person.

20 (c) Limitation of liability if reasonable belief that
21 transaction not a consumer-goods transaction or consumer
22 transaction. A secured party is not liable to any person, and a
23 person's liability for a deficiency is not affected, because
24 of any act or omission arising out of the secured party's
25 reasonable belief that a transaction is not a consumer-goods
26 transaction or a consumer transaction or that goods are not

1 consumer goods, if the secured party's belief is based on its
2 reasonable reliance on:

3 (1) a debtor's representation concerning the purpose
4 for which collateral was to be used, acquired, or held; or

5 (2) an obligor's representation concerning the purpose
6 for which a secured obligation was incurred.

7 (d) Limitation of liability for statutory damages. A
8 secured party is not liable to any person under Section
9 9-625(c)(2) for its failure to comply with Section 9-616.

10 (e) Limitation of multiple liability for statutory
11 damages. A secured party is not liable under Section
12 9-625(c)(2) more than once with respect to any one secured
13 obligation.

14 (f) Exception: Limitation of liability under subsections
15 (a) and (b) does not apply. Subsections (a) and (b) do not
16 apply to limit the liability of a secured party to a person if,
17 at the time the secured party obtains control of collateral
18 that is a controllable account, controllable electronic
19 record, or controllable payment intangible or at the time the
20 security interest attaches to the collateral, whichever is
21 later:

22 (1) the person is a debtor or obligor; and

23 (2) the secured party knows that the information in
24 subsection (b)(1)(A), (B), or (C) relating to the person
25 is not provided by the collateral, a record attached to or
26 logically associated with the collateral, or the system in

1 remain perfected until they lapse as provided in this
2 amendatory Act of 1987, and may be continued as permitted by
3 this amendatory Act of 1987.

4 (2) The persons shown on the books of the issuer as the
5 holders of uncertificated securities outstanding when this
6 amendatory Act of 1987 becomes effective shall be deemed to be
7 the registered owners thereof. Prior to the 90th day after
8 this amendatory Act of 1987 takes effect, the issuer of any
9 uncertificated security outstanding when this amendatory Act
10 of 1987 takes effect shall send to the registered owner a
11 written statement containing:

12 (a) A description of the issue of which the uncertificated
13 security is a part;

14 (b) The number of shares or other units owned by the
15 registered owner;

16 (c) The name and address and (if known to the issuer) any
17 taxpayer identification number of the registered owner;

18 (d) A notation of any liens or restrictions of the issuer
19 and any adverse claims (as to which the issuer has a duty under
20 Section 8-403(4)) to which the uncertificated security is or
21 may be subject at the time when the statement is prepared or a
22 statement that there are no such liens, restrictions or
23 adverse claims; and

24 (e) The date the statement was prepared.

25 Statements sent pursuant to this subsection shall be
26 signed by or on behalf of the issuer; shall be identified as

1 "initial transaction statement"; and shall be deemed to be
2 initial transaction statements for the purposes of Article 8
3 as amended by this amendatory Act of 1987.

4 (3) If a security interest in an uncertificated security
5 outstanding prior to January 1, 1988, is perfected or has
6 priority as to all persons or as to certain persons when this
7 amendatory Act of 1987 takes effect by virtue of the previous
8 filing of a financing statement, and if other acts would be
9 required for the perfection or priority of the security
10 interest against those persons under this amendatory Act of
11 1987, the perfection and priority rights of the security
12 interest shall continue and shall lapse on the date provided
13 by the "Uniform Commercial Code", approved July 31, 1961, as
14 amended prior to this amendatory Act of 1987, (whether or not a
15 continuation statement is filed with respect to such security
16 interest) unless the security interest is perfected in
17 accordance with this amendatory Act of 1987.

18 (4) If an issuer's lien or restriction on an
19 uncertificated security outstanding prior to January 1, 1988,
20 or a term of such a security is valid and effective against all
21 persons or against certain persons when this amendatory Act of
22 1987 takes effect, and if the notation of such lien,
23 restriction or term on an initial transaction statement would
24 be required for its validity or effectiveness against those
25 persons under this amendatory Act of 1987, such lien,
26 restriction or term shall remain valid and effective until the

1 earlier of (i) the time when an initial transaction statement
2 is sent by the issuer to the registered owner (after which the
3 validity and effectiveness of the lien, restriction or term
4 shall be governed by this amendatory Act of 1987), or (ii) 3
5 years from the effective date of this amendatory Act of 1987.
6 If an initial transaction statement regarding an
7 uncertificated security outstanding on the effective date of
8 this amendatory Act of 1987 is not sent to the registered owner
9 thereof within 3 years after that date, any issuer's lien
10 required to be noted thereon shall cease to be valid, and any
11 restriction or term required to be noted thereon shall cease
12 to be effective except as to those persons against whom an
13 unnoted restriction or term would be effective under Article 8
14 as amended by this amendatory Act of 1987.

15 (Source: P.A. 85-997.)

16 (810 ILCS 5/Art. 12 heading new)

17 ARTICLE 12

18 CONTROLLABLE ELECTRONIC RECORDS

19 (810 ILCS 5/12-101 new)

20 Sec. 12-101. Title. This Article may be cited as Uniform
21 Commercial Code--Controllable Electronic Records.

22 (810 ILCS 5/12-102 new)

23 Sec. 12-102. Definitions.

1 (a) In this Article:

2 (1) "Controllable electronic record" means a record
3 stored in an electronic medium that can be subjected to
4 control under Section 12-105. The term does not include a
5 controllable account, a controllable payment intangible, a
6 deposit account, an electronic copy of a record evidencing
7 chattel paper, an electronic document of title, electronic
8 money, investment property, or a transferable record.

9 (2) "Qualifying purchaser" means a purchaser of a
10 controllable electronic record or an interest in a
11 controllable electronic record that obtains control of the
12 controllable electronic record for value, in good faith,
13 and without notice of a claim of a property right in the
14 controllable electronic record.

15 (3) "Transferable record" has the meaning provided for
16 that term in:

17 (A) Section 201(a)(1) of the Electronic Signatures
18 in Global and National Commerce Act, 15 U.S.C. Section
19 7021(a)(1), as amended; or

20 (B) Section 16(a) of the Uniform Electronic
21 Transactions Act.

22 (4) "Value" has the meaning provided in Section
23 3-303(a), as if references in that subsection to an
24 "instrument" were references to a controllable account,
25 controllable electronic record, or controllable payment
26 intangible.

1 (b) Definitions in Article 9. The definitions in Article 9
2 of "account debtor", "controllable account", "controllable
3 payment intangible", "chattel paper", "deposit account",
4 "electronic money", and "investment property" apply to this
5 Article.

6 (c) Article 1 definitions and principles. Article 1
7 contains general definitions and principles of construction
8 and interpretation applicable throughout this Article.

9 (810 ILCS 5/12-103 new)

10 Sec. 12-103. Relation to Article 9 and consumer laws.

11 (a) Article 9 governs in case of conflict. If there is
12 conflict between this Article and Article 9, Article 9
13 governs.

14 (b) Applicable consumer law and other laws. A transaction
15 subject to this Article is subject to any applicable rule of
16 law, statute, or regulation which establishes a different rule
17 for consumers including, without limitation, the Consumer
18 Installment Loan Act, the Predatory Loan Prevention Act, the
19 Consumer Fraud and Deceptive Business Practices Act, any other
20 statute or regulation that regulates the rates, charges,
21 agreements, and practices for loans, credit sales, or other
22 extensions of credit, and any consumer protection statute or
23 regulation.

24 (810 ILCS 5/12-104 new)

1 Sec. 12-104. Rights in controllable account, controllable
2 electronic record, and controllable payment intangible.

3 (a) Applicability of Section to controllable account and
4 controllable payment intangible. This Section applies to the
5 acquisition and purchase of rights in a controllable account
6 or controllable payment intangible, including the rights and
7 benefits under subsections (c), (d), (e), (g), and (h) of a
8 purchaser and qualifying purchaser, in the same manner this
9 Section applies to a controllable electronic record.

10 (b) Control of controllable account and controllable
11 payment intangible. To determine whether a purchaser of a
12 controllable account or a controllable payment intangible is a
13 qualifying purchaser, the purchaser obtains control of the
14 account or payment intangible if it obtains control of the
15 controllable electronic record that evidences the account or
16 payment intangible.

17 (c) Applicability of other law to acquisition of rights.
18 Except as provided in this Section, law other than this
19 Article determines whether a person acquires a right in a
20 controllable electronic record and the right the person
21 acquires.

22 (d) Shelter principle and purchase of limited interest. A
23 purchaser of a controllable electronic record acquires all
24 rights in the controllable electronic record that the
25 transferor had or had power to transfer, except that a
26 purchaser of a limited interest in a controllable electronic

1 record acquires rights only to the extent of the interest
2 purchased.

3 (e) Rights of qualifying purchaser. A qualifying purchaser
4 acquires its rights in the controllable electronic record free
5 of a claim of a property right in the controllable electronic
6 record.

7 (f) Limitation of rights of qualifying purchaser in other
8 property. Except as provided in subsections (a) and (e) for a
9 controllable account and a controllable payment intangible or
10 law other than this Article, a qualifying purchaser takes a
11 right to payment, right to performance, or other interest in
12 property evidenced by the controllable electronic record
13 subject to a claim of a property right in the right to payment,
14 right to performance, or other interest in property.

15 (g) No-action protection for qualifying purchaser. An
16 action may not be asserted against a qualifying purchaser
17 based on both a purchase by the qualifying purchaser of a
18 controllable electronic record and a claim of a property right
19 in another controllable electronic record, whether the action
20 is framed in conversion, replevin, constructive trust,
21 equitable lien, or other theory.

22 (h) Filing not notice. Filing of a financing statement
23 under Article 9 is not notice of a claim of a property right in
24 a controllable electronic record.

1 Sec. 12-105. Control of controllable electronic record.

2 (a) General rule: control of controllable electronic
3 record. A person has control of a controllable electronic
4 record if the electronic record, a record attached to or
5 logically associated with the electronic record, or a system
6 in which the electronic record is recorded:

7 (1) gives the person:

8 (A) power to avail itself of substantially all the
9 benefit from the electronic record; and

10 (B) exclusive power, subject to subsection (b),

11 to:

12 (i) prevent others from availing themselves of
13 substantially all the benefit from the electronic
14 record; and

15 (ii) transfer control of the electronic record
16 to another person or cause another person to
17 obtain control of another controllable electronic
18 record as a result of the transfer of the
19 electronic record; and

20 (2) enables the person readily to identify itself in
21 any way, including by name, identifying number,
22 cryptographic key, office, or account number, as having
23 the powers specified in paragraph (1).

24 (b) Meaning of exclusive. Subject to subsection (c), a
25 power is exclusive under subsection (a)(1)(B)(i) and (ii) even
26 if:

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

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

9 (c) When power not shared with another person. A power of a
10 person is not shared with another person under subsection
11 (b) (2) and the person's power is not exclusive if:

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

14 (2) the other person:

15 (A) can exercise the power without exercise of the
16 power by the person; or

17 (B) is the transferor to the person of an interest
18 in the controllable electronic record or a
19 controllable account or controllable payment
20 intangible evidenced by the controllable electronic
21 record.

22 (d) Presumption of exclusivity of certain powers. If a
23 person has the powers specified in subsection (a) (1) (B) (i) and
24 (ii), the powers are presumed to be exclusive.

25 (e) Control through another person. A person has control
26 of a controllable electronic record if another person, other

1 than the transferor to the person of an interest in the
2 controllable electronic record or a controllable account or
3 controllable payment intangible evidenced by the controllable
4 electronic record:

5 (1) has control of the electronic record and
6 acknowledges that it has control on behalf of the person;
7 or

8 (2) obtains control of the electronic record after
9 having acknowledged that it will obtain control of the
10 electronic record on behalf of the person.

11 (f) No requirement to acknowledge. A person that has
12 control under this Section is not required to acknowledge that
13 it has control on behalf of another person.

14 (g) No duties or confirmation. If a person acknowledges
15 that it has or will obtain control on behalf of another person,
16 unless the person otherwise agrees or law other than this
17 Article or Article 9 otherwise provides, the person does not
18 owe any duty to the other person and is not required to confirm
19 the acknowledgment to any other person.

20 (810 ILCS 5/12-106 new)

21 Sec. 12-106. Discharge of account debtor on controllable
22 account or controllable payment intangible.

23 (a) Discharge of account debtor. An account debtor on a
24 controllable account or controllable payment intangible may
25 discharge its obligation by paying:

1 (1) the person having control of the controllable
2 electronic record that evidences the controllable account
3 or controllable payment intangible; or

4 (2) except as provided in subsection (b), a person
5 that formerly had control of the controllable electronic
6 record.

7 (b) Content and effect of notification. Subject to
8 subsection (d), the account debtor may not discharge its
9 obligation by paying a person that formerly had control of the
10 controllable electronic record if the account debtor receives
11 a notification that:

12 (1) is signed by a person that formerly had control or
13 the person to which control was transferred;

14 (2) reasonably identifies the controllable account or
15 controllable payment intangible;

16 (3) notifies the account debtor that control of the
17 controllable electronic record that evidences the
18 controllable account or controllable payment intangible
19 was transferred;

20 (4) identifies the transferee, in any reasonable way,
21 including by name, identifying number, cryptographic key,
22 office, or account number; and

23 (5) provides a commercially reasonable method by which
24 the account debtor is to pay the transferee.

25 (c) Discharge following effective notification. After
26 receipt of a notification that complies with subsection (b),

1 the account debtor may discharge its obligation by paying in
2 accordance with the notification and may not discharge the
3 obligation by paying a person that formerly had control.

4 (d) When notification ineffective. Subject to subsection
5 (h), notification is ineffective under subsection (b):

6 (1) unless, before the notification is sent, the
7 account debtor and the person that, at that time, had
8 control of the controllable electronic record that
9 evidences the controllable account or controllable payment
10 intangible agree in a signed record to a commercially
11 reasonable method by which a person may furnish reasonable
12 proof that control has been transferred;

13 (2) to the extent an agreement between the account
14 debtor and seller of a payment intangible limits the
15 account debtor's duty to pay a person other than the
16 seller and the limitation is effective under law other
17 than this Article; or

18 (3) at the option of the account debtor, if the
19 notification notifies the account debtor to:

20 (A) divide a payment;

21 (B) make less than the full amount of an
22 installment or other periodic payment; or

23 (C) pay any part of a payment by more than one
24 method or to more than one person.

25 (e) Proof of transfer of control. Subject to subsection
26 (h), if requested by the account debtor, the person giving the

1 notification under subsection (b) seasonably shall furnish
2 reasonable proof, using the method in the agreement referred
3 to in subsection (d)(1), that control of the controllable
4 electronic record has been transferred. Unless the person
5 complies with the request, the account debtor may discharge
6 its obligation by paying a person that formerly had control,
7 even if the account debtor has received a notification under
8 subsection (b).

9 (f) What constitutes reasonable proof. A person furnishes
10 reasonable proof under subsection (e) that control has been
11 transferred if the person demonstrates, using the method in
12 the agreement referred to in subsection (d)(1), that the
13 transferee has the power to:

14 (1) avail itself of substantially all the benefit from
15 the controllable electronic record;

16 (2) prevent others from availing themselves of
17 substantially all the benefit from the controllable
18 electronic record; and

19 (3) transfer the powers specified in paragraphs (1)
20 and (2) to another person.

21 (g) Rights not waivable. Subject to subsection (h), an
22 account debtor may not waive or vary its rights under
23 subsections (d)(1) and (e) or its option under subsection
24 (d)(3).

25 (h) Rule for individual under other law. This Section is
26 subject to law other than this Article which establishes a

1 different rule for an account debtor who is an individual and
2 who incurred the obligation primarily for personal, family, or
3 household purposes.

4 (810 ILCS 5/12-107 new)

5 Sec. 12-107. Governing law.

6 (a) Governing law: general rule. Except as provided in
7 subsection (b), the local law of a controllable electronic
8 record's jurisdiction governs a matter covered by this
9 Article.

10 (b) Governing law: Section 12-106. For a controllable
11 electronic record that evidences a controllable account or
12 controllable payment intangible, the local law of the
13 controllable electronic record's jurisdiction governs a matter
14 covered by Section 12-106 unless an effective agreement
15 determines that the local law of another jurisdiction governs.

16 (c) Controllable electronic record's jurisdiction. The
17 following rules determine a controllable electronic record's
18 jurisdiction under this Section:

19 (1) If the controllable electronic record, or a record
20 attached to or logically associated with the controllable
21 electronic record and readily available for review,
22 expressly provides that a particular jurisdiction is the
23 controllable electronic record's jurisdiction for purposes
24 of this Article or the Uniform Commercial Code, that
25 jurisdiction is the controllable electronic record's

1 jurisdiction.

2 (2) If paragraph (1) does not apply and the rules of
3 the system in which the controllable electronic record is
4 recorded are readily available for review and expressly
5 provide that a particular jurisdiction is the controllable
6 electronic record's jurisdiction for purposes of this
7 Article or the Uniform Commercial Code, that jurisdiction
8 is the controllable electronic record's jurisdiction.

9 (3) If paragraphs (1) and (2) do not apply and the
10 controllable electronic record, or a record attached to or
11 logically associated with the controllable electronic
12 record and readily available for review, expressly
13 provides that the controllable electronic record is
14 governed by the law of a particular jurisdiction, that
15 jurisdiction is the controllable electronic record's
16 jurisdiction.

17 (4) If paragraphs (1), (2), and (3) do not apply and
18 the rules of the system in which the controllable
19 electronic record is recorded are readily available for
20 review and expressly provide that the controllable
21 electronic record or the system is governed by the law of a
22 particular jurisdiction, that jurisdiction is the
23 controllable electronic record's jurisdiction.

24 (5) If paragraphs (1) through (4) do not apply, the
25 controllable electronic record's jurisdiction is the
26 District of Columbia.

1 (d) Applicability of Article 12. If subsection (c)(5)
2 applies and Article 12 is not in effect in the District of
3 Columbia without material modification, the governing law for
4 a matter covered by this Article is the law of the District of
5 Columbia as though Article 12 were in effect in the District of
6 Columbia without material modification. In this subsection,
7 "Article 12" means Article 12 of Uniform Commercial Code
8 Amendments (2022).

9 (e) Relation of matter or transaction to controllable
10 electronic record's jurisdiction not necessary. To the extent
11 subsections (a) and (b) provide that the local law of the
12 controllable electronic record's jurisdiction governs a matter
13 covered by this Article, that law governs even if the matter or
14 a transaction to which the matter relates does not bear any
15 relation to the controllable electronic record's jurisdiction.

16 (f) Rights of purchasers determined at time of purchase.
17 The rights acquired under Section 12-104 by a purchaser or
18 qualifying purchaser are governed by the law applicable under
19 this Section at the time of purchase.

20 (810 ILCS 5/Art. 12A heading new)

21 ARTICLE 12A

22 TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL

23 CODE AMENDMENTS OF THE 103RD GENERAL ASSEMBLY

24 (810 ILCS 5/Art. 12A Pt. 1 heading new)

1 PART 1

2 GENERAL PROVISIONS AND DEFINITIONS

3 (810 ILCS 5/12A-101 new)

4 Sec. 12A-101. Title. This Article may be cited as
5 Transitional Provisions for Uniform Commercial Code Amendments
6 of the 103rd General Assembly.

7 (810 ILCS 5/12A-102 new)

8 Sec. 12A-102. Definitions.

9 (a) In this Article:

10 (1) "Adjustment date" means July 1, 2025, or the date
11 that is one year after the effective date of this
12 amendatory Act of the 103rd General Assembly, whichever is
13 later.

14 (2) "Article 12" means Article 12 of the Uniform
15 Commercial Code.

16 (3) "Article 12 property" means a controllable
17 account, controllable electronic record, or controllable
18 payment intangible.

19 (b) Definitions in other Articles. The following
20 definitions in other Articles of the Uniform Commercial Code
21 apply to this Article.

22 "Controllable account". Section 9-102.

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

24 "Controllable payment intangible". Section 9-102.

1 "Electronic money". Section 9-102.

2 "Financing statement". Section 9-102.

3 (c) Article 1 definitions and principles. Article 1
4 contains general definitions and principles of construction
5 and interpretation applicable throughout this Article.

6 (810 ILCS 5/Art. 12A Pt. 2 heading new)

7 PART 2

8 GENERAL TRANSITIONAL PROVISION

9 (810 ILCS 5/12A-201 new)

10 Sec. 12A-201. Saving clause. Except as provided in Part 3,
11 a transaction validly entered into before the effective date
12 of this amendatory Act of the 103rd General Assembly and the
13 rights, duties, and interests flowing from the transaction
14 remain valid thereafter and may be terminated, completed,
15 consummated, or enforced as required or permitted by law other
16 than the Uniform Commercial Code or, if applicable, the
17 Uniform Commercial Code, as though this amendatory Act of the
18 103rd General Assembly had not taken effect.

19 (810 ILCS 5/Art. 12A Pt. 3 heading new)

20 PART 3

21 TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12

22 (810 ILCS 5/12A-301 new)

1 Sec. 12A-301. Saving clause.

2 (a) Pre-effective-date transaction, lien, or interest.

3 Except as provided in this Part, Article 9 as amended by this
4 amendatory Act of the 103rd General Assembly and Article 12
5 apply to a transaction, lien, or other interest in property,
6 even if the transaction, lien, or interest was entered into,
7 created, or acquired before the effective date of this
8 amendatory Act of the 103rd General Assembly.

9 (b) Continuing validity. Except as provided in subsection

10 (c) and Sections 12A-302 through 12A-306:

11 (1) a transaction, lien, or interest in property that
12 was validly entered into, created, or transferred before
13 the effective date of this amendatory Act of the 103rd
14 General Assembly and was not governed by the Uniform
15 Commercial Code, but would be subject to Article 9 as
16 amended by this amendatory Act of the 103rd General
17 Assembly or Article 12 if it had been entered into,
18 created, or transferred on or after the effective date of
19 this amendatory Act of the 103rd General Assembly,
20 including the rights, duties, and interests flowing from
21 the transaction, lien, or interest, remains valid on and
22 after the effective date of this amendatory Act of the
23 103rd General Assembly; and

24 (2) the transaction, lien, or interest may be
25 terminated, completed, consummated, and enforced as
26 required or permitted by this amendatory Act of the 103rd

1 General Assembly or by the law that would apply if this
2 amendatory Act of the 103rd General Assembly had not taken
3 effect.

4 (c) Pre-effective-date proceeding. This amendatory Act of
5 the 103rd General Assembly does not affect an action, case, or
6 proceeding commenced before the effective date of this
7 amendatory Act of the 103rd General Assembly.

8 (810 ILCS 5/12A-302 new)

9 Sec. 12A-302. Security interest perfected before effective
10 date.

11 (a) Continuing perfection: perfection requirements
12 satisfied. A security interest that is enforceable and
13 perfected immediately before the effective date of this
14 amendatory Act of the 103rd General Assembly is a perfected
15 security interest under this amendatory Act of the 103rd
16 General Assembly if, on the effective date of this amendatory
17 Act of the 103rd General Assembly, the requirements for
18 enforceability and perfection under this amendatory Act of the
19 103rd General Assembly are satisfied without further action.

20 (b) Continuing perfection: enforceability or perfection
21 requirements not satisfied. If a security interest is
22 enforceable and perfected immediately before the effective
23 date of this amendatory Act of the 103rd General Assembly, but
24 the requirements for enforceability or perfection under this
25 amendatory Act of the 103rd General Assembly are not satisfied

1 on the effective date of this amendatory Act of the 103rd
2 General Assembly, the security interest:

3 (1) is a perfected security interest until the earlier
4 of the time perfection would have ceased under the law in
5 effect immediately before the effective date of this
6 amendatory Act of the 103rd General Assembly or the
7 adjustment date;

8 (2) remains enforceable thereafter only if the
9 security interest satisfies the requirements for
10 enforceability under Section 9-203, as amended by this
11 amendatory Act of the 103rd General Assembly, before the
12 adjustment date; and

13 (3) remains perfected thereafter only if the
14 requirements for perfection under this amendatory Act of
15 the 103rd General Assembly are satisfied before the time
16 specified in paragraph (1).

17 (810 ILCS 5/12A-303 new)

18 Sec. 12A-303. Security interest unperfected before
19 effective date. A security interest that is enforceable
20 immediately before the effective date of this amendatory Act
21 of the 103rd General Assembly but is unperfected at that time:

22 (1) remains an enforceable security interest until the
23 adjustment date;

24 (2) remains enforceable thereafter if the security
25 interest becomes enforceable under Section 9-203, as

1 amended by this amendatory Act of the 103rd General
2 Assembly, on the effective date of this amendatory Act of
3 the 103rd General Assembly or before the adjustment date;
4 and

5 (3) becomes perfected:

6 (A) without further action, on the effective date
7 of this amendatory Act of the 103rd General Assembly
8 if the requirements for perfection under this
9 amendatory Act of the 103rd General Assembly are
10 satisfied before or at that time; or

11 (B) when the requirements for perfection are
12 satisfied if the requirements are satisfied after that
13 time.

14 (810 ILCS 5/12A-304 new)

15 Sec. 12A-304. Effectiveness of actions taken before
16 effective date.

17 (a) Pre-effective-date action; attachment and perfection
18 before adjustment date. If action, other than the filing of a
19 financing statement, is taken before the effective date of
20 this amendatory Act of the 103rd General Assembly and the
21 action would have resulted in perfection of the security
22 interest had the security interest become enforceable before
23 the effective date of this amendatory Act of the 103rd General
24 Assembly, the action is effective to perfect a security
25 interest that attaches under this amendatory Act of the 103rd

1 General Assembly before the adjustment date. An attached
2 security interest becomes unperfected on the adjustment date
3 unless the security interest becomes a perfected security
4 interest under this amendatory Act of the 103rd General
5 Assembly before the adjustment date.

6 (b) Pre-effective-date filing. The filing of a financing
7 statement before the effective date of this amendatory Act of
8 the 103rd General Assembly is effective to perfect a security
9 interest on the effective date of this amendatory Act of the
10 103rd General Assembly to the extent the filing would satisfy
11 the requirements for perfection under this amendatory Act of
12 the 103rd General Assembly.

13 (c) Pre-effective-date enforceability action. The taking
14 of an action before the effective date of this amendatory Act
15 of the 103rd General Assembly is sufficient for the
16 enforceability of a security interest on the effective date of
17 this amendatory Act of the 103rd General Assembly if the
18 action would satisfy the requirements for enforceability under
19 this amendatory Act of the 103rd General Assembly.

20 (810 ILCS 5/12A-305 new)

21 Sec. 12A-305. Priority.

22 (a) Determination of priority. Subject to subsections (b)
23 and (c), this amendatory Act of the 103rd General Assembly
24 determines the priority of conflicting claims to collateral.

25 (b) Established priorities. Subject to subsection (c), if

1 the priorities of claims to collateral were established before
2 the effective date of this amendatory Act of the 103rd General
3 Assembly, Article 9 as in effect before the effective date of
4 this amendatory Act of the 103rd General Assembly determines
5 priority.

6 (c) Determination of certain priorities on adjustment
7 date. On the adjustment date, to the extent the priorities
8 determined by Article 9 as amended by this amendatory Act of
9 the 103rd General Assembly modify the priorities established
10 before the effective date of this amendatory Act of the 103rd
11 General Assembly, the priorities of claims to Article 12
12 property and electronic money established before the effective
13 date of this amendatory Act of the 103rd General Assembly
14 cease to apply.

15 (810 ILCS 5/12A-306 new)

16 Sec. 12A-306. Priority of claims when priority rules of
17 Article 9 do not apply.

18 (a) Determination of priority. Subject to subsections (b)
19 and (c), Article 12 determines the priority of conflicting
20 claims to Article 12 property when the priority rules of
21 Article 9 as amended by this amendatory Act of the 103rd
22 General Assembly do not apply.

23 (b) Established priorities. Subject to subsection (c),
24 when the priority rules of Article 9 as amended by this
25 amendatory Act of the 103rd General Assembly do not apply and

1 the priorities of claims to Article 12 property were
2 established before the effective date of this amendatory Act
3 of the 103rd General Assembly, law other than Article 12
4 determines priority.

5 (c) Determination of certain priorities on adjustment
6 date. When the priority rules of Article 9 as amended by this
7 amendatory Act of the 103rd General Assembly do not apply, to
8 the extent the priorities determined by this amendatory Act of
9 the 103rd General Assembly modify the priorities established
10 before the effective date of this amendatory Act of the 103rd
11 General Assembly, the priorities of claims to Article 12
12 property established before the effective date of this
13 amendatory Act of the 103rd General Assembly cease to apply on
14 the adjustment date.

15 Section 99. Effective date. This Act takes effect January
16 1, 2025.

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