

1 AN ACT concerning the Uniform Commercial Code.

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 changing the heading of Article 1, Part 1 and Sections 1-101,  
6 1-102, 1-103, 1-104, 1-105, 1-106, 1-107, 1-108, and 1-109, the  
7 heading of Article 1, Part 2 and Sections 1-201, 1-202, 1-203,  
8 1-204, 1-205, 1-206, 1-207, 1-208, and 1-209 and by adding the  
9 heading of Article 1, Part 3 and Sections 1-301, 1-302, 1-303,  
10 1-304, 1-305, 1-306, 1-307, 1-308, 1-309, and 1-310 as follows:

11 (810 ILCS 5/Art. 1 Pt. 1 heading)

12 PART 1~~7~~

13 GENERAL PROVISIONS ~~SHORT TITLE, CONSTRUCTION, APPLICATION~~  
14 ~~AND SUBJECT MATTER OF THE ACT~~

15 (810 ILCS 5/1-101) (from Ch. 26, par. 1-101)

16 Sec. 1-101. Short Titles. ~~Short title.~~

17 (a) This Act may be cited as the Uniform Commercial Code.

18 (b) This Article may be cited as Uniform Commercial Code -  
19 General Provisions. ~~This Act shall be known and may be cited as~~  
20 ~~Uniform Commercial Code.~~

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

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

2 Sec. 1-102. Scope of Article. ~~Purposes, rules of~~  
3 ~~construction, variation by agreement.~~ This Article applies to a  
4 transaction to the extent that it is governed by another  
5 Article of the Uniform Commercial Code.

6 ~~(1) This Act shall be liberally construed and applied to~~  
7 ~~promote its underlying purposes and policies.~~

8 ~~(2) Underlying purposes and policies of this Act are~~

9 ~~(a) to simplify, clarify and modernize the law~~  
10 ~~governing commercial transactions;~~

11 ~~(b) to permit the continued expansion of commercial~~  
12 ~~practices through custom, usage and agreement of the parties;~~

13 ~~(c) to make uniform the law among the various~~  
14 ~~jurisdictions.~~

15 ~~(3) The effect of provisions of this Act may be varied by~~  
16 ~~agreement, except as otherwise provided in this Act and except~~  
17 ~~that the obligations of good faith, diligence, reasonableness~~  
18 ~~and care prescribed by this Act may not be disclaimed by~~  
19 ~~agreement but the parties may by agreement determine the~~  
20 ~~standards by which the performance of such obligations is to be~~  
21 ~~measured if such standards are not manifestly unreasonable.~~

22 ~~(4) The presence in certain provisions of this Act of the~~  
23 ~~words "unless otherwise agreed" or words of similar import does~~  
24 ~~not imply that the effect of other provisions may not be varied~~  
25 ~~by agreement under subsection (3).~~

26 ~~(5) In this Act unless the context otherwise requires~~

1           ~~(a) words in the singular number include the plural,~~  
2           ~~and in the plural include the singular;~~

3           ~~(b) words of the masculine gender include the feminine~~  
4           ~~and the neuter, and when the sense so indicates words of the~~  
5           ~~neuter gender may refer to any gender.~~

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

7           (810 ILCS 5/1-103) (from Ch. 26, par. 1-103)

8           Sec. 1-103. Construction of Uniform Commercial Code to  
9           promote its purposes and policies; applicability of  
10           supplemental principles of law. Supplementary general  
11           ~~principles of law applicable.~~

12           (a) The Uniform Commercial Code must be liberally construed  
13           and applied to promote its underlying purposes and policies,  
14           which are:

15                 (1) to simplify, clarify, and modernize the law  
16                 governing commercial transactions;

17                 (2) to permit the continued expansion of commercial  
18                 practices through custom, usage, and agreement of the  
19                 parties; and

20                 (3) to make uniform the law among the various  
21                 jurisdictions.

22           (b) Unless displaced by the particular provisions of the  
23           Uniform Commercial Code, the principles of law and equity,  
24           including the law merchant and the law relative to capacity to  
25           contract, principal and agent, estoppel, fraud,

1 misrepresentation, duress, coercion, mistake, bankruptcy, and  
2 other validating or invalidating cause supplement its  
3 provisions.

4 ~~Unless displaced by the particular provisions of this Act,~~  
5 ~~the principles of law and equity, including the law merchant~~  
6 ~~and the law relative to capacity to contract, principal and~~  
7 ~~agent, estoppel, fraud, misrepresentation, duress, coercion,~~  
8 ~~mistake, unjust enrichment, bankruptcy, or other validating or~~  
9 ~~invalidating cause shall supplement its provisions.~~

10 (Source: P.A. 88-123.)

11 (810 ILCS 5/1-104) (from Ch. 26, par. 1-104)

12 Sec. 1-104. Construction against implied repeal.  
13 ~~Construction against implicit repeal.~~ The Uniform Commercial  
14 Code being a general Act intended as a unified coverage of its  
15 subject matter, no part of it shall be deemed to be impliedly  
16 repealed by subsequent legislation if such construction can  
17 reasonably be avoided.

18 ~~This Act being a general act intended as a unified coverage~~  
19 ~~of its subject matter, no part of it shall be deemed to be~~  
20 ~~impliedly repealed by subsequent legislation if such~~  
21 ~~construction can reasonably be avoided.~~

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

23 (810 ILCS 5/1-105) (from Ch. 26, par. 1-105)

24 Sec. 1-105. Severability. If any provision or clause of the

1 Uniform Commercial Code or its application to any person or  
2 circumstance is held invalid, the invalidity does not affect  
3 other provisions or applications of the Uniform Commercial Code  
4 which can be given effect without the invalid provision or  
5 application, and to this end the provisions of the Uniform  
6 Commercial Code are severable.

7 ~~Territorial application of the Act; parties' power to choose~~  
8 ~~applicable law.~~

9 ~~(1) Except as provided in this Section, when a transaction~~  
10 ~~bears a reasonable relation to this State and also to another~~  
11 ~~state or nation the parties may agree that the law either of~~  
12 ~~this State or of the other state or nation shall govern their~~  
13 ~~rights and duties. Failing an agreement, this Act applies to~~  
14 ~~transactions bearing an appropriate relation to this State.~~

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

19 ~~Rights of creditors against sold goods. Section 2-402.~~

20 ~~Applicability of the Article on Leases. Sections 2A-105 and~~  
21 ~~2A-106.~~

22 ~~Applicability of the Article on Bank Deposits and~~  
23 ~~Collections. Section 4-102.~~

24 ~~Governing law in the Article on Funds Transfers. Section~~  
25 ~~4A-507.~~

26 ~~Letters of Credit. Section 5-116.~~

1 ~~Applicability of the Article on Investment Securities.~~

2 ~~Section 8-110.~~

3 ~~Law governing perfection, the effect of perfection or~~

4 ~~nonperfection, and the priority of security interests~~

5 ~~and agricultural liens. Sections 9-301 through 9-307.~~

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

7 (810 ILCS 5/1-106) (from Ch. 26, par. 1-106)

8 Sec. 1-106. Use of singular and plural; gender. ~~Remedies to~~  
9 ~~be liberally administered.~~ In the Uniform Commercial Code,  
10 unless the statutory context otherwise requires:

11 (1) words in the singular number include the plural,  
12 and those in the plural include the singular; and

13 (2) words of any gender also refer to any other gender.

14 ~~(1) The remedies provided by this Act shall be liberally~~  
15 ~~administered to the end that the aggrieved party may be put in~~  
16 ~~as good a position as if the other party had fully performed~~  
17 ~~but neither consequential or special nor penal damages may be~~  
18 ~~had except as specifically provided in this Act or by other~~  
19 ~~rule of law.~~

20 ~~(2) Any right or obligation declared by this Act is~~  
21 ~~enforceable by action unless the provision declaring it~~  
22 ~~specifies a different and limited effect.~~

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

24 (810 ILCS 5/1-107) (from Ch. 26, par. 1-107)

1           Sec. 1-107. Section captions. ~~Waiver or renunciation of~~  
2 ~~claim or right after breach.~~ Section captions are part of the  
3 Uniform Commercial Code.

4           ~~Any claim or right arising out of an alleged breach can be~~  
5 ~~discharged in whole or in part without consideration by a~~  
6 ~~written waiver or renunciation signed and delivered by the~~  
7 ~~aggrieved party.~~

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

9           (810 ILCS 5/1-108) (from Ch. 26, par. 1-108)

10          Sec. 1-108. Relation to Electronic Signatures in Global and  
11 National Commerce Act. ~~Severability.~~ This Act modifies,  
12 limits, and supersedes the federal Electronic Signatures in  
13 Global and National Commerce Act, (15 U.S.C. Section 7001, et  
14 seq.) but does not modify, limit, or supersede Section 101(c)  
15 of that Act (15 U.S.C. Section 7001(c)) or authorize electronic  
16 delivery of any of the notices described in Section 103(b) of  
17 that Act (15 U.S.C. Section 103(b)).

18          ~~If any provision or clause of this Act or application~~  
19 ~~thereof to any person or circumstances is held invalid, such~~  
20 ~~invalidity shall not affect other provisions or applications of~~  
21 ~~the Act which can be given effect without the invalid provision~~  
22 ~~or application, and to this end the provisions of this Act are~~  
23 ~~declared to be severable.~~

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

1 (810 ILCS 5/1-109) (from Ch. 26, par. 1-109)

2 Sec. 1-109. (Blank). ~~Section captions. Section captions~~  
3 ~~are parts of this Act.~~

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

5 (810 ILCS 5/Art. 1 Pt. 2 heading)

6 PART 2-

7 GENERAL DEFINITIONS AND PRINCIPLES OF INTERPRETATION

8 (810 ILCS 5/1-201) (from Ch. 26, par. 1-201)

9 Sec. 1-201. General Definitions.

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

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

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

22 (2) "Aggrieved party" means a party entitled to pursue  
23 a remedy.

24 (3) "Agreement", as distinguished from "contract",



1 means the bargain of the parties in fact, as found in their  
2 language or inferred from other circumstances, including  
3 course of performance, course of dealing, or usage of trade  
4 as provided in Section 1-303.

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

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

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

14 (7) "Branch" includes a separately incorporated  
15 foreign branch of a bank.

16 (8) "Burden of establishing" a fact means the burden of  
17 persuading the trier of fact that the existence of the fact  
18 is more probable than its nonexistence.

19 (9) "Buyer in ordinary course of business" means a  
20 person that buys goods in good faith, without knowledge  
21 that the sale violates the rights of another person in the  
22 goods, and in the ordinary course from a person, other than  
23 a pawnbroker, in the business of selling goods of that  
24 kind. A person buys goods in the ordinary course if the  
25 sale to the person comports with the usual or customary  
26 practices in the kind of business in which the seller is

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

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

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

23 (B) language in the body of a record or display in  
24 larger type than the surrounding text, or in  
25 contrasting type, font, or color to the surrounding  
26 text of the same size, or set off from surrounding text

1           of the same size by symbols or other marks that call  
2           attention to the language.

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

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

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

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

19          (15) "Delivery", with respect to an instrument,  
20          document of title, or chattel paper, means voluntary  
21          transfer of possession.

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

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

7 (17) "Fault" means a default, breach, or wrongful act  
8 or omission.

9 (18) "Fungible goods" means:

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

12 (B) goods that by agreement are treated as  
13 equivalent.

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

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

18 (21) "Holder" means:

19 (A) the person in possession of a negotiable  
20 instrument that is payable either to bearer or to an  
21 identified person that is the person in possession; or

22 (B) the person in possession of a document of title  
23 if the goods are deliverable either to bearer or to the  
24 order of the person in possession.

25 (22) "Insolvency proceeding" includes an assignment  
26 for the benefit of creditors or other proceeding intended

1 to liquidate or rehabilitate the estate of the person  
2 involved.

3 (23) "Insolvent" means:

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

7 (B) being unable to pay debts as they become due;

8 or

9 (C) being insolvent within the meaning of federal  
10 bankruptcy law.

11 (24) "Money" means a medium of exchange currently  
12 authorized or adopted by a domestic or foreign government.  
13 The term includes a monetary unit of account established by  
14 an intergovernmental organization or by agreement between  
15 two or more countries.

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.

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

10           (29) "Purchase" means taking by sale, lease, discount,  
11           negotiation, mortgage, pledge, lien, security interest,  
12           issue or reissue, gift, or any other voluntary transaction  
13           creating an interest in property.

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

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

18           (32) "Remedy" means any remedial right to which an  
19           aggrieved party is entitled with or without resort to a  
20           tribunal.

21           (33) "Representative" means a person empowered to act  
22           for another, including an agent, an officer of a  
23           corporation or association, and a trustee, executor, or  
24           administrator of an estate.

25           (34) "Right" includes remedy.

26           (35) "Security interest" means an interest in personal

1 property or fixtures which secures payment or performance  
2 of an obligation. "Security interest" includes any  
3 interest of a consignor and a buyer of accounts, chattel  
4 paper, a payment intangible, or a promissory note in a  
5 transaction that is subject to Article 9. "Security  
6 interest" does not include the special property interest of  
7 a buyer of goods on identification of those goods to a  
8 contract for sale under Section 2-401, but a buyer may also  
9 acquire a "security interest" by complying with Article 9.  
10 Except as otherwise provided in Section 2-505, the right of  
11 a seller or lessor of goods under Article 2 or 2A to retain  
12 or acquire possession of the goods is not a "security  
13 interest", but a seller or lessor may also acquire a  
14 "security interest" by complying with Article 9. The  
15 retention or reservation of title by a seller of goods  
16 notwithstanding shipment or delivery to the buyer under  
17 Section 2-401 is limited in effect to a reservation of a  
18 "security interest". Whether a transaction in the form of a  
19 lease creates a "security interest" is determined pursuant  
20 to Section 1-203.

21 (36) "Send" in connection with a writing, record, or  
22 notice means:

23 (A) to deposit in the mail or deliver for  
24 transmission by any other usual means of communication  
25 with postage or cost of transmission provided for and  
26 properly addressed and, in the case of an instrument,

1 to an address specified thereon or otherwise agreed, or  
2 if there be none to any address reasonable under the  
3 circumstances; or

4 (B) in any other way to cause to be received any  
5 record or notice within the time it would have arrived  
6 if properly sent.

7 (37) "Signed" includes using any symbol executed or  
8 adopted with present intention to adopt or accept a  
9 writing.

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

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

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

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

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

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

26 ~~Subject to additional definitions contained in the subsequent~~



1 ~~Articles of this Act which are applicable to specific Articles~~  
2 ~~or Parts thereof, and unless the context otherwise requires, in~~  
3 ~~this Act:~~

4 ~~(1) "Action" in the sense of a judicial proceeding includes~~  
5 ~~recoupment, counterclaim, set off, suit in equity and any other~~  
6 ~~proceedings in which rights are determined.~~

7 ~~(2) "Aggrieved party" means a party entitled to resort to a~~  
8 ~~remedy.~~

9 ~~(3) "Agreement" means the bargain of the parties in fact as~~  
10 ~~found in their language or by implication from other~~  
11 ~~circumstances including course of dealing or usage of trade or~~  
12 ~~course of performance as provided in this Act (Sections 1-205,~~  
13 ~~2-208, and 2A-207). Whether an agreement has legal consequences~~  
14 ~~is determined by the provisions of this Act, if applicable,~~  
15 ~~otherwise by the law of contracts (Section 1-103). (Compare~~  
16 ~~"Contract".)~~

17 ~~(4) "Bank" means any person engaged in the business of~~  
18 ~~banking.~~

19 ~~(5) "Bearer" means the person in possession of an~~  
20 ~~instrument, document of title, or certificated security~~  
21 ~~payable to bearer or indorsed in blank.~~

22 ~~(6) "Bill of lading" means a document evidencing the~~  
23 ~~receipt of goods for shipment issued by a person engaged in the~~  
24 ~~business of transporting or forwarding goods, and includes an~~  
25 ~~airbill. "Airbill" means a document serving for air~~  
26 ~~transportation as a bill of lading does for marine or rail~~

1 ~~transportation, and includes an air consignment note or air~~  
2 ~~waybill.~~

3 ~~(7) "Branch" includes a separately incorporated foreign~~  
4 ~~branch of a bank.~~

5 ~~(8) "Burden of establishing" a fact means the burden of~~  
6 ~~persuading the triers of fact that the existence of the fact is~~  
7 ~~more probable than its non existence.~~

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

1 ~~ordinary course of business.~~

2 ~~(10) "Conspicuous": A term or clause is conspicuous when it~~  
3 ~~is so written that a reasonable person against whom it is to~~  
4 ~~operate ought to have noticed it. A printed heading in capitals~~  
5 ~~(as: NON NEGOTIABLE BILL OF LADING) is conspicuous. Language in~~  
6 ~~the body of a form is "conspicuous" if it is in larger or other~~  
7 ~~contrasting type or color. But in a telegram any stated term is~~  
8 ~~"conspicuous". Whether a term or clause is "conspicuous" or not~~  
9 ~~is for decision by the court.~~

10 ~~(11) "Contract" means the total legal obligation which~~  
11 ~~results from the parties' agreement as affected by this Act and~~  
12 ~~any other applicable rules of law. (Compare "Agreement".)~~

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

18 ~~(13) "Defendant" includes a person in the position of~~  
19 ~~defendant in a cross action or counterclaim.~~

20 ~~(14) "Delivery" with respect to instruments, documents of~~  
21 ~~title, chattel paper or certificated securities means~~  
22 ~~voluntary transfer of possession.~~

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

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

7 ~~(16) "Fault" means wrongful act, omission or breach.~~

8 ~~(17) "Fungible" with respect to goods or securities means~~  
9 ~~goods or securities of which any unit is, by nature or usage of~~  
10 ~~trade, the equivalent of any other like unit. Goods which are~~  
11 ~~not fungible shall be deemed fungible for the purposes of this~~  
12 ~~Act to the extent that under a particular agreement or document~~  
13 ~~unlike units are treated as equivalents.~~

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

15 ~~(19) "Good faith" means honesty in fact in the conduct or~~  
16 ~~transaction concerned.~~

17 ~~(20) "Holder" with respect to a negotiable instrument means~~  
18 ~~the person in possession if the instrument is payable to bearer~~  
19 ~~or, in the case of an instrument payable to an identified~~  
20 ~~person, if the identified person is in possession. "Holder"~~  
21 ~~with respect to a document of title means the person in~~  
22 ~~possession if the goods are deliverable to bearer or to the~~  
23 ~~order of the person in possession.~~

24 ~~(21) To "honor" is to pay or accept and pay, or where a~~  
25 ~~credit so engages to purchase or discount a draft complying~~  
26 ~~with the terms of the credit.~~

1 ~~(22) "Insolvency proceedings" includes any assignment for~~  
2 ~~the benefit of creditors or other proceedings intended to~~  
3 ~~liquidate or rehabilitate the estate of the person involved.~~

4 ~~(23) A person is "insolvent" who either has ceased to pay~~  
5 ~~his debts in the ordinary course of business or cannot pay his~~  
6 ~~debts as they become due or is insolvent within the meaning of~~  
7 ~~the federal bankruptcy law.~~

8 ~~(24) "Money" means a medium of exchange authorized or~~  
9 ~~adopted by a domestic or foreign government and includes a~~  
10 ~~monetary unit of account established by an intergovernmental~~  
11 ~~organization or by agreement between 2 or more nations.~~

12 ~~(25) A person has "notice" of a fact when~~

13 ~~(a) he has actual knowledge of it; or~~

14 ~~(b) he has received a notice or notification of it; or~~

15 ~~(c) from all the facts and circumstances known to him~~

16 ~~at the time in question he has reason to know that it~~  
17 ~~exists. A person "knows" or has "knowledge" of a fact when~~  
18 ~~he has actual knowledge of it. "Discover" or "learn" or a~~  
19 ~~word or phrase of similar import refers to knowledge rather~~  
20 ~~than to reason to know. The time and circumstances under~~  
21 ~~which a notice or notification may cease to be effective~~  
22 ~~are not determined by this Act.~~

23 ~~(26) A person "notifies" or "gives" a notice or~~  
24 ~~notification to another by taking such steps as may be~~  
25 ~~reasonably required to inform the other in ordinary course~~  
26 ~~whether or not such other actually comes to know of it. A~~

1 ~~person "receives" a notice or notification when~~

2 ~~(a) it comes to his attention; or~~

3 ~~(b) it is duly delivered at the place of business~~  
4 ~~through which the contract was made or at any other place~~  
5 ~~held out by him as the place for receipt of such~~  
6 ~~communications.~~

7 ~~(27) Notice, knowledge or a notice or notification received~~  
8 ~~by an organization is effective for a particular transaction~~  
9 ~~from the time when it is brought to the attention of the~~  
10 ~~individual conducting that transaction, and in any event from~~  
11 ~~the time when it would have been brought to his attention if~~  
12 ~~the organization had exercised due diligence. An organization~~  
13 ~~exercises due diligence if it maintains reasonable routines for~~  
14 ~~communicating significant information to the person conducting~~  
15 ~~the transaction and there is reasonable compliance with the~~  
16 ~~routines. Due diligence does not require an individual acting~~  
17 ~~for the organization to communicate information unless such~~  
18 ~~communication is part of his regular duties or unless he has~~  
19 ~~reason to know of the transaction and that the transaction~~  
20 ~~would be materially affected by the information.~~

21 ~~(28) "Organization" includes a corporation, government or~~  
22 ~~governmental subdivision or agency, business trust, estate,~~  
23 ~~trust, partnership or association, two or more persons having a~~  
24 ~~joint or common interest, or any other legal or commercial~~  
25 ~~entity.~~

26 ~~(29) "Party", as distinct from "third party", means a~~

1 ~~person who has engaged in a transaction or made an agreement~~  
2 ~~within this Act.~~

3 ~~(30) "Person" includes an individual or an organization~~  
4 ~~(see Section 1-102).~~

5 ~~(31) "Presumption" or "presumed" means that the trier of~~  
6 ~~fact must find the existence of the fact presumed unless and~~  
7 ~~until evidence is introduced which would support a finding of~~  
8 ~~its non existence.~~

9 ~~(32) "Purchase" includes taking by sale, discount,~~  
10 ~~negotiation, mortgage, pledge, lien, security interest, issue~~  
11 ~~or reissue, gift or any other voluntary transaction creating an~~  
12 ~~interest in property.~~

13 ~~(33) "Purchaser" means a person who takes by purchase.~~

14 ~~(34) "Remedy" means any remedial right to which an~~  
15 ~~aggrieved party is entitled with or without resort to a~~  
16 ~~tribunal.~~

17 ~~(35) "Representative" includes an agent, an officer of a~~  
18 ~~corporation or association, and a trustee, executor or~~  
19 ~~administrator of an estate, or any other person empowered to~~  
20 ~~act for another.~~

21 ~~(36) "Rights" includes remedies.~~

22 ~~(37) "Security interest" means an interest in personal~~  
23 ~~property or fixtures which secures payment or performance of an~~  
24 ~~obligation. The term also includes any interest of a consignor~~  
25 ~~and a buyer of accounts, chattel paper, a payment intangible,~~  
26 ~~or a promissory note in a transaction that is subject to~~

1 ~~Article 9. The special property interest of a buyer of goods on~~  
2 ~~identification of those goods to a contract for sale under~~  
3 ~~Section 2-401 is not a "security interest", but a buyer may~~  
4 ~~also acquire a "security interest", by complying with Article~~  
5 ~~9. Except as otherwise provided in Section 2-505, the right of~~  
6 ~~a seller or lessor of goods under Article 2 or 2A to retain or~~  
7 ~~acquire possession of the goods is not a "security interest",~~  
8 ~~but a seller or lessor may also acquire a "security interest"~~  
9 ~~by complying with Article 9. The retention or reservation of~~  
10 ~~title by a seller of goods notwithstanding shipment or delivery~~  
11 ~~to the buyer (Section 2-401) is limited in effect to a~~  
12 ~~reservation of a "security interest".~~

13 ~~Whether a transaction creates a lease or security interest~~  
14 ~~is determined by the facts of each case; however, a transaction~~  
15 ~~creates a security interest if the consideration the lessee is~~  
16 ~~to pay the lessor for the right to possession and use of the~~  
17 ~~goods is an obligation for the term of the lease not subject to~~  
18 ~~termination by the lessee; and~~

19 ~~(a) the original term of the lease is equal to or~~  
20 ~~greater than the remaining economic life of the goods;~~

21 ~~(b) the lessee is bound to renew the lease for the~~  
22 ~~remaining economic life of the goods or is bound to become~~  
23 ~~the owner of the goods;~~

24 ~~(c) the lessee has an option to renew the lease for the~~  
25 ~~remaining economic life of the goods for no additional~~  
26 ~~consideration or nominal additional consideration upon~~



1 ~~compliance with the lease agreement; or~~

2 ~~(d) the lessee has an option to become the owner of the~~  
3 ~~goods for no additional consideration or nominal~~  
4 ~~additional consideration upon compliance with the lease~~  
5 ~~agreement.~~

6 ~~A transaction does not create a security interest merely~~  
7 ~~because it provides that:~~

8 ~~(a) the present value of the consideration the lessee~~  
9 ~~is obligated to pay the lessor for the right to possession~~  
10 ~~and use of the goods is substantially equal to or is~~  
11 ~~greater than the fair market value of the goods at the time~~  
12 ~~the lease is entered into;~~

13 ~~(b) the lessee assumes risk of loss of the goods, or~~  
14 ~~agrees to pay taxes, insurance, filing, recording, or~~  
15 ~~registration fees, or service or maintenance costs with~~  
16 ~~respect to the goods;~~

17 ~~(c) the lessee has an option to renew the lease or to~~  
18 ~~become the owner of the goods;~~

19 ~~(d) the lessee has an option to renew the lease for a~~  
20 ~~fixed rent that is equal to or greater than the reasonably~~  
21 ~~predictable fair market rent for the use of the goods for~~  
22 ~~the term of the renewal at the time the option is to be~~  
23 ~~performed; or~~

24 ~~(e) the lessee has an option to become the owner of the~~  
25 ~~goods for a fixed price that is equal to or greater than~~  
26 ~~the reasonably predictable fair market value of the goods~~

1 ~~at the time the option is to be performed.~~

2 ~~For purposes of this subsection (37):~~

3 ~~(x) Additional consideration is not nominal if (i) when~~  
4 ~~the option to renew the lease is granted to the lessee the~~  
5 ~~rent is stated to be the fair market rent for the use of~~  
6 ~~the goods for the term of the renewal determined at the~~  
7 ~~time the option is to be performed, or (ii) when the option~~  
8 ~~to become the owner of the goods is granted to the lessee~~  
9 ~~the price is stated to be the fair market value of the~~  
10 ~~goods determined at the time the option is to be performed.~~

11 ~~Additional consideration is nominal if it is less than the~~  
12 ~~lessee's reasonably predictable cost of performing under~~  
13 ~~the lease agreement if the option is not exercised;~~

14 ~~(y) "Reasonably predictable" and "remaining economic~~  
15 ~~life of the goods" are to be determined with reference to~~  
16 ~~the facts and circumstances at the time the transaction is~~  
17 ~~entered into; and~~

18 ~~(z) "Present value" means the amount as of a date~~  
19 ~~certain of one or more sums payable in the future,~~  
20 ~~discounted to the date certain. The discount is determined~~  
21 ~~by the interest rate specified by the parties if the rate~~  
22 ~~is not manifestly unreasonable at the time the transaction~~  
23 ~~is entered into; otherwise, the discount is determined by a~~  
24 ~~commercially reasonable rate that takes into account the~~  
25 ~~facts and circumstances as of each case at the time the~~  
26 ~~transaction was entered into.~~

1       ~~(38) "Send" in connection with any writing or notice means~~  
2 ~~to deposit in the mail or deliver for transmission by any other~~  
3 ~~usual means of communication with postage or cost of~~  
4 ~~transmission provided for and properly addressed and in the~~  
5 ~~ease of an instrument to an address specified thereon or~~  
6 ~~otherwise agreed, or if there be none to any address reasonable~~  
7 ~~under the circumstances. The receipt of any writing or notice~~  
8 ~~within the time at which it would have arrived if properly sent~~  
9 ~~has the effect of a proper sending.~~

10       ~~(39) "Signed" includes any symbol executed or adopted by a~~  
11 ~~party with present intention to authenticate a writing.~~

12       ~~(40) "Surety" includes guarantor.~~

13       ~~(41) "Telegram" includes a message transmitted by radio,~~  
14 ~~teletype, cable, any mechanical method of transmission, or the~~  
15 ~~like.~~

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

18       ~~(43) "Unauthorized" signature means one made without~~  
19 ~~actual, implied, or apparent authority and includes a forgery.~~

20       ~~(44) "Value". Except as otherwise provided with respect to~~  
21 ~~negotiable instruments and bank collections (Sections 3-303,~~  
22 ~~4-210, and 4-211), a person gives "value" for rights if he~~  
23 ~~acquires them:~~

24           ~~(a) in return for a binding commitment to extend credit~~  
25           ~~or for the extension of immediately available credit~~  
26           ~~whether or not drawn upon and whether or not a charge back~~

1 ~~is provided for in the event of difficulties in collection;~~

2 ~~or~~

3 ~~(b) as security for or in total or partial satisfaction~~  
4 ~~of a pre-existing claim; or~~

5 ~~(c) by accepting delivery pursuant to a pre-existing~~  
6 ~~contract for purchase; or~~

7 ~~(d) generally, in return for any consideration~~  
8 ~~sufficient to support a simple contract.~~

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

11 ~~(46) "Written" or "writing" includes printing, typewriting~~  
12 ~~or any other intentional reduction to tangible form.~~

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

14 (810 ILCS 5/1-202) (from Ch. 26, par. 1-202)

15 Sec. 1-202. Notice; knowledge. ~~Prima facie evidence by~~  
16 ~~third party documents.~~

17 (a) Subject to subsection (f), a person has "notice" of a  
18 fact if the person:

19 (1) has actual knowledge of it;

20 (2) has received a notice or notification of it; or

21 (3) from all the facts and circumstances known to the  
22 person at the time in question, has reason to know that it  
23 exists.

24 (b) "Knowledge" means actual knowledge. "Knows" has a  
25 corresponding meaning.

1       (c) "Discover", "learn", or words of similar import refer  
2 to knowledge rather than to reason to know.

3       (d) A person "notifies" or "gives" a notice or notification  
4 to another person by taking such steps as may be reasonably  
5 required to inform the other person in ordinary course, whether  
6 or not the other person actually comes to know of it.

7       (e) Subject to subsection (f), a person "receives" a notice  
8 or notification when:

9           (1) it comes to that person's attention; or

10          (2) it is duly delivered in a form reasonable under the  
11 circumstances at the place of business through which the  
12 contract was made or at another location held out by that  
13 person as the place for receipt of such communications.

14       (f) Notice, knowledge, or a notice or notification received  
15 by an organization is effective for a particular transaction  
16 from the time it is brought to the attention of the individual  
17 conducting that transaction and, in any event, from the time it  
18 would have been brought to the individual's attention if the  
19 organization had exercised due diligence. An organization  
20 exercises due diligence if it maintains reasonable routines for  
21 communicating significant information to the person conducting  
22 the transaction and there is reasonable compliance with the  
23 routines. Due diligence does not require an individual acting  
24 for the organization to communicate information unless the  
25 communication is part of the individual's regular duties or the  
26 individual has reason to know of the transaction and that the

1 transaction would be materially affected by the information.

2 ~~A document in due form purporting to be a bill of lading,~~  
3 ~~policy or certificate of insurance, official weigher's or~~  
4 ~~inspector's certificate, consular invoice, or any other~~  
5 ~~document authorized or required by the contract to be issued by~~  
6 ~~a third party shall be prima facie evidence of its own~~  
7 ~~authenticity and genuineness and of the facts stated in the~~  
8 ~~document by the third party.~~

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

10 (810 ILCS 5/1-203) (from Ch. 26, par. 1-203)

11 Sec. 1-203. Lease distinguished from security interest.  
12 ~~Obligation of good faith.~~

13 (a) Whether a transaction in the form of a lease creates a  
14 lease or security interest is determined by the facts of each  
15 case.

16 (b) A transaction in the form of a lease creates a security  
17 interest if the consideration that the lessee is to pay the  
18 lessor for the right to possession and use of the goods is an  
19 obligation for the term of the lease and is not subject to  
20 termination by the lessee, and:

21 (1) the original term of the lease is equal to or  
22 greater than the remaining economic life of the goods;

23 (2) the lessee is bound to renew the lease for the  
24 remaining economic life of the goods or is bound to become  
25 the owner of the goods;

1           (3) the lessee has an option to renew the lease for the  
2           remaining economic life of the goods for no additional  
3           consideration or for nominal additional consideration upon  
4           compliance with the lease agreement; or

5           (4) the lessee has an option to become the owner of the  
6           goods for no additional consideration or for nominal  
7           additional consideration upon compliance with the lease  
8           agreement.

9           (c) A transaction in the form of a lease does not create a  
10          security interest merely because:

11           (1) the present value of the consideration the lessee  
12           is obligated to pay the lessor for the right to possession  
13           and use of the goods is substantially equal to or is  
14           greater than the fair market value of the goods at the time  
15           the lease is entered into;

16           (2) the lessee assumes risk of loss of the goods;

17           (3) the lessee agrees to pay, with respect to the  
18           goods, taxes, insurance, filing, recording, or  
19           registration fees, or service or maintenance costs;

20           (4) the lessee has an option to renew the lease or to  
21           become the owner of the goods;

22           (5) the lessee has an option to renew the lease for a  
23           fixed rent that is equal to or greater than the reasonably  
24           predictable fair market rent for the use of the goods for  
25           the term of the renewal at the time the option is to be  
26           performed; or

1           (6) the lessee has an option to become the owner of the  
2           goods for a fixed price that is equal to or greater than  
3           the reasonably predictable fair market value of the goods  
4           at the time the option is to be performed.

5           (d) Additional consideration is nominal if it is less than  
6           the lessee's reasonably predictable cost of performing under  
7           the lease agreement if the option is not exercised. Additional  
8           consideration is not nominal if:

9           (1) when the option to renew the lease is granted to  
10           the lessee, the rent is stated to be the fair market rent  
11           for the use of the goods for the term of the renewal  
12           determined at the time the option is to be performed; or

13           (2) when the option to become the owner of the goods is  
14           granted to the lessee, the price is stated to be the fair  
15           market value of the goods determined at the time the option  
16           is to be performed.

17           (e) The "remaining economic life of the goods" and  
18           "reasonably predictable" fair market rent, fair market value,  
19           or cost of performing under the lease agreement must be  
20           determined with reference to the facts and circumstances at the  
21           time the transaction is entered into.

22           ~~Every contract or duty within this Act imposes an~~  
23           ~~obligation of good faith in its performance or enforcement.~~

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

25           (810 ILCS 5/1-204) (from Ch. 26, par. 1-204)



1           Sec. 1-204. Value. Time; reasonable time; "seasonably".  
2 Except as otherwise provided in Articles 3, 4, 5, and 6, a  
3 person gives value for rights if the person acquires them:

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

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

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

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

14           ~~(1) Whenever this Act requires any action to be taken~~  
15 ~~within a reasonable time, any time which is not manifestly~~  
16 ~~unreasonable may be fixed by agreement.~~

17           ~~(2) What is a reasonable time for taking any action depends~~  
18 ~~on the nature, purpose and circumstances of such action.~~

19           ~~(3) An action is taken "seasonably" when it is taken at or~~  
20 ~~within the time agreed or if no time is agreed at or within~~  
21 ~~reasonable time.~~

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

23 (810 ILCS 5/1-205) (from Ch. 26, par. 1-205)

24           Sec. 1-205. Reasonable time; seasonableness. ~~Course of~~  
25 ~~dealing and usage of trade.~~

1       (a) Whether a time for taking an action required by the  
2 Uniform Commercial Code is reasonable depends on the nature,  
3 purpose, and circumstances of the action.

4       (b) An action is taken seasonably if it is taken at or  
5 within the time agreed or, if no time is agreed, at or within a  
6 reasonable time.

7       ~~(1) A course of dealing is a sequence of previous conduct~~  
8 ~~between the parties to a particular transaction which is fairly~~  
9 ~~to be regarded as establishing a common basis of understanding~~  
10 ~~for interpreting their expressions and other conduct.~~

11       ~~(2) A usage of trade is any practice or method of dealing~~  
12 ~~having such regularity of observance in a place, vocation or~~  
13 ~~trade as to justify an expectation that it will be observed~~  
14 ~~with respect to the transaction in question. The existence and~~  
15 ~~scope of such a usage are to be proved as facts. If it is~~  
16 ~~established that such a usage is embodied in a written trade~~  
17 ~~code or similar writing the interpretation of the writing is~~  
18 ~~for the court.~~

19       ~~(3) A course of dealing between parties and any usage of~~  
20 ~~trade in the vocation or trade in which they are engaged or of~~  
21 ~~which they are or should be aware give particular meaning to~~  
22 ~~and supplement or qualify terms of an agreement.~~

23       ~~(4) The express terms of an agreement and an applicable~~  
24 ~~course of dealing or usage of trade shall be construed wherever~~  
25 ~~reasonable as consistent with each other; but when such~~  
26 ~~construction is unreasonable express terms control both course~~

1 ~~of dealing and usage of trade and course of dealing controls~~  
2 ~~usage of trade.~~

3 ~~(5) An applicable usage of trade in the place where any~~  
4 ~~part of performance is to occur shall be used in interpreting~~  
5 ~~the agreement as to that part of the performance.~~

6 ~~(6) Evidence of a relevant usage of trade offered by one~~  
7 ~~party is not admissible unless and until he has given the other~~  
8 ~~party such notice as the court finds sufficient to prevent~~  
9 ~~unfair surprise to the latter.~~

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

11 (810 ILCS 5/1-206) (from Ch. 26, par. 1-206)

12 Sec. 1-206. Presumptions. Statute of frauds for kinds of  
13 personal property not otherwise covered. Whenever the Uniform  
14 Commercial Code creates a "presumption" with respect to a fact,  
15 or provides that a fact is "presumed", the trier of fact must  
16 find the existence of the fact unless and until evidence is  
17 introduced that supports a finding of its nonexistence.

18 ~~(1) Except in the cases described in subsection (2) of this~~  
19 ~~Section a contract for the sale of personal property is not~~  
20 ~~enforceable by way of action or defense beyond \$5,000 in amount~~  
21 ~~or value of remedy unless there is some writing which indicates~~  
22 ~~that a contract for sale has been made between the parties at a~~  
23 ~~defined or stated price, reasonably identifies the subject~~  
24 ~~matter, and is signed by the party against whom enforcement is~~  
25 ~~sought or by his authorized agent.~~

1       ~~(2) Subsection (1) of this Section does not apply to~~  
2 ~~contracts for the sale of goods (Section 2-201) nor of~~  
3 ~~securities (Section 8-113) nor to security agreements (Section~~  
4 ~~9-203).~~

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

6               (810 ILCS 5/1-207) (from Ch. 26, par. 1-207)

7       Sec. 1-207. (Blank). ~~Performance or acceptance under~~  
8 ~~reservation of rights.~~

9       ~~(1) A party who, with explicit reservation of rights,~~  
10 ~~performs or promises performance or assents to performance in a~~  
11 ~~manner demanded or offered by the other party does not thereby~~  
12 ~~prejudice the rights reserved. Such words as "without~~  
13 ~~prejudice", "under protest" or the like are sufficient.~~

14       ~~(2) Subsection (1) does not apply to an accord and~~  
15 ~~satisfaction.~~

16       (Source: P.A. 87-582.)

17               (810 ILCS 5/1-208) (from Ch. 26, par. 1-208)

18       Sec. 1-208. (Blank). ~~Option to Accelerate at Will.~~

19       ~~A term providing that one party or his successor in~~  
20 ~~interest may accelerate payment or performance or require~~  
21 ~~collateral or additional collateral "at will" or "when he deems~~  
22 ~~himself insecure" or in words of similar import shall be~~  
23 ~~construed to mean that he shall have power to do so only if he~~  
24 ~~in good faith believes that the prospect of payment or~~

1 ~~performance is impaired. The burden of establishing lack of~~  
2 ~~good faith is on the party against whom the power has been~~  
3 ~~exercised.~~

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

5 (810 ILCS 5/1-209) (from Ch. 26, par. 1-209)

6 Sec. 1-209. (Blank). ~~Subordinated Obligations.~~

7 ~~An obligation may be issued as subordinated to payment of~~  
8 ~~another obligation of the person obligated, or a creditor may~~  
9 ~~subordinate his right to payment of an obligation by agreement~~  
10 ~~with either the person obligated or another creditor of the~~  
11 ~~person obligated. Such a subordination does not create a~~  
12 ~~security interest as against either the common debtor or a~~  
13 ~~subordinated creditor. This Section shall be construed as~~  
14 ~~declaring the law as it existed prior to the enactment of this~~  
15 ~~Section and not as modifying it.~~

16 (Source: P.A. 77-2810.)

17 (810 ILCS 5/Art. 1 Pt. 3 heading new)

18 PART 3

19 TERRITORIAL APPLICABILITY AND GENERAL RULES

20 (810 ILCS 5/1-301 new)

21 Sec. 1-301. Territorial applicability; parties' power to  
22 choose applicable law.

23 (a) Except as otherwise provided in this Section, when a

1 transaction bears a reasonable relation to this State and also  
2 to another state or nation the parties may agree that the law  
3 either of this State or of such other state or nation shall  
4 govern their rights and duties.

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

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

13 (1) Section 2-402;

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

15 (3) Section 4-102;

16 (4) Section 4A-507;

17 (5) Section 5-116;

18 (6) Section 8-110;

19 (7) Sections 9-301 through 9-307.

20 (810 ILCS 5/1-302 new)

21 Sec. 1-302. Variation by agreement.

22 (a) Except as otherwise provided in subsection (b) or  
23 elsewhere in the Uniform Commercial Code, the effect of  
24 provisions of the Uniform Commercial Code may be varied by  
25 agreement.

1       (b) The obligations of good faith, diligence,  
2 reasonableness, and care prescribed by the Uniform Commercial  
3 Code may not be disclaimed by agreement. The parties, by  
4 agreement, may determine the standards by which the performance  
5 of those obligations is to be measured if those standards are  
6 not manifestly unreasonable. Whenever the Uniform Commercial  
7 Code requires an action to be taken within a reasonable time, a  
8 time that is not manifestly unreasonable may be fixed by  
9 agreement.

10       (c) The presence in certain provisions of the Uniform  
11 Commercial Code of the phrase "unless otherwise agreed", or  
12 words of similar import, does not imply that the effect of  
13 other provisions may not be varied by agreement under this  
14 Section.

15       (810 ILCS 5/1-303 new)

16       Sec. 1-303. Course of performance, course of dealing, and  
17 usage of trade.

18       (a) A "course of performance" is a sequence of conduct  
19 between the parties to a particular transaction that exists if:

20           (1) the agreement of the parties with respect to the  
21 transaction involves repeated occasions for performance by  
22 a party; and

23           (2) the other party, with knowledge of the nature of  
24 the performance and opportunity for objection to it,  
25 accepts the performance or acquiesces in it without

1 objection.

2 (b) A "course of dealing" is a sequence of conduct  
3 concerning previous transactions between the parties to a  
4 particular transaction that is fairly to be regarded as  
5 establishing a common basis of understanding for interpreting  
6 their expressions and other conduct.

7 (c) A "usage of trade" is any practice or method of dealing  
8 having such regularity of observance in a place, vocation, or  
9 trade as to justify an expectation that it will be observed  
10 with respect to the transaction in question. The existence and  
11 scope of such a usage must be proved as facts. If it is  
12 established that such a usage is embodied in a trade code or  
13 similar record, the interpretation of the record is a question  
14 of law.

15 (d) A course of performance or course of dealing between  
16 the parties or usage of trade in the vocation or trade in which  
17 they are engaged or of which they are or should be aware is  
18 relevant in ascertaining the meaning of the parties' agreement,  
19 may give particular meaning to specific terms of the agreement,  
20 and may supplement or qualify the terms of the agreement. A  
21 usage of trade applicable in the place in which part of the  
22 performance under the agreement is to occur may be so utilized  
23 as to that part of the performance.

24 (e) Except as otherwise provided in subsection (f), the  
25 express terms of an agreement and any applicable course of  
26 performance, course of dealing, or usage of trade must be



1 construed whenever reasonable as consistent with each other. If  
2 such a construction is unreasonable:

3 (1) express terms prevail over course of performance,  
4 course of dealing, and usage of trade;

5 (2) course of performance prevails over course of  
6 dealing and usage of trade; and

7 (3) course of dealing prevails over usage of trade.

8 (f) Subject to Section 2-209, a course of performance is  
9 relevant to show a waiver or modification of any term  
10 inconsistent with the course of performance.

11 (g) Evidence of a relevant usage of trade offered by one  
12 party is not admissible unless that party has given the other  
13 party notice that the court finds sufficient to prevent unfair  
14 surprise to the other party.

15 (810 ILCS 5/1-304 new)

16 Sec. 1-304. Obligation of good faith. Every contract or  
17 duty within the Uniform Commercial Code imposes an obligation  
18 of good faith in its performance and enforcement.

19 (810 ILCS 5/1-305 new)

20 Sec. 1-305. Remedies to be liberally administered.

21 (a) The remedies provided by the Uniform Commercial Code  
22 must be liberally administered to the end that the aggrieved  
23 party may be put in as good a position as if the other party had  
24 fully performed but neither consequential or special damages

1 nor penal damages may be had except as specifically provided in  
2 the Uniform Commercial Code or by other rule of law.

3 (b) Any right or obligation declared by the Uniform  
4 Commercial Code is enforceable by action unless the provision  
5 declaring it specifies a different and limited effect.

6 (810 ILCS 5/1-306 new)

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

11 (810 ILCS 5/1-307 new)

12 Sec. 1-307. Prima facie evidence by third-party documents.  
13 A document in due form purporting to be a bill of lading,  
14 policy or certificate of insurance, official weigher's or  
15 inspector's certificate, consular invoice, or any other  
16 document authorized or required by the contract to be issued by  
17 a third party is prima facie evidence of its own authenticity  
18 and genuineness and of the facts stated in the document by the  
19 third party.

20 (810 ILCS 5/1-308 new)

21 Sec. 1-308. Performance or acceptance under reservation of  
22 rights.

23 (a) A party that with explicit reservation of rights

1 performs or promises performance or assents to performance in a  
2 manner demanded or offered by the other party does not thereby  
3 prejudice the rights reserved. Such words as "without  
4 prejudice", "under protest", or the like are sufficient.

5 (b) Subsection (a) does not apply to an accord and  
6 satisfaction.

7 (810 ILCS 5/1-309 new)

8 Sec. 1-309. Option to accelerate at will. A term providing  
9 that one party or that party's successor in interest may  
10 accelerate payment or performance or require collateral or  
11 additional collateral "at will" or when the party "deems itself  
12 insecure", or words of similar import, means that the party has  
13 power to do so only if that party in good faith believes that  
14 the prospect of payment or performance is impaired. The burden  
15 of establishing lack of good faith is on the party against  
16 which the power has been exercised.

17 (810 ILCS 5/1-310 new)

18 Sec. 1-310. Subordinated obligations. An obligation may be  
19 issued as subordinated to performance of another obligation of  
20 the person obligated, or a creditor may subordinate its right  
21 to performance of an obligation by agreement with either the  
22 person obligated or another creditor of the person obligated.  
23 Subordination does not create a security interest as against  
24 either the common debtor or a subordinated creditor.



1 Uniform Commercial Code-Documents of Title. This Article shall  
2 be known and may be cited as Uniform Commercial Code Documents  
3 of Title.

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

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

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

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

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

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

14 (3) "Consignee" means a person named in a bill of  
15 lading to which or to whose order the bill promises  
16 delivery.

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

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

24 (6) "Good faith" means honesty in fact and the  
25 observance of reasonable commercial standards of fair

1 dealing.

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

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

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

19 (10) "Record" means information that is inscribed on a  
20 tangible medium or that is stored in an electronic or other  
21 medium and is retrievable in perceivable form.

22 (11) "Sign" means, with present intent to authenticate  
23 or adopt a record:

24 (A) to execute or adopt a tangible symbol; or

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

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

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

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

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

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

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

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

17           ~~(1) In this Article, unless the context otherwise requires:~~

18           ~~(a) "Bailee" means the person who by a warehouse receipt,~~  
19           ~~bill of lading or other document of title acknowledges~~  
20           ~~possession of goods and contracts to deliver them.~~

21           ~~(b) "Consignee" means the person named in a bill to whom or~~  
22           ~~to whose order the bill promises delivery.~~

23           ~~(c) "Consignor" means the person named in a bill as the~~  
24           ~~person from whom the goods have been received for shipment.~~

25           ~~(d) "Delivery order" means a written order to deliver goods~~  
26           ~~directed to a warehouseman, carrier or other person who in the~~

1 ~~ordinary course of business issues warehouse receipts or bills~~  
2 ~~of lading.~~

3 ~~(e) "Document" means document of title as defined in the~~  
4 ~~general definitions in Article 1 (Section 1-201).~~

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

7 ~~(g) "Issuer" means a bailee who issues a document except~~  
8 ~~that in relation to an unaccepted delivery order it means the~~  
9 ~~person who orders the possessor of goods to deliver. Issuer~~  
10 ~~includes any person for whom an agent or employee purports to~~  
11 ~~act in issuing a document if the agent or employee has real or~~  
12 ~~apparent authority to issue documents, notwithstanding that~~  
13 ~~the issuer received no goods or that the goods were~~  
14 ~~misdescribed or that in any other respect the agent or employee~~  
15 ~~violated his instructions.~~

16 ~~(h) "Warehouseman" is a person engaged in the business of~~  
17 ~~storing goods for hire. The owner of a self service storage~~  
18 ~~facility as defined in the Self Service Storage Facility Act,~~  
19 ~~enacted by the Eighty Third General Assembly, is not a~~  
20 ~~warehouseman for the purposes of this Article.~~

21 ~~(2) Other definitions applying to this Article or to~~  
22 ~~specified Parts thereof, and the Sections in which they appear~~  
23 ~~are:~~

24 ~~"Duly negotiate". Section 7-501.~~

25 ~~"Person entitled under the document". Section 7-403(4).~~

26 ~~(3) Definitions in other Articles applying to this Article~~



1 ~~and the Sections in which they appear are:~~

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

3 ~~"Overseas". Section 2-323.~~

4 ~~"Receipt" of goods. Section 2-103.~~

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

8 (Source: P.A. 83-800.)

9 (810 ILCS 5/7-103) (from Ch. 26, par. 7-103)

10 Sec. 7-103. Relation of Article to treaty or statute.  
11 ~~Relation of Article to treaty, statute, tariff, classification~~  
12 ~~or regulation.~~

13 (a) This Article is subject to any treaty or statute of the  
14 United States or regulatory statute of this State to the extent  
15 the treaty, statute, or regulatory statute is applicable.

16 (b) This Article does not modify or repeal any law  
17 prescribing the form or content of a document of title or the  
18 services or facilities to be afforded by a bailee, or otherwise  
19 regulating a bailee's business in respects not specifically  
20 treated in this Article. However, violation of such a law does  
21 not affect the status of a document of title that otherwise is  
22 within the definition of a document of title.

23 (c) This Act modifies, limits, and supersedes the federal  
24 Electronic Signatures in Global and National Commerce Act (15  
25 U.S.C. Section 7001, et seq.) but does not modify, limit, or

1 supersede Section 101(c) of that Act (15 U.S.C. Section  
2 7001(c)) or authorize electronic delivery of any of the notices  
3 described in Section 103(b) of that Act (15 U.S.C. Section  
4 7003(b)).

5 (d) (Blank).

6 ~~To the extent that any treaty or statute of the United~~  
7 ~~States, regulatory statute of this State or tariff,~~  
8 ~~classification or regulation filed or issued pursuant thereto~~  
9 ~~is applicable, the provisions of this Article are subject~~  
10 ~~thereto.~~

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

12 (810 ILCS 5/7-104) (from Ch. 26, par. 7-104)

13 Sec. 7-104. Negotiable and nonnegotiable document of  
14 title. ~~Negotiable and non-negotiable warehouse receipt, bill~~  
15 ~~of lading or other document of title.~~

16 (a) Except as otherwise provided in subsection (c), a  
17 document of title is negotiable if by its terms the goods are  
18 to be delivered to bearer or to the order of a named person.

19 (b) A document of title other than one described in  
20 subsection (a) is nonnegotiable. A bill of lading that states  
21 that the goods are consigned to a named person is not made  
22 negotiable by a provision that the goods are to be delivered  
23 only against an order in a record signed by the same or another  
24 named person.

25 (c) A document of title is nonnegotiable if, at the time it

1 is issued, the document has a conspicuous legend, however  
2 expressed, that it is nonnegotiable.

3 ~~(1) A warehouse receipt, bill of lading or other document~~  
4 ~~of title is negotiable~~

5 ~~(a) if by its terms the goods are to be delivered to~~  
6 ~~bearer or to the order of a named person; or~~

7 ~~(b) where recognized in overseas trade, if it runs to a~~  
8 ~~named person or assigns.~~

9 ~~(2) Any other document is non negotiable. A bill of lading~~  
10 ~~in which it is stated that the goods are consigned to a named~~  
11 ~~person is not made negotiable by a provision that the goods are~~  
12 ~~to be delivered only against a written order signed by the same~~  
13 ~~or another named person.~~

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

15 (810 ILCS 5/7-105) (from Ch. 26, par. 7-105)

16 Sec. 7-105. Reissuance in alternative medium. Construction  
17 against negative implication.

18 (a) Upon request of a person entitled under an electronic  
19 document of title, the issuer of the electronic document may  
20 issue a tangible document of title as a substitute for the  
21 electronic document if:

22 (1) the person entitled under the electronic document  
23 surrenders control of the document to the issuer; and

24 (2) the tangible document when issued contains a  
25 statement that it is issued in substitution for the

1 electronic document.

2 (b) Upon issuance of a tangible document of title in  
3 substitution for an electronic document of title in accordance  
4 with subsection (a):

5 (1) the electronic document ceases to have any effect  
6 or validity; and

7 (2) the person that procured issuance of the tangible  
8 document warrants to all subsequent persons entitled under  
9 the tangible document that the warrantor was a person  
10 entitled under the electronic document when the warrantor  
11 surrendered control of the electronic document to the  
12 issuer.

13 (c) Upon request of a person entitled under a tangible  
14 document of title, the issuer of the tangible document may  
15 issue an electronic document of title as a substitute for the  
16 tangible document if:

17 (1) the person entitled under the tangible document  
18 surrenders possession of the document to the issuer; and

19 (2) the electronic document when issued contains a  
20 statement that it is issued in substitution for the  
21 tangible document.

22 (d) Upon issuance of an electronic document of title in  
23 substitution for a tangible document of title in accordance  
24 with subsection (c):

25 (1) the tangible document ceases to have any effect or  
26 validity; and

1           (2) the person that procured issuance of the electronic  
2           document warrants to all subsequent persons entitled under  
3           the electronic document that the warrantor was a person  
4           entitled under the tangible document when the warrantor  
5           surrendered possession of the tangible document to the  
6           issuer.

7 ~~The omission from either Part 2 or Part 3 of this Article of a~~  
8 ~~provision corresponding to a provision made in the other Part~~  
9 ~~does not imply that a corresponding rule of law is not~~  
10 ~~applicable.~~

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

12 (810 ILCS 5/7-106 new)

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

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

19 (b) A system satisfies subsection (a), and a person is  
20 deemed to have control of an electronic document of title, if  
21 the document is created, stored, and assigned in such a manner  
22 that:

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

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

3                   (A) the person to which the document was issued; or

4                   (B) if the authoritative copy indicates that the  
5                   document has been transferred, the person to which the  
6                   document was most recently transferred;

7           (3) the authoritative copy is communicated to and  
8           maintained by the person asserting control or its  
9           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 person asserting control;

13           (5) each copy of the authoritative copy and any copy of  
14           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           (810 ILCS 5/Art. 7 Pt. 2 heading)

19                                   PART 2-

20                                   WAREHOUSE RECEIPTS: SPECIAL PROVISIONS

21           (810 ILCS 5/7-201) (from Ch. 26, par. 7-201)

22           Sec. 7-201. Person that may issue a warehouse receipt;  
23           storage under bond. ~~Who may issue a warehouse receipt; storage~~  
24           under government bond.

1 (a) A warehouse receipt may be issued by any warehouse.

2 (b) If goods, including distilled spirits and agricultural  
3 commodities, are stored under a statute requiring a bond  
4 against withdrawal or a license for the issuance of receipts in  
5 the nature of warehouse receipts, a receipt issued for the  
6 goods is deemed to be a warehouse receipt even if issued by a  
7 person that is the owner of the goods and is not a warehouse.

8 ~~(1) A warehouse receipt may be issued by any warehouseman.~~

9 ~~(2) Where goods including distilled spirits and~~  
10 ~~agricultural commodities are stored under a statute requiring a~~  
11 ~~bond against withdrawal or a license for the issuance of~~  
12 ~~receipts in the nature of warehouse receipts, a receipt issued~~  
13 ~~for the goods has like effect as a warehouse receipt even~~  
14 ~~though issued by a person who is the owner of the goods and is~~  
15 ~~not a warehouseman.~~

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

17 (810 ILCS 5/7-202) (from Ch. 26, par. 7-202)

18 Sec. 7-202. Form of warehouse receipt; effect of omission.  
19 ~~Form of warehouse receipt; essential terms; optional terms.~~

20 (a) A warehouse receipt need not be in any particular form.

21 (b) Unless a warehouse receipt provides for each of the  
22 following, the warehouse is liable for damages caused to a  
23 person injured by its omission:

24 (1) a statement of the location of the warehouse  
25 facility where the goods are stored;

- 1           (2) the date of issue of the receipt;  
2           (3) the unique identification code of the receipt;  
3           (4) a statement whether the goods received will be  
4 delivered to the bearer, to a named person, or to a named  
5 person or its order;  
6           (5) the rate of storage and handling charges, unless  
7 goods are stored under a field warehousing arrangement, in  
8 which case a statement of that fact is sufficient on a  
9 nonnegotiable receipt;  
10          (6) a description of the goods or the packages  
11 containing them;  
12          (7) the signature of the warehouse or its agent;  
13          (8) if the receipt is issued for goods that the  
14 warehouse owns, either solely, jointly, or in common with  
15 others, a statement of the fact of that ownership; and  
16          (9) a statement of the amount of advances made and of  
17 liabilities incurred for which the warehouse claims a lien  
18 or security interest, unless the precise amount of advances  
19 made or liabilities incurred, at the time of the issue of  
20 the receipt, is unknown to the warehouse or to its agent  
21 that issued the receipt, in which case a statement of the  
22 fact that advances have been made or liabilities incurred  
23 and the purpose of the advances or liabilities is  
24 sufficient.  
25          (c) A warehouse may insert in its receipt any terms that  
26 are not contrary to the Uniform Commercial Code and do not



1 impair its obligation of delivery under Section 7-403 or its  
2 duty of care under Section 7-204. Any contrary provision is  
3 ineffective.

4 ~~(1) A warehouse receipt need not be in any particular form.~~

5 ~~(2) Unless a warehouse receipt embodies within its written~~  
6 ~~or printed terms each of the following, the warehouseman is~~  
7 ~~liable for damages caused by the omission to a person injured~~  
8 ~~thereby:~~

9 ~~(a) the location of the warehouse where the goods are~~  
10 ~~stored;~~

11 ~~(b) the date of issue of the receipt;~~

12 ~~(c) the consecutive number of the receipt;~~

13 ~~(d) a statement whether the goods received will be~~  
14 ~~delivered to the bearer, to a specified person, or to a~~  
15 ~~specified person or his order;~~

16 ~~(e) the rate of storage and handling charges, except~~  
17 ~~that where goods are stored under a field warehousing~~  
18 ~~arrangement a statement of that fact is sufficient on a~~  
19 ~~non negotiable receipt;~~

20 ~~(f) a description of the goods or of the packages~~  
21 ~~containing them;~~

22 ~~(g) the signature of the warehouseman, which may be~~  
23 ~~made by his authorized agent;~~

24 ~~(h) if the receipt is issued for goods of which the~~  
25 ~~warehouseman is owner, either solely or jointly or in common~~  
26 ~~with others, the fact of such ownership; and~~

1           ~~(i) a statement of the amount of advances made and of~~  
2 ~~liabilities incurred for which the warehouseman claims a lien~~  
3 ~~or security interest (Section 7--209). If the precise amount of~~  
4 ~~such advances made or of such liabilities incurred is, at the~~  
5 ~~time of the issue of the receipt, unknown to the warehouseman~~  
6 ~~or to his agent who issues it, a statement of the fact that~~  
7 ~~advances have been made or liabilities incurred and the purpose~~  
8 ~~thereof is sufficient.~~

9           ~~(3) A warehouseman may insert in his receipt any other~~  
10 ~~terms which are not contrary to the provisions of this Act and~~  
11 ~~do not impair his obligation of delivery (Section 7--403) or~~  
12 ~~his duty of care (Section 7--204). Any contrary provisions~~  
13 ~~shall be ineffective.~~

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

15           (810 ILCS 5/7-203) (from Ch. 26, par. 7-203)

16           Sec. 7-203. Liability for non-receipt or misdescription. A  
17 party to or purchaser for value in good faith of a document of  
18 title, other than a bill of lading, that relies upon the  
19 description of the goods in the document may recover from the  
20 issuer damages caused by the nonreceipt or misdescription of  
21 the goods, except to the extent that:

22           (1) the document conspicuously indicates that the  
23 issuer does not know whether all or part of the goods in  
24 fact were received or conform to the description, such as a  
25 case in which the description is in terms of marks or

1 labels or kind, quantity, or condition, or the receipt or  
2 description is qualified by "contents, condition, and  
3 quality unknown", "said to contain", or words of similar  
4 import, if the indication is true; or

5 (2) the party or purchaser otherwise has notice of the  
6 nonreceipt or misdescription.

7 ~~A party to or purchaser for value in good faith of a~~  
8 ~~document of title other than a bill of lading relying in either~~  
9 ~~ease upon the description therein of the goods may recover from~~  
10 ~~the issuer damages caused by the non receipt or misdescription~~  
11 ~~of the goods, except to the extent that the document~~  
12 ~~conspicuously indicates that the issuer does not know whether~~  
13 ~~any part or all of the goods in fact were received or conform~~  
14 ~~to the description as where the description is in terms of~~  
15 ~~marks or labels or kind, quantity or condition, or the receipt~~  
16 ~~or description is qualified by "contents, condition and quality~~  
17 ~~unknown", "said to contain" or the like, if such indication be~~  
18 ~~true, or the party or purchaser otherwise has notice.~~

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

20 (810 ILCS 5/7-204) (from Ch. 26, par. 7-204)

21 Sec. 7-204. Duty of care; contractual limitation of  
22 warehouse's liability. ~~Duty of care; contractual limitation of~~  
23 ~~warehouseman's liability.~~

24 (a) A warehouse is liable for damages for loss of or injury  
25 to the goods caused by its failure to exercise care with regard

1 to the goods that a reasonably careful person would exercise  
2 under similar circumstances. Unless otherwise agreed, the  
3 warehouse is not liable for damages that could not have been  
4 avoided by the exercise of that care.

5 (b) Damages may be limited by a term in the warehouse  
6 receipt or storage agreement limiting the amount of liability  
7 in case of loss or damage beyond which the warehouse is not  
8 liable. Such a limitation is not effective with respect to the  
9 warehouse's liability for conversion to its own use. On request  
10 of the bailor in a record at the time of signing the storage  
11 agreement or within a reasonable time after receipt of the  
12 warehouse receipt, the warehouse's liability may be increased  
13 on part or all of the goods covered by the storage agreement or  
14 the warehouse receipt. In this event, increased rates may be  
15 charged based on an increased valuation of the goods.

16 (c) Reasonable provisions as to the time and manner of  
17 presenting claims and commencing actions based on the bailment  
18 may be included in the warehouse receipt or storage agreement.

19 (d) (Blank).

20 ~~(1) A warehouseman is liable for damages for loss of or~~  
21 ~~injury to the goods caused by his failure to exercise such care~~  
22 ~~in regard to them as a reasonably careful man would exercise~~  
23 ~~under like circumstances but unless otherwise agreed he is not~~  
24 ~~liable for damages which could not have been avoided by the~~  
25 ~~exercise of such care.~~

26 ~~(2) Damages may be limited by a term in the warehouse~~

1 ~~receipt or storage agreement limiting the amount of liability~~  
2 ~~in case of loss or damage, and setting forth a specific~~  
3 ~~liability per article or item, or value per unit of weight,~~  
4 ~~beyond which the warehouseman shall not be liable; provided,~~  
5 ~~however, that such liability may on written request of the~~  
6 ~~bailor at the time of signing such storage agreement or within~~  
7 ~~a reasonable time after receipt of the warehouse receipt be~~  
8 ~~increased on part or all of the goods thereunder, in which~~  
9 ~~event increased rates may be charged based on such increased~~  
10 ~~valuation, but that no such increase shall be permitted~~  
11 ~~contrary to a lawful limitation of liability contained in the~~  
12 ~~warehouseman's tariff, if any. No such limitation is effective~~  
13 ~~with respect to the warehouseman's liability for conversion to~~  
14 ~~his own use.~~

15 ~~(3) Reasonable provisions as to the time and manner of~~  
16 ~~presenting claims and instituting actions based on the bailment~~  
17 ~~may be included in the warehouse receipt or tariff.~~

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

19 (810 ILCS 5/7-205) (from Ch. 26, par. 7-205)

20 Sec. 7-205. Title under warehouse receipt defeated in  
21 certain cases. A buyer in ordinary course of business of  
22 fungible goods sold and delivered by a warehouse that is also  
23 in the business of buying and selling such goods takes the  
24 goods free of any claim under a warehouse receipt even if the  
25 receipt is negotiable and has been duly negotiated.

1 ~~A buyer in the ordinary course of business of fungible~~  
2 ~~goods sold and delivered by a warehouseman who is also in the~~  
3 ~~business of buying and selling such goods takes free of any~~  
4 ~~claim under a warehouse receipt even though it has been duly~~  
5 ~~negotiated.~~

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

7 (810 ILCS 5/7-206) (from Ch. 26, par. 7-206)

8 Sec. 7-206. Termination of storage at warehouse's option.  
9 ~~Termination of storage at warehouseman's option.~~

10 (a) A warehouse, by giving notice to the person on whose  
11 account the goods are held and any other person known to claim  
12 an interest in the goods, may require payment of any charges  
13 and removal of the goods from the warehouse at the termination  
14 of the period of storage fixed by the document of title or, if  
15 a period is not fixed, within a stated period not less than 30  
16 days after the warehouse gives notice. If the goods are not  
17 removed before the date specified in the notice, the warehouse  
18 may sell them pursuant to Section 7-210.

19 (b) If a warehouse in good faith believes that goods are  
20 about to deteriorate or decline in value to less than the  
21 amount of its lien within the time provided in subsection (a)  
22 and Section 7-210, the warehouse may specify in the notice  
23 given under subsection (a) any reasonable shorter time for  
24 removal of the goods and, if the goods are not removed, may  
25 sell them at public sale held not less than one week after a

1 single advertisement or posting.

2 (c) If, as a result of a quality or condition of the goods  
3 of which the warehouse did not have notice at the time of  
4 deposit, the goods are a hazard to other property, the  
5 warehouse facilities, or other persons, the warehouse may sell  
6 the goods at public or private sale without advertisement or  
7 posting on reasonable notification to all persons known to  
8 claim an interest in the goods. If the warehouse, after a  
9 reasonable effort, is unable to sell the goods, it may dispose  
10 of them in any lawful manner and does not incur liability by  
11 reason of that disposition.

12 (d) A warehouse shall deliver the goods to any person  
13 entitled to them under this Article upon due demand made at any  
14 time before sale or other disposition under this Section.

15 (e) A warehouse may satisfy its lien from the proceeds of  
16 any sale or disposition under this Section but shall hold the  
17 balance for delivery on the demand of any person to which the  
18 warehouse would have been bound to deliver the goods.

19 ~~(1) A warehouseman may on notifying the person on whose~~  
20 ~~account the goods are held and any other person known to claim~~  
21 ~~an interest in the goods require payment of any charges and~~  
22 ~~removal of the goods from the warehouse at the termination of~~  
23 ~~the period of storage fixed by the document, or, if no period~~  
24 ~~is fixed, within a stated period not less than 30 days after~~  
25 ~~the notification. If the goods are not removed before the date~~  
26 ~~specified in the notification, the warehouseman may sell them~~

1 ~~in accordance with the provisions of the Section on enforcement~~  
2 ~~of a warehouseman's lien (Section 7-210).~~

3 ~~(2) If a warehouseman in good faith believes that the goods~~  
4 ~~are about to deteriorate or decline in value to less than the~~  
5 ~~amount of his lien within the time prescribed in subsection (1)~~  
6 ~~for notification, advertisement and sale, the warehouseman may~~  
7 ~~specify in the notification any reasonable shorter time for~~  
8 ~~removal of the goods and in case the goods are not removed, may~~  
9 ~~sell them at public sale held not less than one week after a~~  
10 ~~single advertisement or posting.~~

11 ~~(3) If as a result of a quality or condition of the goods~~  
12 ~~of which the warehouseman had no notice at the time of deposit~~  
13 ~~the goods are a hazard to other property or to the warehouse or~~  
14 ~~to persons, the warehouseman may sell the goods at public or~~  
15 ~~private sale without advertisement on reasonable notification~~  
16 ~~to all persons known to claim an interest in the goods. If the~~  
17 ~~warehouseman after a reasonable effort is unable to sell the~~  
18 ~~goods he may dispose of them in any lawful manner and shall~~  
19 ~~incur no liability by reason of such disposition.~~

20 ~~(4) The warehouseman must deliver the goods to any person~~  
21 ~~entitled to them under this Article upon due demand made at any~~  
22 ~~time prior to sale or other disposition under this Section.~~

23 ~~(5) The warehouseman may satisfy his lien from the proceeds~~  
24 ~~of any sale or disposition under this Section but must hold the~~  
25 ~~balance for delivery on the demand of any person to whom he~~  
26 ~~would have been bound to deliver the goods.~~



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

2 (810 ILCS 5/7-207) (from Ch. 26, par. 7-207)

3 Sec. 7-207. Goods must be kept separate; fungible goods.

4 (a) Unless the warehouse receipt provides otherwise, a  
5 warehouse shall keep separate the goods covered by each receipt  
6 so as to permit at all times identification and delivery of  
7 those goods. However, different lots of fungible goods may be  
8 commingled.

9 (b) If different lots of fungible goods are commingled, the  
10 goods are owned in common by the persons entitled thereto and  
11 the warehouse is severally liable to each owner for that  
12 owner's share. If, because of overissue, a mass of fungible  
13 goods is insufficient to meet all the receipts the warehouse  
14 has issued against it, the persons entitled include all holders  
15 to which overissued receipts have been duly negotiated.

16 ~~(1) Unless the warehouse receipt otherwise provides, a~~  
17 ~~warehouseman must keep separate the goods covered by each~~  
18 ~~receipt so as to permit at all times identification and~~  
19 ~~delivery of those goods except that different lots of fungible~~  
20 ~~goods may be commingled.~~

21 ~~(2) Fungible goods so commingled are owned in common by the~~  
22 ~~persons entitled thereto and the warehouseman is severally~~  
23 ~~liable to each owner for that owner's share. Where because of~~  
24 ~~overissue a mass of fungible goods is insufficient to meet all~~  
25 ~~the receipts which the warehouseman has issued against it, the~~

1 ~~persons entitled include all holders to whom overissued~~  
2 ~~receipts have been duly negotiated.~~

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

4 (810 ILCS 5/7-208) (from Ch. 26, par. 7-208)

5 Sec. 7-208. Altered warehouse receipts. If a blank in a  
6 negotiable tangible warehouse receipt has been filled in  
7 without authority, a good-faith purchaser for value and without  
8 notice of the lack of authority may treat the insertion as  
9 authorized. Any other unauthorized alteration leaves any  
10 tangible or electronic warehouse receipt enforceable against  
11 the issuer according to its original tenor.

12 ~~Where a blank in a negotiable warehouse receipt has been~~  
13 ~~filled in without authority, a purchaser for value and without~~  
14 ~~notice of the want of authority may treat the insertion as~~  
15 ~~authorized. Any other unauthorized alteration leaves any~~  
16 ~~receipt enforceable against the issuer according to its~~  
17 ~~original tenor.~~

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

19 (810 ILCS 5/7-209) (from Ch. 26, par. 7-209)

20 Sec. 7-209. Lien of warehouse. ~~Lien of warehouseman.~~

21 (a) A warehouse has a lien against the bailor on the goods  
22 covered by a warehouse receipt or storage agreement or on the  
23 proceeds thereof in its possession for charges for storage or  
24 transportation, including demurrage and terminal charges,

1 insurance, labor, or other charges, present or future, in  
2 relation to the goods, and for expenses necessary for  
3 preservation of the goods or reasonably incurred in their sale  
4 pursuant to law. If the person on whose account the goods are  
5 held is liable for similar charges or expenses in relation to  
6 other goods whenever deposited and it is stated in the  
7 warehouse receipt or storage agreement that a lien is claimed  
8 for charges and expenses in relation to other goods, the  
9 warehouse also has a lien against the goods covered by the  
10 warehouse receipt or storage agreement or on the proceeds  
11 thereof in its possession for those charges and expenses,  
12 whether or not the other goods have been delivered by the  
13 warehouse. However, as against a person to which a negotiable  
14 warehouse receipt is duly negotiated, a warehouse's lien is  
15 limited to charges in an amount or at a rate specified in the  
16 warehouse receipt or, if no charges are so specified, to a  
17 reasonable charge for storage of the specific goods covered by  
18 the receipt subsequent to the date of the receipt.

19 (b) A warehouse may also reserve a security interest  
20 against the bailor for the maximum amount specified on the  
21 receipt for charges other than those specified in subsection  
22 (a), such as for money advanced and interest. The security  
23 interest is governed by Article 9.

24 (c) A warehouse's lien for charges and expenses under  
25 subsection (a) or a security interest under subsection (b) is  
26 also effective against any person that so entrusted the bailor

1 with possession of the goods that a pledge of them by the  
2 bailor to a good-faith purchaser for value would have been  
3 valid. However, the lien or security interest is not effective  
4 against a person that before issuance of a document of title  
5 had a legal interest or a perfected security interest in the  
6 goods and that did not:

7 (1) deliver or entrust the goods or any document of  
8 title covering the goods to the bailor or the bailor's  
9 nominee with:

10 (A) actual or apparent authority to ship, store, or  
11 sell;

12 (B) power to obtain delivery under Section 7-403;  
13 or

14 (C) power of disposition under Sections 2-403,  
15 2A-304(2), 2A-305(2), 9-320, or 9-321(c) or other  
16 statute or rule of law; or

17 (2) acquiesce in the procurement by the bailor or its  
18 nominee of any document.

19 (d) A warehouse's lien on household goods for charges and  
20 expenses in relation to the goods under subsection (a) is also  
21 effective against all persons if the depositor was the legal  
22 possessor of the goods at the time of deposit. In this  
23 subsection, "household goods" means furniture, furnishings, or  
24 personal effects used by the depositor in a dwelling.

25 (e) A warehouse loses its lien on any goods that it  
26 voluntarily delivers or unjustifiably refuses to deliver.

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

20       ~~(2) The warehouseman may also reserve a security interest~~  
21 ~~against the bailor for a maximum amount specified on the~~  
22 ~~receipt for charges other than those specified in subsection~~  
23 ~~(1), such as for money advanced and interest. Such a security~~  
24 ~~interest is governed by the Article on Secured Transactions~~  
25 ~~(Article 9).~~

26       ~~(3) (a) A warehouseman's lien for charges and expenses~~

1 ~~under subsection (1) or a security interest under subsection~~  
2 ~~(2) is also effective against any person who so entrusted the~~  
3 ~~bailor with possession of the goods that a pledge of them by~~  
4 ~~him to a good faith purchaser for value would have been valid~~  
5 ~~but is not effective against a person as to whom the document~~  
6 ~~confers no right in the goods covered by it under Section~~  
7 ~~7-503.~~

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

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

17 (Source: P.A. 77-2810.)

18 (810 ILCS 5/7-210) (from Ch. 26, par. 7-210)

19 Sec. 7-210. Enforcement of warehouse's lien. ~~Enforcement~~  
20 ~~of warehouseman's lien.~~

21 (a) Except as otherwise provided in subsection (b), a  
22 warehouse's lien may be enforced by public or private sale of  
23 the goods, in bulk or in packages, at any time or place and on  
24 any terms that are commercially reasonable, after notifying all  
25 persons known to claim an interest in the goods. The

1 notification must include a statement of the amount due, the  
2 nature of the proposed sale, and the time and place of any  
3 public sale. The fact that a better price could have been  
4 obtained by a sale at a different time or in a method different  
5 from that selected by the warehouse is not of itself sufficient  
6 to establish that the sale was not made in a commercially  
7 reasonable manner. The warehouse sells in a commercially  
8 reasonable manner if the warehouse sells the goods in the usual  
9 manner in any recognized market therefore, sells at the price  
10 current in that market at the time of the sale, or otherwise  
11 sells in conformity with commercially reasonable practices  
12 among dealers in the type of goods sold. A sale of more goods  
13 than apparently necessary to be offered to ensure satisfaction  
14 of the obligation is not commercially reasonable, except in  
15 cases covered by the preceding sentence.

16 (b) A warehouse may enforce its lien on goods, other than  
17 goods stored by a merchant in the course of its business, only  
18 if the following requirements are satisfied:

19 (1) All persons known to claim an interest in the goods  
20 must be notified.

21 (2) The notification must include an itemized  
22 statement of the claim, a description of the goods subject  
23 to the lien, a demand for payment within a specified time  
24 not less than 10 days after receipt of the notification,  
25 and a conspicuous statement that unless the claim is paid  
26 within that time the goods will be advertised for sale and

1 sold by auction at a specified time and place.

2 (3) The sale must conform to the terms of the  
3 notification.

4 (4) The sale must be held at the nearest suitable place  
5 to where the goods are held or stored.

6 (5) After the expiration of the time given in the  
7 notification, an advertisement of the sale must be  
8 published once a week for two weeks consecutively in a  
9 newspaper of general circulation where the sale is to be  
10 held. The advertisement must include a description of the  
11 goods, the name of the person on whose account the goods  
12 are being held, and the time and place of the sale. The  
13 sale must take place at least 15 days after the first  
14 publication. If there is no newspaper of general  
15 circulation where the sale is to be held, the advertisement  
16 must be posted at least 10 days before the sale in not  
17 fewer than six conspicuous places in the neighborhood of  
18 the proposed sale.

19 (c) Before any sale pursuant to this Section, any person  
20 claiming a right in the goods may pay the amount necessary to  
21 satisfy the lien and the reasonable expenses incurred in  
22 complying with this Section. In that event, the goods may not  
23 be sold but must be retained by the warehouse subject to the  
24 terms of the receipt and this Article.

25 (d) A warehouse may buy at any public sale held pursuant to  
26 this Section.



1       (e) A purchaser in good faith of goods sold to enforce a  
2       warehouse's lien takes the goods free of any rights of persons  
3       against which the lien was valid, despite the warehouse's  
4       noncompliance with this Section.

5       (f) A warehouse may satisfy its lien from the proceeds of  
6       any sale pursuant to this Section but shall hold the balance,  
7       if any, for delivery on demand to any person to which the  
8       warehouse would have been bound to deliver the goods.

9       (g) The rights provided by this Section are in addition to  
10       all other rights allowed by law to a creditor against a debtor.

11       (h) If a lien is on goods stored by a merchant in the  
12       course of its business, the lien may be enforced in accordance  
13       with subsection (a) or (b).

14       (i) A warehouse is liable for damages caused by failure to  
15       comply with the requirements for sale under this Section and,  
16       in case of willful violation, is liable for conversion.

17       ~~(1) Except as provided in subsection (2), a warehouseman's~~  
18       ~~lien may be enforced by public or private sale of the goods in~~  
19       ~~block or in parcels, at any time or place and on any terms~~  
20       ~~which are commercially reasonable, after notifying all persons~~  
21       ~~known to claim an interest in the goods. Such notification must~~  
22       ~~include a statement of the amount due, the nature of the~~  
23       ~~proposed sale and the time and place of any public sale. The~~  
24       ~~fact that a better price could have been obtained by a sale at~~  
25       ~~a different time or in a different method from that selected by~~  
26       ~~the warehouseman is not of itself sufficient to establish that~~

1 ~~the sale was not made in a commercially reasonable manner. If~~  
2 ~~the warehouseman either sells the goods in the usual manner in~~  
3 ~~any recognized market therefor, or if he sells at the price~~  
4 ~~current in such market at the time of his sale, or if he has~~  
5 ~~otherwise sold in conformity with commercially reasonable~~  
6 ~~practices among dealers in the type of goods sold, he has sold~~  
7 ~~in a commercially reasonable manner. A sale of more goods than~~  
8 ~~apparently necessary to be offered to insure satisfaction of~~  
9 ~~the obligation is not commercially reasonable except in cases~~  
10 ~~covered by the preceding sentence.~~

11 ~~(2) A warehouseman's lien on goods other than goods stored~~  
12 ~~by a merchant in the course of his business may be enforced~~  
13 ~~only as follows:~~

14 ~~(a) All persons known to claim an interest in the goods~~  
15 ~~must be notified.~~

16 ~~(b) The notification must be delivered in person or~~  
17 ~~sent by registered or certified letter to the last known~~  
18 ~~address of any person to be notified.~~

19 ~~(c) The notification must include an itemized~~  
20 ~~statement of the claim, a description of the goods subject to~~  
21 ~~the lien, a demand for payment within a specified time not less~~  
22 ~~than 10 days after receipt of the notification, and a~~  
23 ~~conspicuous statement that unless the claim is paid within that~~  
24 ~~time the goods will be advertised for sale and sold by auction~~  
25 ~~at a specified time and place.~~

26 ~~(d) The sale must conform to the terms of the~~

1 ~~notification.~~

2 ~~(e) The sale must be held at the nearest suitable place~~  
3 ~~to that where the goods are held or stored.~~

4 ~~(f) After the expiration of the time given in the~~  
5 ~~notification, an advertisement of the sale must be published~~  
6 ~~once a week for 2 weeks consecutively in a newspaper of general~~  
7 ~~circulation where the sale is to be held. The advertisement~~  
8 ~~must include a description of the goods, the name of the person~~  
9 ~~on whose account they are being held, and the time and place of~~  
10 ~~the sale. The sale must take place at least 15 days after the~~  
11 ~~first publication. If there is no newspaper of general~~  
12 ~~circulation where the sale is to be held, the advertisement~~  
13 ~~must be posted at least 10 days before the sale in not less~~  
14 ~~than 6 conspicuous places in the neighborhood of the proposed~~  
15 ~~sale.~~

16 ~~(3) Before any sale pursuant to this Section any person~~  
17 ~~claiming a right in the goods may pay the amount necessary to~~  
18 ~~satisfy the lien and the reasonable expenses incurred under~~  
19 ~~this Section. In that event the goods must not be sold, but~~  
20 ~~must be retained by the warehouseman subject to the terms of~~  
21 ~~the receipt and this Article.~~

22 ~~(4) The warehouseman may buy at any public sale pursuant to~~  
23 ~~this Section.~~

24 ~~(5) A purchaser in good faith of goods sold to enforce a~~  
25 ~~warehouseman's lien takes the goods free of any rights of~~  
26 ~~persons against whom the lien was valid, despite noncompliance~~

1 ~~by the warehouseman with the requirements of this Section.~~

2 ~~(6) The warehouseman may satisfy his lien from the proceeds~~  
3 ~~of any sale pursuant to this Section but must hold the balance,~~  
4 ~~if any, for delivery on demand to any person to whom he would~~  
5 ~~have been bound to deliver the goods.~~

6 ~~(7) The rights provided by this Section shall be in~~  
7 ~~addition to all other rights allowed by law to a creditor~~  
8 ~~against his debtor.~~

9 ~~(8) Where a lien is on goods stored by a merchant in the~~  
10 ~~course of his business the lien may be enforced in accordance~~  
11 ~~with either subsection (1) or (2).~~

12 ~~(9) The warehouseman is liable for damages caused by~~  
13 ~~failure to comply with the requirements for sale under this~~  
14 ~~Section and in case of willful violation is liable for~~  
15 ~~conversion.~~

16 (Source: Laws 1965, p. 803.)

17 (810 ILCS 5/Art. 7 Pt. 3 heading)

18 PART 3-

19 BILLS OF LADING: SPECIAL PROVISIONS

20 (810 ILCS 5/7-301) (from Ch. 26, par. 7-301)

21 Sec. 7-301. Liability for nonreceipt or misdescription;  
22 "said to contain"; "shipper's weight, load, and count";  
23 improper handling. ~~Liability for non-receipt or~~  
24 ~~misdescription; "said to contain"; "shipper's load and count";~~

1 ~~improper handling.~~

2 (a) A consignee of a nonnegotiable bill of lading which has  
3 given value in good faith, or a holder to which a negotiable  
4 bill has been duly negotiated, relying upon the description of  
5 the goods in the bill or upon the date shown in the bill, may  
6 recover from the issuer damages caused by the misdating of the  
7 bill or the nonreceipt or misdescription of the goods, except  
8 to the extent that the bill indicates that the issuer does not  
9 know whether any part or all of the goods in fact were received  
10 or conform to the description, such as in a case in which the  
11 description is in terms of marks or labels or kind, quantity,  
12 or condition or the receipt or description is qualified by  
13 "contents or condition of contents of packages unknown", "said  
14 to contain", "shipper's weight, load, and count", or words of  
15 similar import, if that indication is true.

16 (b) If goods are loaded by the issuer of a bill of lading:

17 (1) the issuer shall count the packages of goods if  
18 shipped in packages and ascertain the kind and quantity if  
19 shipped in bulk; and

20 (2) words such as "shipper's weight, load, and count",  
21 or words of similar import indicating that the description  
22 was made by the shipper are ineffective except as to goods  
23 concealed in packages.

24 (c) If bulk goods are loaded by a shipper that makes  
25 available to the issuer of a bill of lading adequate facilities  
26 for weighing those goods, the issuer shall ascertain the kind

1 and quantity within a reasonable time after receiving the  
2 shipper's request in a record to do so. In that case,  
3 "shipper's weight" or words of similar import are ineffective.

4 (d) The issuer of a bill of lading, by including in the  
5 bill the words "shipper's weight, load, and count", or words of  
6 similar import, may indicate that the goods were loaded by the  
7 shipper, and, if that statement is true, the issuer is not  
8 liable for damages caused by the improper loading. However,  
9 omission of such words does not imply liability for damages  
10 caused by improper loading.

11 (e) A shipper guarantees to an issuer the accuracy at the  
12 time of shipment of the description, marks, labels, number,  
13 kind, quantity, condition, and weight, as furnished by the  
14 shipper, and the shipper shall indemnify the issuer against  
15 damage caused by inaccuracies in those particulars. This right  
16 of indemnity does not limit the issuer's responsibility or  
17 liability under the contract of carriage to any person other  
18 than the shipper.

19 ~~(1) A consignee of a non negotiable bill who has given~~  
20 ~~value in good faith or a holder to whom a negotiable bill has~~  
21 ~~been duly negotiated relying in either case upon the~~  
22 ~~description therein of the goods, or upon the date therein~~  
23 ~~shown, may recover from the issuer damages caused by the~~  
24 ~~misdating of the bill or the non-receipt or misdescription of~~  
25 ~~the goods, except to the extent that the document indicates~~  
26 ~~that the issuer does not know whether any part or all of the~~

1 ~~goods in fact were received or conform to the description, as~~  
2 ~~where the description is in terms of marks or labels or kind,~~  
3 ~~quantity, or condition or the receipt or description is~~  
4 ~~qualified by "contents or condition of contents of packages~~  
5 ~~unknown", "said to contain", "shipper's weight, load and count"~~  
6 ~~or the like, if such indication be true.~~

7 ~~(2) When goods are loaded by an issuer who is a common~~  
8 ~~carrier, the issuer must count the packages of goods if package~~  
9 ~~freight and ascertain the kind and quantity if bulk freight. In~~  
10 ~~such cases "shipper's weight, load and count" or other words~~  
11 ~~indicating that the description was made by the shipper are~~  
12 ~~ineffective except as to freight concealed by packages.~~

13 ~~(3) When bulk freight is loaded by a shipper who makes~~  
14 ~~available to the issuer adequate facilities for weighing such~~  
15 ~~freight, an issuer who is a common carrier must ascertain the~~  
16 ~~kind and quantity within a reasonable time after receiving the~~  
17 ~~written request of the shipper to do so. In such cases~~  
18 ~~"shipper's weight" or other words of like purport are~~  
19 ~~ineffective.~~

20 ~~(4) The issuer may by inserting in the bill the words~~  
21 ~~"shipper's weight, load and count" or other words of like~~  
22 ~~purport indicate that the goods were loaded by the shipper; and~~  
23 ~~if such statement be true the issuer shall not be liable for~~  
24 ~~damages caused by the improper loading. But their omission does~~  
25 ~~not imply liability for such damages.~~

26 ~~(5) The shipper shall be deemed to have guaranteed to the~~

1 ~~issuer the accuracy at the time of shipment of the description,~~  
2 ~~marks, labels, number, kind, quantity, condition and weight, as~~  
3 ~~furnished by him; and the shipper shall indemnify the issuer~~  
4 ~~against damage caused by inaccuracies in such particulars. The~~  
5 ~~right of the issuer to such indemnity shall in no way limit his~~  
6 ~~responsibility and liability under the contract of carriage to~~  
7 ~~any person other than the shipper.~~

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

9 (810 ILCS 5/7-302) (from Ch. 26, par. 7-302)

10 Sec. 7-302. Through bills of lading and similar documents  
11 of title. Through bills of lading and similar documents.

12 (a) The issuer of a through bill of lading, or other  
13 document of title embodying an undertaking to be performed in  
14 part by a person acting as its agent or by a performing  
15 carrier, is liable to any person entitled to recover on the  
16 bill or other document for any breach by the other person or  
17 the performing carrier of its obligation under the bill or  
18 other document. However, to the extent that the bill or other  
19 document covers an undertaking to be performed overseas or in  
20 territory not contiguous to the continental United States or an  
21 undertaking including matters other than transportation, this  
22 liability for breach by the other person or the performing  
23 carrier may be varied by agreement of the parties.

24 (b) If goods covered by a through bill of lading or other  
25 document of title embodying an undertaking to be performed in



1 part by a person other than the issuer are received by that  
2 person, the person is subject, with respect to its own  
3 performance while the goods are in its possession, to the  
4 obligation of the issuer. The person's obligation is discharged  
5 by delivery of the goods to another person pursuant to the bill  
6 or other document and does not include liability for breach by  
7 any other person or by the issuer.

8 (c) The issuer of a through bill of lading or other  
9 document of title described in subsection (a) is entitled to  
10 recover from the performing carrier, or other person in  
11 possession of the goods when the breach of the obligation under  
12 the bill or other document occurred:

13 (1) the amount it may be required to pay to any person  
14 entitled to recover on the bill or other document for the  
15 breach, as may be evidenced by any receipt, judgment, or  
16 transcript of judgment; and

17 (2) the amount of any expense reasonably incurred by  
18 the issuer in defending any action commenced by any person  
19 entitled to recover on the bill or other document for the  
20 breach.

21 ~~(1) The issuer of a through bill of lading or other~~  
22 ~~document embodying an undertaking to be performed in part by~~  
23 ~~persons acting as its agents or by connecting carriers is~~  
24 ~~liable to anyone entitled to recover on the document for any~~  
25 ~~breach by such other persons or by a connecting carrier of its~~  
26 ~~obligation under the document but to the extent that the bill~~

1 ~~covers an undertaking to be performed overseas or in territory~~  
2 ~~not contiguous to the continental United States or an~~  
3 ~~undertaking including matters other than transportation this~~  
4 ~~liability may be varied by agreement of the parties.~~

5 ~~(2) Where goods covered by a through bill of lading or~~  
6 ~~other document embodying an undertaking to be performed in part~~  
7 ~~by persons other than the issuer are received by any such~~  
8 ~~person, he is subject with respect to his own performance while~~  
9 ~~the goods are in his possession to the obligation of the~~  
10 ~~issuer. His obligation is discharged by delivery of the goods~~  
11 ~~to another such person pursuant to the document, and does not~~  
12 ~~include liability for breach by any other such persons or by~~  
13 ~~the issuer.~~

14 ~~(3) The issuer of such through bill of lading or other~~  
15 ~~document shall be entitled to recover from the connecting~~  
16 ~~carrier or such other person in possession of the goods when~~  
17 ~~the breach of the obligation under the document occurred, the~~  
18 ~~amount it may be required to pay to anyone entitled to recover~~  
19 ~~on the document therefor, as may be evidenced by any receipt,~~  
20 ~~judgment, or transcript thereof, and the amount of any expense~~  
21 ~~reasonably incurred by it in defending any action brought by~~  
22 ~~anyone entitled to recover on the document therefor.~~

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

24 (810 ILCS 5/7-303) (from Ch. 26, par. 7-303)

25 Sec. 7-303. Diversion; reconsignment; change of

1 instructions.

2 (a) Unless the bill of lading otherwise provides, a carrier  
3 may deliver the goods to a person or destination other than  
4 that stated in the bill or may otherwise dispose of the goods,  
5 without liability for misdelivery, on instructions from:

6 (1) the holder of a negotiable bill;

7 (2) the consignor on a nonnegotiable bill, even if the  
8 consignee has given contrary instructions;

9 (3) the consignee on a nonnegotiable bill in the  
10 absence of contrary instructions from the consignor, if the  
11 goods have arrived at the billed destination or if the  
12 consignee is in possession of the tangible bill or in  
13 control of the electronic bill; or

14 (4) the consignee on a nonnegotiable bill, if the  
15 consignee is entitled as against the consignor to dispose  
16 of the goods.

17 (b) Unless instructions described in subsection (a) are  
18 included in a negotiable bill of lading, a person to which the  
19 bill is duly negotiated may hold the bailee according to the  
20 original terms.

21 ~~(1) Unless the bill of lading otherwise provides, the~~  
22 ~~carrier may deliver the goods to a person or destination other~~  
23 ~~than that stated in the bill or may otherwise dispose of the~~  
24 ~~goods on instructions from~~

25 ~~(a) the holder of a negotiable bill; or~~

26 ~~(b) the consignor on a non negotiable bill~~

1 ~~notwithstanding contrary instructions from the consignee; or~~

2 ~~(c) the consignee on a non negotiable bill in the~~  
3 ~~absence of contrary instructions from the consignor, if the~~  
4 ~~goods have arrived at the billed destination or if the~~  
5 ~~consignee is in possession of the bill; or~~

6 ~~(d) the consignee on a non negotiable bill if he is~~  
7 ~~entitled as against the consignor to dispose of them.~~

8 ~~(2) Unless such instructions are noted on a negotiable bill~~  
9 ~~of lading, a person to whom the bill is duly negotiated can~~  
10 ~~hold the bailee according to the original terms.~~

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

12 (810 ILCS 5/7-304) (from Ch. 26, par. 7-304)

13 Sec. 7-304. Tangible bills of lading in a set. ~~Bills of~~  
14 ~~lading in a set.~~

15 (a) Except as customary in international transportation, a  
16 tangible bill of lading may not be issued in a set of parts.  
17 The issuer is liable for damages caused by violation of this  
18 subsection.

19 (b) If a tangible bill of lading is lawfully issued in a  
20 set of parts, each of which contains an identification code and  
21 is expressed to be valid only if the goods have not been  
22 delivered against any other part, the whole of the parts  
23 constitutes one bill.

24 (c) If a tangible negotiable bill of lading is lawfully  
25 issued in a set of parts and different parts are negotiated to

1 different persons, the title of the holder to which the first  
2 due negotiation is made prevails as to both the document of  
3 title and the goods even if any later holder may have received  
4 the goods from the carrier in good faith and discharged the  
5 carrier's obligation by surrendering its part.

6 (d) A person that negotiates or transfers a single part of  
7 a tangible bill of lading issued in a set is liable to holders  
8 of that part as if it were the whole set.

9 (e) The bailee shall deliver in accordance with Part 4  
10 against the first presented part of a tangible bill of lading  
11 lawfully issued in a set. Delivery in this manner discharges  
12 the bailee's obligation on the whole bill.

13 ~~(1) Except where customary in overseas transportation, a~~  
14 ~~bill of lading must not be issued in a set of parts. The issuer~~  
15 ~~is liable for damages caused by violation of this subsection.~~

16 ~~(2) Where a bill of lading is lawfully drawn in a set of~~  
17 ~~parts, each of which is numbered and expressed to be valid only~~  
18 ~~if the goods have not been delivered against any other part,~~  
19 ~~the whole of the parts constitute one bill.~~

20 ~~(3) Where a bill of lading is lawfully issued in a set of~~  
21 ~~parts and different parts are negotiated to different persons,~~  
22 ~~the title of the holder to whom the first due negotiation is~~  
23 ~~made prevails as to both the document and the goods even though~~  
24 ~~any later holder may have received the goods from the carrier~~  
25 ~~in good faith and discharged the carrier's obligation by~~  
26 ~~surrender of his part.~~

1       ~~(4) Any person who negotiates or transfers a single part of~~  
2       ~~a bill of lading drawn in a set is liable to holders of that~~  
3       ~~part as if it were the whole set.~~

4       ~~(5) The bailee is obliged to deliver in accordance with~~  
5       ~~Part 4 of this Article against the first presented part of a~~  
6       ~~bill of lading lawfully drawn in a set. Such delivery~~  
7       ~~discharges the bailee's obligation on the whole bill.~~

8       (Source: Laws 1961, 1st S.S., p. 7.)

9           (810 ILCS 5/7-305) (from Ch. 26, par. 7-305)

10          Sec. 7-305. Destination bills.

11          (a) Instead of issuing a bill of lading to the consignor at  
12          the place of shipment, a carrier, at the request of the  
13          consignor, may procure the bill to be issued at destination or  
14          at any other place designated in the request.

15          (b) Upon request of any person entitled as against a  
16          carrier to control the goods while in transit and on surrender  
17          of possession or control of any outstanding bill of lading or  
18          other receipt covering the goods, the issuer, subject to  
19          Section 7-105, may procure a substitute bill to be issued at  
20          any place designated in the request.

21       ~~(1) Instead of issuing a bill of lading to the consignor at~~  
22       ~~the place of shipment a carrier may at the request of the~~  
23       ~~consignor procure the bill to be issued at destination or at~~  
24       ~~any other place designated in the request.~~

25       ~~(2) Upon request of anyone entitled as against the carrier~~

1 ~~to control the goods while in transit and on surrender of any~~  
2 ~~outstanding bill of lading or other receipt covering such~~  
3 ~~goods, the issuer may procure a substitute bill to be issued at~~  
4 ~~any place designated in the request.~~

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

6 (810 ILCS 5/7-307) (from Ch. 26, par. 7-307)

7 Sec. 7-307. Lien of carrier.

8 (a) A carrier has a lien on the goods covered by a bill of  
9 lading or on the proceeds thereof in its possession for charges  
10 after the date of the carrier's receipt of the goods for  
11 storage or transportation, including demurrage and terminal  
12 charges, and for expenses necessary for preservation of the  
13 goods incident to their transportation or reasonably incurred  
14 in their sale pursuant to law. However, against a purchaser for  
15 value of a negotiable bill of lading, a carrier's lien is  
16 limited to charges stated in the bill or the applicable tariffs  
17 or, if no charges are stated, a reasonable charge.

18 (b) A lien for charges and expenses under subsection (a) on  
19 goods that the carrier was required by law to receive for  
20 transportation is effective against the consignor or any person  
21 entitled to the goods unless the carrier had notice that the  
22 consignor lacked authority to subject the goods to those  
23 charges and expenses. Any other lien under subsection (a) is  
24 effective against the consignor and any person that permitted  
25 the bailor to have control or possession of the goods unless

1 the carrier had notice that the bailor lacked authority.

2 (c) A carrier loses its lien on any goods that it  
3 voluntarily delivers or unjustifiably refuses to deliver.

4 ~~(1) A carrier has a lien on the goods covered by a bill of~~  
5 ~~lading for charges subsequent to the date of its receipt of the~~  
6 ~~goods for storage or transportation (including demurrage and~~  
7 ~~terminal charges) and for expenses necessary for preservation~~  
8 ~~of the goods incident to their transportation or reasonably~~  
9 ~~incurred in their sale pursuant to law. But against a purchaser~~  
10 ~~for value of a negotiable bill of lading a carrier's lien is~~  
11 ~~limited to charges stated in the bill or the applicable~~  
12 ~~tariffs, or if no charges are stated then to a reasonable~~  
13 ~~charge.~~

14 ~~(2) A lien for charges and expenses under subsection (1) on~~  
15 ~~goods which the carrier was required by law to receive for~~  
16 ~~transportation is effective against the consignor or any person~~  
17 ~~entitled to the goods unless the carrier had notice that the~~  
18 ~~consignor lacked authority to subject the goods to such charges~~  
19 ~~and expenses. Any other lien under subsection (1) is effective~~  
20 ~~against the consignor and any person who permitted the bailor~~  
21 ~~to have control or possession of the goods unless the carrier~~  
22 ~~had notice that the bailor lacked such authority.~~

23 ~~(3) A carrier loses his lien on any goods which he~~  
24 ~~voluntarily delivers or which he unjustifiably refuses to~~  
25 ~~deliver.~~

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



1 (810 ILCS 5/7-308) (from Ch. 26, par. 7-308)

2 Sec. 7-308. Enforcement of carrier's lien.

3 (a) A carrier's lien on goods may be enforced by public or  
4 private sale of the goods, in bulk or in packages, at any time  
5 or place and on any terms that are commercially reasonable,  
6 after notifying all persons known to claim an interest in the  
7 goods. The notification must include a statement of the amount  
8 due, the nature of the proposed sale, and the time and place of  
9 any public sale. The fact that a better price could have been  
10 obtained by a sale at a different time or in a method different  
11 from that selected by the carrier is not of itself sufficient  
12 to establish that the sale was not made in a commercially  
13 reasonable manner. The carrier sells goods in a commercially  
14 reasonable manner if the carrier sells the goods in the usual  
15 manner in any recognized market therefor, sells at the price  
16 current in that market at the time of the sale, or otherwise  
17 sells in conformity with commercially reasonable practices  
18 among dealers in the type of goods sold. A sale of more goods  
19 than apparently necessary to be offered to ensure satisfaction  
20 of the obligation is not commercially reasonable, except in  
21 cases covered by the preceding sentence.

22 (b) Before any sale pursuant to this Section, any person  
23 claiming a right in the goods may pay the amount necessary to  
24 satisfy the lien and the reasonable expenses incurred in  
25 complying with this Section. In that event, the goods may not

1 be sold but must be retained by the carrier, subject to the  
2 terms of the bill of lading and this Article.

3 (c) A carrier may buy at any public sale pursuant to this  
4 Section.

5 (d) A purchaser in good faith of goods sold to enforce a  
6 carrier's lien takes the goods free of any rights of persons  
7 against which the lien was valid, despite the carrier's  
8 noncompliance with this Section.

9 (e) A carrier may satisfy its lien from the proceeds of any  
10 sale pursuant to this Section but shall hold the balance, if  
11 any, for delivery on demand to any person to which the carrier  
12 would have been bound to deliver the goods.

13 (f) The rights provided by this Section are in addition to  
14 all other rights allowed by law to a creditor against a debtor.

15 (g) A carrier's lien may be enforced pursuant to either  
16 subsection (a) or the procedure set forth in Section 7-210(b).

17 (h) A carrier is liable for damages caused by failure to  
18 comply with the requirements for sale under this Section and,  
19 in case of willful violation, is liable for conversion.

20 ~~(1) A carrier's lien may be enforced by public or private~~  
21 ~~sale of the goods, in block or in parcels, at any time or place~~  
22 ~~and on any terms which are commercially reasonable, after~~  
23 ~~notifying all persons known to claim an interest in the goods.~~  
24 ~~Such notification must include a statement of the amount due,~~  
25 ~~the nature of the proposed sale and the time and place of any~~  
26 ~~public sale. The fact that a better price could have been~~

1 ~~obtained by a sale at a different time or in a different method~~  
2 ~~from that selected by the carrier is not of itself sufficient~~  
3 ~~to establish that the sale was not made in a commercially~~  
4 ~~reasonable manner. If the carrier either sells the goods in the~~  
5 ~~usual manner in any recognized market therefor or if he sells~~  
6 ~~at the price current in such market at the time of his sale or~~  
7 ~~if he has otherwise sold in conformity with commercially~~  
8 ~~reasonable practices among dealers in the type of goods sold he~~  
9 ~~has sold in a commercially reasonable manner. A sale of more~~  
10 ~~goods than apparently necessary to be offered to ensure~~  
11 ~~satisfaction of the obligation is not commercially reasonable~~  
12 ~~except in cases covered by the preceding sentence.~~

13 ~~(2) Before any sale pursuant to this Section any person~~  
14 ~~claiming a right in the goods may pay the amount necessary to~~  
15 ~~satisfy the lien and the reasonable expenses incurred under~~  
16 ~~this section. In that event the goods must not be sold, but~~  
17 ~~must be retained by the carrier subject to the terms of the~~  
18 ~~bill and this Article.~~

19 ~~(3) The carrier may buy at any public sale pursuant to this~~  
20 ~~Section.~~

21 ~~(4) A purchaser in good faith of goods sold to enforce a~~  
22 ~~carrier's lien takes the goods free of any rights of persons~~  
23 ~~against whom the lien was valid, despite noncompliance by the~~  
24 ~~carrier with the requirements of this Section.~~

25 ~~(5) The carrier may satisfy his lien from the proceeds of~~  
26 ~~any sale pursuant to this Section but must hold the balance, if~~

1 ~~any, for delivery on demand to any person to whom he would have~~  
2 ~~been bound to deliver the goods.~~

3 ~~(6) The rights provided by this Section shall be in~~  
4 ~~addition to all other rights allowed by law to a creditor~~  
5 ~~against his debtor.~~

6 ~~(7) A carrier's lien may be enforced in accordance with~~  
7 ~~either subsection (1) or the procedure set forth in subsection~~  
8 ~~(2) of Section 7-210.~~

9 ~~(8) The carrier is liable for damages caused by failure to~~  
10 ~~comply with the requirements for sale under this Section and in~~  
11 ~~case of willful violation is liable for conversion.~~

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

13 (810 ILCS 5/7-309) (from Ch. 26, par. 7-309)

14 Sec. 7-309. Duty of care; contractual limitation of  
15 carrier's liability.

16 (a) A carrier that issues a bill of lading, whether  
17 negotiable or nonnegotiable, shall exercise the degree of care  
18 in relation to the goods which a reasonably careful person  
19 would exercise under similar circumstances. This subsection  
20 does not affect any statute, regulation, or rule of law that  
21 imposes liability upon a common carrier for damages not caused  
22 by its negligence.

23 (b) Damages may be limited by a term in the bill of lading  
24 or in a transportation agreement that the carrier's liability  
25 may not exceed a value stated in the bill or transportation

1 agreement if the carrier's rates are dependent upon value and  
2 the consignor is afforded an opportunity to declare a higher  
3 value and the consignor is advised of the opportunity. However,  
4 such a limitation is not effective with respect to the  
5 carrier's liability for conversion to its own use.

6 (c) Reasonable provisions as to the time and manner of  
7 presenting claims and commencing actions based on the shipment  
8 may be included in a bill of lading or a transportation  
9 agreement.

10 ~~(1) A carrier who issues a bill of lading whether~~  
11 ~~negotiable or non-negotiable must exercise the degree of care~~  
12 ~~in relation to the goods which a reasonably careful man would~~  
13 ~~exercise under like circumstances. This subsection does not~~  
14 ~~repeal or change any law or rule of law which imposes liability~~  
15 ~~upon a common carrier for damages not caused by its negligence.~~

16 ~~(2) Damages may be limited by a provision that the~~  
17 ~~carrier's liability shall not exceed a value stated in the~~  
18 ~~document if the carrier's rates are dependent upon value and~~  
19 ~~the consignor by the carrier's tariff is afforded an~~  
20 ~~opportunity to declare a higher value or a value as lawfully~~  
21 ~~provided in the tariff, or where no tariff is filed he is~~  
22 ~~otherwise advised of such opportunity; but no such limitation~~  
23 ~~is effective with respect to the carrier's liability for~~  
24 ~~conversion to its own use.~~

25 ~~(3) Reasonable provisions as to the time and manner of~~  
26 ~~presenting claims and instituting actions based on the shipment~~

1 ~~may be included in a bill of lading or tariff.~~

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

3 (810 ILCS 5/Art. 7 Pt. 4 heading)

4 PART 4-

5 WAREHOUSE RECEIPTS AND BILLS OF LADING: GENERAL OBLIGATIONS

6 (810 ILCS 5/7-401) (from Ch. 26, par. 7-401)

7 Sec. 7-401. Irregularities in issue of receipt or bill or  
8 conduct of issuer. The obligations imposed by this Article on  
9 an issuer apply to a document of title even if: The obligations  
10 imposed by this Article on an issuer apply to a document of  
11 title regardless of the fact that

12 (1) the document does not comply with the requirements  
13 of this Article or of any other statute, rule, or  
14 regulation regarding its issuance, form, or content;

15 (2) the issuer violated laws regulating the conduct of  
16 its business;

17 (3) the goods covered by the document were owned by the  
18 bailee when the document was issued; or

19 (4) the person issuing the document is not a warehouse  
20 but the document purports to be a warehouse receipt.

21 ~~(a) the document may not comply with the requirements~~  
22 ~~of this Article or of any other law or regulation regarding its~~  
23 ~~issue, form or content; or~~

24 ~~(b) the issuer may have violated laws regulating the~~

1 ~~conduct of his business; or~~

2 ~~(c) the goods covered by the document were owned by the~~  
3 ~~bailee at the time the document was issued; or~~

4 ~~(d) the person issuing the document does not come~~  
5 ~~within the definition of warehouseman if it purports to be a~~  
6 ~~warehouse receipt.~~

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

8 (810 ILCS 5/7-402) (from Ch. 26, par. 7-402)

9 Sec. 7-402. Duplicate document of title; overissue.  
10 ~~Duplicate receipt or bill; overissue.~~ A duplicate or any other  
11 document of title purporting to cover goods already represented  
12 by an outstanding document of the same issuer does not confer  
13 any right in the goods, except as provided in the case of  
14 tangible bills of lading in a set of parts, overissue of  
15 documents for fungible goods, substitutes for lost, stolen, or  
16 destroyed documents, or substitute documents issued pursuant  
17 to Section 7-105. The issuer is liable for damages caused by  
18 its overissue or failure to identify a duplicate document by a  
19 conspicuous notation.

20 ~~Neither a duplicate nor any other document of title~~  
21 ~~purporting to cover goods already represented by an outstanding~~  
22 ~~document of the same issuer confers any right in the goods,~~  
23 ~~except as provided in the case of bills in a set, overissue of~~  
24 ~~documents for fungible goods and substitutes for lost, stolen~~  
25 ~~or destroyed documents. But the issuer is liable for damages~~

1 ~~caused by his overissue or failure to identify a duplicate~~  
2 ~~document as such by conspicuous notation on its face.~~

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

4 (810 ILCS 5/7-403) (from Ch. 26, par. 7-403)

5 Sec. 7-403. Obligation of bailee to deliver; excuse.  
6 ~~Obligation of warehouseman or carrier to deliver; excuse.~~

7 (a) A bailee shall deliver the goods to a person entitled  
8 under a document of title if the person complies with  
9 subsections (b) and (c), unless and to the extent that the  
10 bailee establishes any of the following:

11 (1) delivery of the goods to a person whose receipt was  
12 rightful as against the claimant;

13 (2) damage to or delay, loss, or destruction of the  
14 goods for which the bailee is not liable;

15 (3) previous sale or other disposition of the goods in  
16 lawful enforcement of a lien or on a warehouse's lawful  
17 termination of storage;

18 (4) the exercise by a seller of its right to stop  
19 delivery pursuant to Section 2-705 or by a lessor of its  
20 right to stop delivery pursuant to Section 2A-526;

21 (5) a diversion, reconsignment, or other disposition  
22 pursuant to Section 7-303;

23 (6) release, satisfaction, or any other personal  
24 defense against the claimant; or

25 (7) any other lawful excuse.



1       (b) A person claiming goods covered by a document of title  
2       shall satisfy the bailee's lien if the bailee so requests or if  
3       the bailee is prohibited by law from delivering the goods until  
4       the charges are paid.

5       (c) Unless a person claiming the goods is a person against  
6       which the document of title does not confer a right under  
7       Section 7-503(a):

8           (1) the person claiming under a document shall  
9           surrender possession or control of any outstanding  
10          negotiable document covering the goods for cancellation or  
11          indication of partial deliveries; and

12          (2) the bailee shall cancel the document or  
13          conspicuously indicate in the document the partial  
14          delivery or the bailee is liable to any person to which the  
15          document is duly negotiated.

16       ~~(1) The bailee must deliver the goods to a person entitled~~  
17       ~~under the document who complies with subsections (2) and (3),~~  
18       ~~unless and to the extent that the bailee establishes any of the~~  
19       ~~following:~~

20           ~~(a) delivery of the goods to a person whose receipt was~~  
21       ~~rightful as against the claimant;~~

22           ~~(b) damage to or delay, loss or destruction of the~~  
23       ~~goods for which the bailee is not liable;~~

24           ~~(c) previous sale or other disposition of the goods in~~  
25       ~~lawful enforcement of a lien or on warehouseman's lawful~~  
26       ~~termination of storage;~~

1           ~~(d) the exercise by a seller of his right to stop~~  
2 ~~delivery pursuant to the provisions of the Article on Sales~~  
3 ~~(Section 2-705);~~

4           ~~(e) a diversion, reconsignment or other disposition~~  
5 ~~pursuant to the provisions of this Article (Section 7-303) or~~  
6 ~~tariff regulating such right;~~

7           ~~(f) release, satisfaction or any other fact affording a~~  
8 ~~personal defense against the claimant;~~

9           ~~(g) any other lawful excuse.~~

10          ~~(2) A person claiming goods covered by a document of title~~  
11 ~~must satisfy the bailee's lien where the bailee so requests or~~  
12 ~~where the bailee is prohibited by law from delivering the goods~~  
13 ~~until the charges are paid.~~

14          ~~(3) Unless the person claiming is one against whom the~~  
15 ~~document confers no right under Section 7-503(1), he must~~  
16 ~~surrender for cancellation or notation of partial deliveries~~  
17 ~~any outstanding negotiable document covering the goods, and the~~  
18 ~~bailee must cancel the document or conspicuously note the~~  
19 ~~partial delivery thereon or be liable to any person to whom the~~  
20 ~~document is duly negotiated.~~

21          ~~(4) "Person entitled under the document" means holder in~~  
22 ~~the case of a negotiable document, or the person to whom~~  
23 ~~delivery is to be made by the terms of or pursuant to written~~  
24 ~~instructions under a non-negotiable document.~~

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

1 (810 ILCS 5/7-404) (from Ch. 26, par. 7-404)

2 Sec. 7-404. No liability for good-faith delivery pursuant  
3 to document of title. No liability for good faith delivery  
4 pursuant to receipt of bill. A bailee that in good faith has  
5 received goods and delivered or otherwise disposed of the goods  
6 according to the terms of a document of title or pursuant to  
7 this Article is not liable for the goods even if:

8 (1) the person from which the bailee received the goods  
9 did not have authority to procure the document or to  
10 dispose of the goods; or

11 (2) the person to which the bailee delivered the goods  
12 did not have authority to receive the goods.

13 ~~A bailee who in good faith including observance of reasonable~~  
14 ~~commercial standards has received goods and delivered or~~  
15 ~~otherwise disposed of them according to the terms of the~~  
16 ~~document of title or pursuant to this Article is not liable~~  
17 ~~therefor. This rule applies even though the person from whom he~~  
18 ~~received the goods had no authority to procure the document or~~  
19 ~~to dispose of the goods and even though the person to whom he~~  
20 ~~delivered the goods had no authority to receive them.~~

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

22 (810 ILCS 5/Art. 7 Pt. 5 heading)

23 PART 5-

24 WAREHOUSE RECEIPTS AND BILLS OF LADING: NEGOTIATION AND

25 TRANSFER

1 (810 ILCS 5/7-501) (from Ch. 26, par. 7-501)

2 Sec. 7-501. Form of negotiation and requirements of due  
3 negotiation. ~~Form of negotiation and requirements of "due~~  
4 ~~negotiation".~~

5 (a) The following rules apply to a negotiable tangible  
6 document of title:

7 (1) If the document's original terms run to the order  
8 of a named person, the document is negotiated by the named  
9 person's indorsement and delivery. After the named  
10 person's indorsement in blank or to bearer, any person may  
11 negotiate the document by delivery alone.

12 (2) If the document's original terms run to bearer, it  
13 is negotiated by delivery alone.

14 (3) If the document's original terms run to the order  
15 of a named person and it is delivered to the named person,  
16 the effect is the same as if the document had been  
17 negotiated.

18 (4) Negotiation of the document after it has been  
19 indorsed to a named person requires indorsement by the  
20 named person and delivery.

21 (5) A document is duly negotiated if it is negotiated  
22 in the manner stated in this subsection to a holder that  
23 purchases it in good faith, without notice of any defense  
24 against or claim to it on the part of any person, and for  
25 value, unless it is established that the negotiation is not

1 in the regular course of business or financing or involves  
2 receiving the document in settlement or payment of a  
3 monetary obligation.

4 (b) The following rules apply to a negotiable electronic  
5 document of title:

6 (1) If the document's original terms run to the order  
7 of a named person or to bearer, the document is negotiated  
8 by delivery of the document to another person. Indorsement  
9 by the named person is not required to negotiate the  
10 document.

11 (2) If the document's original terms run to the order  
12 of a named person and the named person has control of the  
13 document, the effect is the same as if the document had  
14 been negotiated.

15 (3) A document is duly negotiated if it is negotiated  
16 in the manner stated in this subsection to a holder that  
17 purchases it in good faith, without notice of any defense  
18 against or claim to it on the part of any person, and for  
19 value, unless it is established that the negotiation is not  
20 in the regular course of business or financing or involves  
21 taking delivery of the document in settlement or payment of  
22 a monetary obligation.

23 (c) Indorsement of a nonnegotiable document of title  
24 neither makes it negotiable nor adds to the transferee's  
25 rights.

26 (d) The naming in a negotiable bill of lading of a person

1 to be notified of the arrival of the goods does not limit the  
2 negotiability of the bill or constitute notice to a purchaser  
3 of the bill of any interest of that person in the goods.

4 ~~(1) A negotiable document of title running to the order of~~  
5 ~~a named person is negotiated by his indorsement and delivery.~~  
6 ~~After his indorsement in blank or to bearer any person can~~  
7 ~~negotiate it by delivery alone.~~

8 ~~(2) (a) A negotiable document of title is also negotiated~~  
9 ~~by delivery alone when by its original terms it runs to bearer;~~

10 ~~(b) when a document running to the order of a named~~  
11 ~~person is delivered to him the effect is the same as if the~~  
12 ~~document had been negotiated.~~

13 ~~(3) Negotiation of a negotiable document of title after it~~  
14 ~~has been indorsed to a specified person requires indorsement by~~  
15 ~~the special indorsee as well as delivery.~~

16 ~~(4) A negotiable document of title is "duly negotiated"~~  
17 ~~when it is negotiated in the manner stated in this Section to a~~  
18 ~~holder who purchases it in good faith without notice of any~~  
19 ~~defense against or claim to it on the part of any person and~~  
20 ~~for value, unless it is established that the negotiation is not~~  
21 ~~in the regular course of business or financing or involves~~  
22 ~~receiving the document in settlement or payment of a money~~  
23 ~~obligation.~~

24 ~~(5) Indorsement of a non-negotiable document neither makes~~  
25 ~~it negotiable nor adds to the transferee's rights.~~

26 ~~(6) The naming in a negotiable bill of a person to be~~

1 ~~notified of the arrival of the goods does not limit the~~  
2 ~~negotiability of the bill nor constitute notice to a purchaser~~  
3 ~~thereof of any interest of such person in the goods.~~

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

5 (810 ILCS 5/7-502) (from Ch. 26, par. 7-502)

6 Sec. 7-502. Rights acquired by due negotiation.

7 (a) Subject to Sections 7-205 and 7-503, a holder to which  
8 a negotiable document of title has been duly negotiated  
9 acquires thereby:

10 (1) title to the document;

11 (2) title to the goods;

12 (3) all rights accruing under the law of agency or  
13 estoppel, including rights to goods delivered to the bailee  
14 after the document was issued; and

15 (4) the direct obligation of the issuer to hold or  
16 deliver the goods according to the terms of the document  
17 free of any defense or claim by the issuer except those  
18 arising under the terms of the document or under this  
19 Article, but in the case of a delivery order, the bailee's  
20 obligation accrues only upon the bailee's acceptance of the  
21 delivery order and the obligation acquired by the holder is  
22 that the issuer and any indorser will procure the  
23 acceptance of the bailee.

24 (b) Subject to Section 7-503, title and rights acquired by  
25 due negotiation are not defeated by any stoppage of the goods

1 represented by the document of title or by surrender of the  
2 goods by the bailee and are not impaired even if:

3 (1) the due negotiation or any prior due negotiation  
4 constituted a breach of duty;

5 (2) any person has been deprived of possession of a  
6 negotiable tangible document or control of a negotiable  
7 electronic document by misrepresentation, fraud, accident,  
8 mistake, duress, loss, theft, or conversion; or

9 (3) a previous sale or other transfer of the goods or  
10 document has been made to a third person.

11 ~~(1) Subject to the following section and to the provisions~~  
12 ~~of Section 7-205 on fungible goods, a holder to whom a~~  
13 ~~negotiable document of title has been duly negotiated acquires~~  
14 ~~thereby:~~

15 ~~(a) title to the document;~~

16 ~~(b) title to the goods;~~

17 ~~(c) all rights accruing under the law of agency or~~  
18 ~~estoppel, including rights to goods delivered to the bailee~~  
19 ~~after the document was issued; and~~

20 ~~(d) the direct obligation of the issuer to hold or~~  
21 ~~deliver the goods according to the terms of the document free~~  
22 ~~of any defense or claim by him except those arising under the~~  
23 ~~terms of the document or under this Article. In the case of a~~  
24 ~~delivery order the bailee's obligation accrues only upon~~  
25 ~~acceptance and the obligation acquired by the holder is that~~  
26 ~~the issuer and any indorser will procure the acceptance of the~~



1 ~~bailee.~~

2 ~~(2) Subject to the following section, title and rights so~~  
3 ~~acquired are not defeated by any stoppage of the goods~~  
4 ~~represented by the document or by surrender of such goods by~~  
5 ~~the bailee, and are not impaired even though the negotiation or~~  
6 ~~any prior negotiation constituted a breach of duty or even~~  
7 ~~though any person has been deprived of possession of the~~  
8 ~~document by misrepresentation, fraud, accident, mistake,~~  
9 ~~duress, loss, theft or conversion, or even though a previous~~  
10 ~~sale or other transfer of the goods or document has been made~~  
11 ~~to a third person.~~

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

13 (810 ILCS 5/7-503) (from Ch. 26, par. 7-503)

14 Sec. 7-503. Document of title to goods defeated in certain  
15 cases.

16 (a) A document of title confers no right in goods against a  
17 person that before issuance of the document had a legal  
18 interest or a perfected security interest in the goods and that  
19 did not:

20 (1) deliver or entrust the goods or any document of  
21 title covering the goods to the bailor or the bailor's  
22 nominee with:

23 (A) actual or apparent authority to ship, store, or  
24 sell;

25 (B) power to obtain delivery under Section 7-403;

1           or

2                   (C) power of disposition under Section 2-403,  
3                   2A-304(2), 2A-305(2), 9-320, or 9-321(c) or other  
4                   statute or rule of law; or

5                   (2) acquiesce in the procurement by the bailor or its  
6                   nominee of any document.

7           (b) Title to goods based upon an unaccepted delivery order  
8           is subject to the rights of any person to which a negotiable  
9           warehouse receipt or bill of lading covering the goods has been  
10           duly negotiated. That title may be defeated under Section 7-504  
11           to the same extent as the rights of the issuer or a transferee  
12           from the issuer.

13           (c) Title to goods based upon a bill of lading issued to a  
14           freight forwarder is subject to the rights of any person to  
15           which a bill issued by the freight forwarder is duly  
16           negotiated. However, delivery by the carrier in accordance with  
17           Part 4 pursuant to its own bill of lading discharges the  
18           carrier's obligation to deliver.

19           ~~(1) A document of title confers no right in goods against a~~  
20           ~~person who before issuance of the document had a legal interest~~  
21           ~~or a perfected security interest in them and who neither~~

22           ~~(a) delivered or entrusted them or any document of~~  
23           ~~title covering them to the bailor or his nominee with~~  
24           ~~actual or apparent authority to ship, store, or sell with~~  
25           ~~power to obtain delivery under this Article (Section~~  
26           ~~7-403) or with power of disposition under this Act~~

1 ~~(Sections 2-403 and 9-320) or other statute or rule of~~  
2 ~~law; nor~~

3 ~~(b) acquiesced in the procurement by the bailor or his~~  
4 ~~nominee of any document of title.~~

5 ~~(2) Title to goods based upon an unaccepted delivery order~~  
6 ~~is subject to the rights of anyone to whom a negotiable~~  
7 ~~warehouse receipt or bill of lading covering the goods has been~~  
8 ~~duly negotiated. Such a title may be defeated under the next~~  
9 ~~section to the same extent as the right of the issuer or a~~  
10 ~~transferee from the issuer.~~

11 ~~(3) Title to goods based upon a bill of lading issued to a~~  
12 ~~freight forwarder is subject to the rights of anyone to whom a~~  
13 ~~bill issued by the freight forwarder is duly negotiated; but~~  
14 ~~delivery by the carrier in accordance with Part 4 of this~~  
15 ~~Article pursuant to its own bill of lading discharges the~~  
16 ~~carrier's obligation to deliver.~~

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

18 (810 ILCS 5/7-504) (from Ch. 26, par. 7-504)

19 Sec. 7-504. Rights acquired in absence of due negotiation;  
20 effect of diversion; stoppage of delivery. ~~Rights acquired in~~  
21 ~~the absence of due negotiation; effect of diversion; seller's~~  
22 ~~stoppage of delivery.~~

23 (a) A transferee of a document of title, whether negotiable  
24 or nonnegotiable, to which the document has been delivered but  
25 not duly negotiated, acquires the title and rights that its

1 transferor had or had actual authority to convey.

2 (b) In the case of a transfer of a nonnegotiable document  
3 of title, until but not after the bailee receives notice of the  
4 transfer, the rights of the transferee may be defeated:

5 (1) by those creditors of the transferor which could  
6 treat the transfer as void under Section 2-402 or 2A-308;

7 (2) by a buyer from the transferor in ordinary course  
8 of business if the bailee has delivered the goods to the  
9 buyer or received notification of the buyer's rights;

10 (3) by a lessee from the transferor in ordinary course  
11 of business if the bailee has delivered the goods to the  
12 lessee or received notification of the lessee's rights; or

13 (4) as against the bailee, by good-faith dealings of  
14 the bailee with the transferor.

15 (c) A diversion or other change of shipping instructions by  
16 the consignor in a nonnegotiable bill of lading which causes  
17 the bailee not to deliver the goods to the consignee defeats  
18 the consignee's title to the goods if the goods have been  
19 delivered to a buyer in ordinary course of business or a lessee  
20 in ordinary course of business and, in any event, defeats the  
21 consignee's rights against the bailee.

22 (d) Delivery of the goods pursuant to a nonnegotiable  
23 document of title may be stopped by a seller under Section  
24 2-705 or a lessor under Section 2A-526, subject to the  
25 requirements of due notification in those Sections. A bailee  
26 that honors the seller's or lessor's instructions is entitled

1 to be indemnified by the seller or lessor against any resulting  
2 loss or expense.

3 ~~(1) A transferee of a document, whether negotiable or~~  
4 ~~non-negotiable, to whom the document has been delivered but not~~  
5 ~~duly negotiated, acquires the title and rights which his~~  
6 ~~transferor had or had actual authority to convey.~~

7 ~~(2) In the case of a non negotiable document, until but not~~  
8 ~~after the bailee receives notification of the transfer, the~~  
9 ~~rights of the transferee may be defeated~~

10 ~~(a) by those creditors of the transferor who could~~  
11 ~~treat the sale as void under Section 2-402; or~~

12 ~~(b) by a buyer from the transferor in ordinary course~~  
13 ~~of business if the bailee has delivered the goods to the buyer~~  
14 ~~or received notification of his rights; or~~

15 ~~(c) as against the bailee by good faith dealings of the~~  
16 ~~bailee with the transferor.~~

17 ~~(3) A diversion or other change of shipping instructions by~~  
18 ~~the consignor in a non negotiable bill of lading which causes~~  
19 ~~the bailee not to deliver to the consignee defeats the~~  
20 ~~consignee's title to the goods if they have been delivered to a~~  
21 ~~buyer in ordinary course of business and in any event defeats~~  
22 ~~the consignee's rights against the bailee.~~

23 ~~(4) Delivery pursuant to a non negotiable document may be~~  
24 ~~stopped by a seller under Section 2-705, and subject to the~~  
25 ~~requirement of due notification there provided. A bailee~~  
26 ~~honoring the seller's instructions is entitled to be~~

1 ~~indemnified by the seller against any resulting loss or~~  
2 ~~expense.~~

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

4 (810 ILCS 5/7-505) (from Ch. 26, par. 7-505)

5 Sec. 7-505. Indorser not a guarantor for other parties. The  
6 indorsement of a tangible document of title issued by a bailee  
7 does not make the indorser liable for any default by the bailee  
8 or previous indorsers.

9 ~~The indorsement of a document of title issued by a bailee~~  
10 ~~does not make the indorser liable for any default by the bailee~~  
11 ~~or by previous indorsers.~~

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

13 (810 ILCS 5/7-506) (from Ch. 26, par. 7-506)

14 Sec. 7-506. Delivery without indorsement: right to compel  
15 indorsement. The transferee of a negotiable tangible document  
16 of title has a specifically enforceable right to have its  
17 transferor supply any necessary indorsement, but the transfer  
18 becomes a negotiation only as of the time the indorsement is  
19 supplied.

20 ~~The transferee of a negotiable document of title has a~~  
21 ~~specifically enforceable right to have his transferor supply~~  
22 ~~any necessary indorsement but the transfer becomes a~~  
23 ~~negotiation only as of the time the indorsement is supplied.~~

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

1 (810 ILCS 5/7-507) (from Ch. 26, par. 7-507)

2 Sec. 7-507. Warranties on negotiation or delivery of  
3 document of title. ~~Warranties on negotiation or transfer of~~  
4 ~~receipt or bill.~~ If a person negotiates or delivers a document  
5 of title for value, otherwise than as a mere intermediary under  
6 Section 7-508, unless otherwise agreed, the transferor, in  
7 addition to any warranty made in selling or leasing the goods,  
8 warrants to its immediate purchaser only that:

9 (1) the document is genuine;

10 (2) the transferor does not have knowledge of any fact  
11 that would impair the document's validity or worth; and

12 (3) the negotiation or delivery is rightful and fully  
13 effective with respect to the title to the document and the  
14 goods it represents.

15 ~~Where a person negotiates or transfers a document of title~~  
16 ~~for value otherwise than as a mere intermediary under the next~~  
17 ~~following section, then unless otherwise agreed he warrants to~~  
18 ~~his immediate purchaser only in addition to any warranty made~~  
19 ~~in selling the goods~~

20 ~~(a) that the document is genuine; and~~

21 ~~(b) that he has no knowledge of any fact which would~~  
22 ~~impair its validity or worth; and~~

23 ~~(c) that his negotiation or transfer is rightful and~~  
24 ~~fully effective with respect to the title to the document and~~  
25 ~~the goods it represents.~~

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

2 (810 ILCS 5/7-508) (from Ch. 26, par. 7-508)

3 Sec. 7-508. Warranties of collecting bank as to documents  
4 of title. Warranties of collecting bank as to documents. A  
5 collecting bank or other intermediary known to be entrusted  
6 with documents of title on behalf of another or with collection  
7 of a draft or other claim against delivery of documents  
8 warrants by the delivery of the documents only its own good  
9 faith and authority even if the collecting bank or other  
10 intermediary has purchased or made advances against the claim  
11 or draft to be collected.

12 ~~A collecting bank or other intermediary known to be~~  
13 ~~entrusted with documents on behalf of another or with~~  
14 ~~collection of a draft or other claim against delivery of~~  
15 ~~documents warrants by such delivery of the documents only its~~  
16 ~~own good faith and authority. This rule applies even though the~~  
17 ~~intermediary has purchased or made advances against the claim~~  
18 ~~or draft to be collected.~~

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

20 (810 ILCS 5/7-509) (from Ch. 26, par. 7-509)

21 Sec. 7-509. Adequate compliance with commercial contract.  
22 ~~Receipt or bill: when adequate compliance with commercial~~  
23 ~~contract. Whether a document of title is adequate to fulfill~~  
24 the obligations of a contract for sale, a contract for lease,



1 or the conditions of a letter of credit is determined by  
2 Article 2, 2A, or 5.

3 ~~The question whether a document is adequate to fulfill the~~  
4 ~~obligations of a contract for sale or the conditions of a~~  
5 ~~credit is governed by the Articles on Sales (Article 2) and on~~  
6 ~~Letters of Credit (Article 5).~~

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

8 (810 ILCS 5/Art. 7 Pt. 6 heading)

9 PART 6-

10 WAREHOUSE RECEIPTS AND BILLS OF

11 LADING: MISCELLANEOUS PROVISIONS

12 (810 ILCS 5/7-601) (from Ch. 26, par. 7-601)

13 Sec. 7-601. Lost, stolen, or destroyed documents of title.  
14 ~~Lost and missing documents.~~

15 (a) If a document of title is lost, stolen, or destroyed, a  
16 court may order delivery of the goods or issuance of a  
17 substitute document and the bailee may without liability to any  
18 person comply with the order. If the document was negotiable, a  
19 court may not order delivery of the goods or issuance of a  
20 substitute document without the claimant's posting security  
21 unless it finds that any person that may suffer loss as a  
22 result of nonsurrender of possession or control of the document  
23 is adequately protected against the loss. If the document was  
24 nonnegotiable, the court may require security. The court may

1 also order payment of the bailee's reasonable costs and  
2 attorney's fees in any action under this subsection.

3 (b) A bailee that, without a court order, delivers goods to  
4 a person claiming under a missing negotiable document of title  
5 is liable to any person injured thereby. If the delivery is not  
6 in good faith, the bailee is liable for conversion. Delivery in  
7 good faith is not conversion if the claimant posts security  
8 with the bailee in an amount at least double the value of the  
9 goods at the time of posting to indemnify any person injured by  
10 the delivery which files a notice of claim within one year  
11 after the delivery.

12 ~~(1) If a document has been lost, stolen or destroyed, a~~  
13 ~~court may order delivery of the goods or issuance of a~~  
14 ~~substitute document and the bailee may without liability to any~~  
15 ~~person comply with such order. If the document was negotiable~~  
16 ~~the claimant must post security approved by the court to~~  
17 ~~indemnify any person who may suffer loss as a result of~~  
18 ~~non surrender of the document. If the document was not~~  
19 ~~negotiable, such security may be required at the discretion of~~  
20 ~~the court. The court may also in its discretion order payment~~  
21 ~~of the bailee's reasonable costs and counsel fees.~~

22 ~~(2) A bailee who without court order delivers goods to a~~  
23 ~~person claiming under a missing negotiable document is liable~~  
24 ~~to any person injured thereby, and if the delivery is not in~~  
25 ~~good faith becomes liable for conversion. Delivery in good~~  
26 ~~faith is not conversion if made in accordance with a filed~~

1 ~~classification or tariff or, where no classification or tariff~~  
2 ~~is filed, if the claimant posts security with the bailee in an~~  
3 ~~amount at least double the value of the goods at the time of~~  
4 ~~posting to indemnify any person injured by the delivery who~~  
5 ~~files a notice of claim within one year after the delivery.~~

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

7 (810 ILCS 5/7-602) (from Ch. 26, par. 7-602)

8 Sec. 7-602. Judicial process against goods covered by  
9 negotiable document of title. Attachment of goods covered by a  
10 negotiable document. Unless a document of title was originally  
11 issued upon delivery of the goods by a person that did not have  
12 power to dispose of them, a lien does not attach by virtue of  
13 any judicial process to goods in the possession of a bailee for  
14 which a negotiable document of title is outstanding unless  
15 possession or control of the document is first surrendered to  
16 the bailee or the document's negotiation is enjoined. The  
17 bailee may not be compelled to deliver the goods pursuant to  
18 process until possession or control of the document is  
19 surrendered to the bailee or to the court. A purchaser of the  
20 document for value without notice of the process or injunction  
21 takes free of the lien imposed by judicial process.

22 ~~Except where the document was originally issued upon~~  
23 ~~delivery of the goods by a person who had no power to dispose~~  
24 ~~of them, no lien attaches by virtue of any judicial process to~~  
25 ~~goods in the possession of a bailee for which a negotiable~~

1 ~~document of title is outstanding unless the document be first~~  
2 ~~surrendered to the bailee or its negotiation enjoined, and the~~  
3 ~~bailee shall not be compelled to deliver the goods pursuant to~~  
4 ~~process until the document is surrendered to him or impounded~~  
5 ~~by the court. One who purchases the document for value without~~  
6 ~~notice of the process or injunction takes free of the lien~~  
7 ~~imposed by judicial process.~~

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

9 (810 ILCS 5/7-603) (from Ch. 26, par. 7-603)

10 Sec. 7-603. Conflicting Claims; Interpleader. If more than  
11 one person claims title to or possession of the goods, the  
12 bailee is excused from delivery until the bailee has a  
13 reasonable time to ascertain the validity of the adverse claims  
14 or to commence an action for interpleader. The bailee may  
15 assert an interpleader either in defending an action for  
16 nondelivery of the goods or by original action.

17 ~~If more than one person claims title or possession of the~~  
18 ~~goods, the bailee is excused from delivery until he has had a~~  
19 ~~reasonable time to ascertain the validity of the adverse claims~~  
20 ~~or to bring an action to compel all claimants to interplead and~~  
21 ~~may compel such interpleader, either in defending an action for~~  
22 ~~non-delivery of the goods, or by original action, whichever is~~  
23 ~~appropriate.~~

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

1 (810 ILCS 5/Art. 7 Pt. 7 heading new)

2 PART 7

3 MISCELLANEOUS PROVISIONS

4 (810 ILCS 5/7-701 new)

5 Sec. 7-701. Effective date. (Blank).

6 (810 ILCS 5/7-702 new)

7 Sec. 7-702. Repeals. Section 10-104 of the Uniform  
8 Commercial Code is repealed.

9 (810 ILCS 5/7-703 new)

10 Sec. 7-703. Applicability. This amendatory Act of the 95th  
11 General Assembly applies to a document of title that is issued  
12 or a bailment that arises on or after the effective date of  
13 this amendatory Act of the 95th General Assembly. This  
14 amendatory Act of the 95th General Assembly does not apply to a  
15 document of title that is issued or a bailment that arises  
16 before the effective date of this amendatory Act of the 95th  
17 General Assembly even if the document of title or bailment  
18 would be subject to this amendatory Act of the 95th General  
19 Assembly if the document of title had been issued or bailment  
20 had arisen on or after the effective date of this amendatory  
21 Act of the 95th General Assembly. This amendatory Act of the  
22 95th General Assembly does not apply to a right of action that  
23 has accrued before the effective date of this amendatory Act of

1 the 95th General Assembly.

2 (810 ILCS 5/7-704 new)

3 Sec. 7-704. Savings clause. A document of title issued or a  
4 bailment that arises before the effective date of this  
5 amendatory Act of the 95th General Assembly and the rights,  
6 obligations, and interests flowing from that document or  
7 bailment are governed by any statute or other rule amended or  
8 repealed by this amendatory Act of the 95th General Assembly as  
9 if amendment or repeal had not occurred and may be terminated,  
10 completed, consummated, or enforced under that statute or other  
11 rule.

12 Section 15. The Uniform Commercial Code is amended by  
13 changing Sections 2-202, 2-208, 2A-207, 2A-501, 2A-518,  
14 2A-519, 2A-527, 2A-528, 3-103, 4A-105, 4A-106, 4A-204, and  
15 5-103 as follows:

16 (810 ILCS 5/2-202) (from Ch. 26, par. 2-202)

17 Sec. 2-202. Final written expression: parol or extrinsic  
18 evidence.

19 Terms with respect to which the confirmatory memoranda of  
20 the parties agree or which are otherwise set forth in a writing  
21 intended by the parties as a final expression of their  
22 agreement with respect to such terms as are included therein  
23 may not be contradicted by evidence of any prior agreement or

1 of a contemporaneous oral agreement but may be explained or  
2 supplemented

3 (a) by course of performance, course of dealing, or  
4 usage of trade (Section 1-303 ~~1-205~~) ~~or by course of~~  
5 ~~performance (Section 2-208);~~ and

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

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

11 (810 ILCS 5/2-208) (from Ch. 26, par. 2-208)

12 Sec. 2-208. (Blank). ~~Course of performance or practical~~  
13 ~~construction.~~

14 ~~(1) Where the contract for sale involves repeated occasions~~  
15 ~~for performance by either party with knowledge of the nature of~~  
16 ~~the performance and opportunity for objection to it by the~~  
17 ~~other, any course of performance accepted or acquiesced in~~  
18 ~~without objection shall be relevant to determine the meaning of~~  
19 ~~the agreement.~~

20 ~~(2) The express terms of the agreement and any such course~~  
21 ~~of performance, as well as any course of dealing and usage of~~  
22 ~~trade, shall be construed whenever reasonable as consistent~~  
23 ~~with each other; but when such construction is unreasonable,~~  
24 ~~express terms shall control course of performance and course of~~  
25 ~~performance shall control both course of dealing and usage of~~

1 ~~trade (Section 1-205).~~

2 ~~(3) Subject to the provisions of the next section on~~  
3 ~~modification and waiver, such course of performance shall be~~  
4 ~~relevant to show a waiver or modification of any term~~  
5 ~~inconsistent with such course of performance.~~

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

7 (810 ILCS 5/2A-207) (from Ch. 26, par. 2A-207)

8 Sec. 2A-207. (Blank). ~~Course of performance or practical~~  
9 ~~construction.~~

10 ~~(1) If a lease contract involves repeated occasions for~~  
11 ~~performance by either party with knowledge of the nature of the~~  
12 ~~performance and opportunity for objection to it by the other,~~  
13 ~~any course of performance accepted or acquiesced in without~~  
14 ~~objection is relevant to determine the meaning of the lease~~  
15 ~~agreement.~~

16 ~~(2) The express terms of a lease agreement and any course~~  
17 ~~of performance, as well as any course of dealing and usage of~~  
18 ~~trade, must be construed whenever reasonable as consistent with~~  
19 ~~each other; but if that construction is unreasonable, express~~  
20 ~~terms control course of performance, course of performance~~  
21 ~~controls both course of dealing and usage of trade, and course~~  
22 ~~of dealing controls usage of trade.~~

23 ~~(3) Subject to the provisions of Section 2A-208 on~~  
24 ~~modification and waiver, course of performance is relevant to~~  
25 ~~show a waiver or modification of any term inconsistent with the~~



1 ~~course of performance.~~

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

3 (810 ILCS 5/2A-501) (from Ch. 26, par. 2A-501)

4 Sec. 2A-501. Default; procedure.

5 (1) Whether the lessor or the lessee is in default under a  
6 lease contract is determined by the lease agreement and this  
7 Article.

8 (2) If the lessor or the lessee is in default under the  
9 lease contract, the party seeking enforcement has rights and  
10 remedies as provided in this Article and, except as limited by  
11 this Article, as provided in the lease agreement.

12 (3) If the lessor or the lessee is in default under the  
13 lease contract, the party seeking enforcement may reduce the  
14 party's claim to judgment, or otherwise enforce the lease  
15 contract by self-help or any available judicial procedure or  
16 nonjudicial procedure, including administrative proceeding,  
17 arbitration, or the like, in accordance with this Article.

18 (4) Except as otherwise provided in Section 1-305(a)  
19 ~~1-106(1)~~ or this Article or the lease agreement, the rights and  
20 remedies referred to in subsections (2) and (3) are cumulative.

21 (5) If the lease agreement covers both real property and  
22 goods, the party seeking enforcement may proceed under this  
23 Part as to the goods, or under other applicable law as to both  
24 the real property and the goods in accordance with that party's  
25 rights and remedies in respect of the real property, in which

1 case this Part does not apply.

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

3 (810 ILCS 5/2A-518) (from Ch. 26, par. 2A-518)

4 Sec. 2A-518. Cover; substitute goods.

5 (1) After a default by a lessor under the lease contract of  
6 the type described in Section 2A-508(1), or, if agreed, after  
7 other default by the lessor, the lessee may cover by making any  
8 purchase or lease of or contract to purchase or lease goods in  
9 substitution for those due from the lessor.

10 (2) Except as otherwise provided with respect to damages  
11 liquidated in the lease agreement (Section 2A-504) or otherwise  
12 determined pursuant to agreement of the parties (Sections 1-302  
13 ~~1-102(3)~~ and 2A-503), if a lessee's cover is by a lease  
14 agreement substantially similar to the original lease  
15 agreement and the new lease agreement is made in good faith and  
16 in a commercially reasonable manner, the lessee may recover  
17 from the lessor as damages (i) the present value, as of the  
18 date of the commencement of the term of the new lease  
19 agreement, of the rent under the new lease agreement applicable  
20 to that period of the new lease term which is comparable to the  
21 then remaining term of the original lease agreement minus the  
22 present value as of the same date of the total rent for the  
23 then remaining lease term of the original lease agreement, and  
24 (ii) any incidental or consequential damages, less expenses  
25 saved in consequence of the lessor's default.

1           (3) If a lessee's cover is by lease agreement that for any  
2 reason does not qualify for treatment under subsection (2), or  
3 is by purchase or otherwise, the lessee may recover from the  
4 lessor as if the lessee had elected not to cover and Section  
5 2A-519 governs.

6           (Source: P.A. 87-493.)

7           (810 ILCS 5/2A-519) (from Ch. 26, par. 2A-519)

8           Sec. 2A-519. Lessee's damages for nondelivery,  
9 repudiation, default, and breach of warranty in regard to  
10 accepted goods.

11           (1) Except as otherwise provided with respect to damages  
12 liquidated in the lease agreement (Section 2A-504) or otherwise  
13 determined pursuant to agreement of the parties (Sections 1-302  
14 ~~1-102(3)~~ and 2A-503), if a lessee elects not to cover or a  
15 lessee elects to cover and the cover is by lease agreement that  
16 for any reason does not qualify for treatment under Section  
17 2A-518(2), or is by purchase or otherwise, the measure of  
18 damages for nondelivery or repudiation by the lessor or for  
19 rejection or revocation of acceptance by the lessee is the  
20 present value, as of the date of the default, of the then  
21 market rent minus the present value as of the same date of the  
22 original rent, computed for the remaining lease term of the  
23 original lease agreement, together with incidental and  
24 consequential damages, less expenses saved in consequence of  
25 the lessor's default.

1           (2) Market rent is to be determined as of the place for  
2 tender or, in cases of rejection after arrival or revocation of  
3 acceptance, as of the place of arrival.

4           (3) Except as otherwise agreed, if the lessee has accepted  
5 goods and given notification (Section 2A-516(3)), the measure  
6 of damages for nonconforming tender or delivery or other  
7 default by a lessor is the loss resulting in the ordinary  
8 course of events from the lessor's default as determined in any  
9 manner that is reasonable together with incidental and  
10 consequential damages, less expenses saved in consequence of  
11 the lessor's default.

12           (4) Except as otherwise agreed, the measure of damages for  
13 breach of warranty is the present value at the time and place  
14 of acceptance of the difference between the value of the use of  
15 the goods accepted and the value if they had been as warranted  
16 for the lease term, unless special circumstances show proximate  
17 damages of a different amount, together with incidental and  
18 consequential damages, less expenses saved in consequence of  
19 the lessor's default or breach of warranty.

20           (Source: P.A. 87-493.)

21           (810 ILCS 5/2A-527) (from Ch. 26, par. 2A-527)

22           Sec. 2A-527. Lessor's rights to dispose of goods.

23           (1) After a default by a lessee under the lease contract of  
24 the type described in Section 2A-523(1) or 2A-523(3)(a) or  
25 after the lessor refuses to deliver or takes possession of

1 goods (Section 2A-525 or 2A-526), or, if agreed, after other  
2 default by a lessee, the lessor may dispose of the goods  
3 concerned or the undelivered balance thereof by lease, sale, or  
4 otherwise.

5 (2) Except as otherwise provided with respect to damages  
6 liquidated in the lease agreement (Section 2A-504) or otherwise  
7 determined pursuant to agreement of the parties (Sections 1-302  
8 ~~1-102(3)~~ and 2A-503), if the disposition is by lease agreement  
9 substantially similar to the original lease agreement and the  
10 new lease agreement is made in good faith and in a commercially  
11 reasonable manner, the lessor may recover from the lessee as  
12 damages (i) accrued and unpaid rent as of the date of the  
13 commencement of the term of the new lease agreement, (ii) the  
14 present value, as of the same date, of the total rent for the  
15 then remaining lease term of the original lease agreement minus  
16 the present value, as of the same date, of the rent under the  
17 new lease agreement applicable to that period of the new lease  
18 term which is comparable to the then remaining term of the  
19 original lease agreement, and (iii) any incidental damages  
20 allowed under Section 2A-530, less expenses saved in  
21 consequence of the lessee's default.

22 (3) If the lessor's disposition is by lease agreement that  
23 for any reason does not qualify for treatment under subsection  
24 (2), or is by sale or otherwise, the lessor may recover from  
25 the lessee as if the lessor had elected not to dispose of the  
26 goods and Section 2A-528 governs.

1           (4) A subsequent buyer or lessee who buys or leases from  
2 the lessor in good faith for value as a result of a disposition  
3 under this Section takes the goods free of the original lease  
4 contract and any rights of the original lessee even though the  
5 lessor fails to comply with one or more of the requirements of  
6 this Article.

7           (5) The lessor is not accountable to the lessee for any  
8 profit made on any disposition. A lessee who has rightfully  
9 rejected or justifiably revoked acceptance shall account to the  
10 lessor for any excess over the amount of the lessee's security  
11 interest (Section 2A-508(5)).

12       (Source: P.A. 87-493.)

13           (810 ILCS 5/2A-528) (from Ch. 26, par. 2A-528)

14           Sec. 2A-528. Lessor's damages for nonacceptance, failure  
15 to pay, repudiation, or other default.

16           (1) Except as otherwise provided with respect to damages  
17 liquidated in the lease agreement (Section 2A-504) or otherwise  
18 determined pursuant to agreement of the parties (Sections 1-302  
19 ~~1-102(3)~~ and 2A-503), if a lessor elects to retain the goods or  
20 a lessor elects to dispose of the goods and the disposition is  
21 by lease agreement that for any reason does not qualify for  
22 treatment under Section 2A-527(2), or is by sale or otherwise,  
23 the lessor may recover from the lessee as damages for a default  
24 of the type described in Section 2A-523(1) or 2A-523(3) (a) or,  
25 if agreed, for other default of the lessee, (i) accrued and

1 unpaid rent as of the date of default if the lessee has never  
2 taken possession of the goods, or, if the lessee has taken  
3 possession of the goods, as of the date the lessor repossesses  
4 the goods or an earlier date on which the lessee makes a tender  
5 of the goods to the lessor, (ii) the present value as of the  
6 date determined under clause (i) of the total rent for the then  
7 remaining lease term of the original lease agreement minus the  
8 present value as of the same date of the market rent at the  
9 place where the goods are located computed for the same lease  
10 term, and (iii) any incidental damages allowed under Section  
11 2A-530, less expenses saved in consequence of the lessee's  
12 default.

13 (2) If the measure of damages provided in subsection (1) is  
14 inadequate to put a lessor in as good a position as performance  
15 would have, the measure of damages is the present value of the  
16 profit, including reasonable overhead, the lessor would have  
17 made from full performance by the lessee, together with any  
18 incidental damages allowed under Section 2A-530, due allowance  
19 for costs reasonably incurred and due credit for payments or  
20 proceeds of disposition.

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

22 (810 ILCS 5/3-103) (from Ch. 26, par. 3-103)  
23 Sec. 3-103. Definitions.

24 (a) In this Article:

25 (1) "Acceptor" means a drawee that has accepted a

1 draft.

2 (2) "Drawee" means a person ordered in a draft to make  
3 payment.

4 (3) "Drawer" means a person who signs or is identified  
5 in a draft as a person ordering payment.

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

9 (5) "Maker" means a person who signs or is identified  
10 in a note as a person undertaking to pay.

11 (6) "Order" means a written instruction to pay money  
12 signed by the person giving the instruction. The  
13 instruction may be addressed to any person, including the  
14 person giving the instruction, or to one or more persons  
15 jointly or in the alternative but not in succession. An  
16 authorization to pay is not an order unless the person  
17 authorized to pay is also instructed to pay.

18 (7) "Ordinary care" in the case of a person engaged in  
19 business means observance of reasonable commercial  
20 standards, prevailing in the area in which the person is  
21 located with respect to the business in which the person is  
22 engaged. In the case of a bank that takes an instrument for  
23 processing for collection or payment by automated means,  
24 reasonable commercial standards do not require the bank to  
25 examine the instrument if the failure to examine does not  
26 violate the bank's prescribed procedures and the bank's



1 procedures do not vary unreasonably from general banking  
2 usage not disapproved by this Article or Article 4.

3 (8) "Party" means a party to an instrument.

4 (9) "Promise" means a written undertaking to pay money  
5 signed by the person undertaking to pay. An acknowledgment  
6 of an obligation by the obligor is not a promise unless the  
7 obligor also undertakes to pay the obligation.

8 (10) "Prove" with respect to a fact means to meet the  
9 burden of establishing the fact (Section 1-201**(b)**(8)).

10 (11) "Remitter" means a person that purchases an  
11 instrument from its issuer if the instrument is payable to  
12 an identified person other than the purchaser.

13 (b) Other definitions applying to this Article and the  
14 Sections in which they appear are:

15	"Acceptance"	Section 3-409
16	"Accommodated party"	Section 3-419
17	"Accommodation party"	Section 3-419
18	"Alteration"	Section 3-407
19	"Anomalous indorsement"	Section 3-205
20	"Blank indorsement"	Section 3-205
21	"Cashier's check"	Section 3-104
22	"Certificate of deposit"	Section 3-104
23	"Certified check"	Section 3-409
24	"Check"	Section 3-104
25	"Consideration"	Section 3-303
26	"Draft"	Section 3-104

1	"Holder in due course"	Section 3-302
2	"Incomplete instrument"	Section 3-115
3	"Indorsement"	Section 3-204
4	"Indorser"	Section 3-204
5	"Instrument"	Section 3-104
6	"Issue"	Section 3-105
7	"Issuer"	Section 3-105
8	"Negotiable instrument"	Section 3-104
9	"Negotiation"	Section 3-201
10	"Note"	Section 3-104
11	"Payable at a definite time"	Section 3-108
12	"Payable on demand"	Section 3-108
13	"Payable to bearer"	Section 3-109
14	"Payable to order"	Section 3-109
15	"Payment"	Section 3-602
16	"Person entitled to enforce"	Section 3-301
17	"Presentment"	Section 3-501
18	"Reacquisition"	Section 3-207
19	"Special indorsement"	Section 3-205
20	"Teller's check"	Section 3-104
21	"Transfer of instrument"	Section 3-203
22	"Traveler's check"	Section 3-104
23	"Value"	Section 3-303
24	(c) The following definitions in other Articles apply to	
25	this Article:	
26	"Bank"	Section 4-105

1	"Banking day"	Section 4-104
2	"Clearing house"	Section 4-104
3	"Collecting bank"	Section 4-105
4	"Depository bank"	Section 4-105
5	"Documentary draft"	Section 4-104
6	"Intermediary bank"	Section 4-105
7	"Item"	Section 4-104
8	"Payor bank"	Section 4-105
9	"Suspends payments"	Section 4-104.

10 (d) In addition, Article 1 contains general definitions and  
11 principles of construction and interpretation applicable  
12 throughout this Article.

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

14 (810 ILCS 5/4A-105) (from Ch. 26, par. 4A-105)

15 Sec. 4A-105. Other definitions.

16 (a) In this Article:

17 (1) "Authorized account" means a deposit account of a  
18 customer in a bank designated by the customer as a source  
19 of payment of payment orders issued by the customer to the  
20 bank. If a customer does not so designate an account, any  
21 account of the customer is an authorized account if payment  
22 of a payment order from that account is not inconsistent  
23 with a restriction on the use of that account.

24 (2) "Bank" means a person engaged in the business of  
25 banking and includes a savings bank, savings and loan

1 association, credit union, and trust company. A branch or  
2 separate office of a bank is a separate bank for purposes  
3 of this Article.

4 (3) "Customer" means a person, including a bank, having  
5 an account with a bank or from whom a bank has agreed to  
6 receive payment orders.

7 (4) "Funds transfer business day" of a receiving bank  
8 means the part of a day during which the receiving bank is  
9 open for the receipt, processing, and transmittal of  
10 payment orders and cancellations and amendments of payment  
11 orders.

12 (5) "Funds transfer system" means a wire transfer  
13 network, automated clearinghouse, or other communication  
14 system of a clearing house or other association of banks  
15 through which a payment order by a bank may be transmitted  
16 to the bank to which the order is addressed.

17 (6) "Good faith" means honesty in fact and the  
18 observance of reasonable commercial standards of fair  
19 dealing.

20 (7) "Prove" with respect to a fact means to meet the  
21 burden of establishing the fact (Section 1-201 (b) (8)).

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

24 "Acceptance"	Section 4A-209
25 "Beneficiary"	Section 4A-103
26 "Beneficiary's bank"	Section 4A-103

1	"Executed"	Section 4A-301
2	"Execution date"	Section 4A-301
3	"Funds transfer"	Section 4A-104
4	"Funds transfer system rule"	Section 4A-501
5	"Intermediary bank"	Section 4A-104
6	"Originator"	Section 4A-104
7	"Originator's bank"	Section 4A-104
8	"Payment by beneficiary's bank	
9	to beneficiary"	Section 4A-405
10	"Payment by originator to	
11	beneficiary"	Section 4A-406
12	"Payment by sender	
13	to receiving bank"	Section 4A-403
14	"Payment date"	Section 4A-401
15	"Payment order"	Section 4A-103
16	"Receiving bank"	Section 4A-103
17	"Security procedure"	Section 4A-201
18	"Sender"	Section 4A-103

19 (c) The following definitions in Article 4 apply to this

20 Article:

21	"Clearing house"	Section 4-104
22	"Item"	Section 4-104
23	"Suspends payments"	Section 4-104

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

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

2 (810 ILCS 5/4A-106) (from Ch. 26, par. 4A-106)

3 Sec. 4A-106. Time payment order is received.

4 (a) The time of receipt of a payment order or communication  
5 cancelling or amending a payment order is determined by the  
6 rules applicable to receipt of a notice stated in Section 1-202  
7 ~~1-201(27)~~. A receiving bank may fix a cut-off time or times on  
8 a funds transfer business day for the receipt and processing of  
9 payment orders and communications cancelling or amending  
10 payment orders. Different cut-off times may apply to payment  
11 orders, cancellations, or amendments, or to different  
12 categories of payment orders, cancellations, or amendments. A  
13 cut-off time may apply to senders generally or different  
14 cut-off times may apply to different senders or categories of  
15 payment orders. If a payment order or communication cancelling  
16 or amending a payment order is received after the close of a  
17 funds transfer business day or after the appropriate cut-off  
18 time on a funds transfer business day, the receiving bank may  
19 treat the payment order or communication as received at the  
20 opening of the next funds transfer business day.

21 (b) If this Article refers to an execution date or payment  
22 date or states a day on which a receiving bank is required to  
23 take action, and the date or day does not fall on a funds  
24 transfer business day, the next day that is a funds transfer  
25 business day is treated as the date or day stated, unless the

1 contrary is stated in this Article.

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

3 (810 ILCS 5/4A-204) (from Ch. 26, par. 4A-204)

4 Sec. 4A-204. Refund of payment and duty of customer to  
5 report with respect to an unauthorized payment order.

6 (a) If a receiving bank accepts a payment order issued in  
7 the name of its customer as sender which is (i) not authorized  
8 and not effective as the order of the customer under Section  
9 4A-202, or (ii) not enforceable, in whole or in part, against  
10 the customer under Section 4A-203, the bank shall refund any  
11 payment of the payment order received from the customer to the  
12 extent the bank is not entitled to enforce payment and shall  
13 pay interest on the refundable amount calculated from the date  
14 the bank received payment to the date of the refund. However,  
15 the customer is not entitled to interest from the bank on the  
16 amount to be refunded if the customer fails to exercise  
17 ordinary care to determine that the order was not authorized by  
18 the customer and to notify the bank of the relevant facts  
19 within a reasonable time not exceeding 90 days after the date  
20 the customer received notification from the bank that the order  
21 was accepted or that the customer's account was debited with  
22 respect to the order. The bank is not entitled to any recovery  
23 from the customer on account of a failure by the customer to  
24 give notification as stated in this Section.

25 (b) Reasonable time under subsection (a) may be fixed by

1 agreement as stated in Section 1-302(b) ~~1-204(1)~~, but the  
2 obligation of a receiving bank to refund payment as stated in  
3 subsection (a) may not otherwise be varied by agreement.

4 (Source: P.A. 90-655, eff. 7-30-98.)

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

6 Sec. 5-103. Scope.

7 (a) This Article applies to letters of credit and to  
8 certain rights and obligations arising out of transactions  
9 involving letters of credit.

10 (b) The statement of a rule in this Article does not by  
11 itself require, imply, or negate application of the same or a  
12 different rule to a situation not provided for, or to a person  
13 not specified, in this Article.

14 (c) With the exception of this subsection, subsections (a)  
15 and (d), Sections 5-102(a) (9) and (10), 5-106(d), and 5-114(d),  
16 and except to the extent prohibited in Sections 1-302 ~~1-102(3)~~  
17 and 5-117(d), the effect of this Article may be varied by  
18 agreement or by a provision stated or incorporated by reference  
19 in an undertaking. A term in an agreement or undertaking  
20 generally excusing liability or generally limiting remedies  
21 for failure to perform obligations is not sufficient to vary  
22 obligations prescribed by this Article.

23 (d) Rights and obligations of an issuer to a beneficiary or  
24 a nominated person under a letter of credit are independent of  
25 the existence, performance, or nonperformance of a contract or



1 arrangement out of which the letter of credit arises or which  
2 underlies it, including contracts or arrangements between the  
3 issuer and the applicant and between the applicant and the  
4 beneficiary.

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

6 Section 20. The Uniform Commercial Code is amended by  
7 changing Sections 2-103, 2-104, 2-310, 2-323, 2-401, 2-503,  
8 2-505, 2-506, 2-509, 2-605, 2-705, 2A-103, 2A-514, 2A-526,  
9 4-104, 4-210, 8-103, 9-102, 9-203, 9-207, 9-208, 9-301, 9-310,  
10 9-312, 9-313, 9-314, 9-317, 9-338, and 9-601 as follows:

11 (810 ILCS 5/2-103) (from Ch. 26, par. 2-103)

12 Sec. 2-103. Definitions and index of definitions.

13 (1) In this Article unless the context otherwise requires

14 (a) "Buyer" means a person who buys or contracts to buy  
15 goods.

16 (b) "Good faith" in the case of a merchant means  
17 honesty in fact and the observance of reasonable commercial  
18 standards of fair dealing in the trade.

19 (c) "Receipt" of goods means taking physical  
20 possession of them.

21 (d) "Seller" means a person who sells or contracts to  
22 sell goods.

23 (2) Other definitions applying to this Article or to  
24 specified Parts thereof, and the sections in which they appear

1 are:

2 "Acceptance". Section 2--606.

3 "Banker's credit". Section 2--325.

4 "Between merchants". Section 2--104.

5 "Cancellation". Section 2--106(4).

6 "Commercial unit". Section 2--105.

7 "Confirmed credit". Section 2--325.

8 "Conforming to contract". Section 2--106.

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

10 "Cover". Section 2--712.

11 "Entrusting". Section 2--403.

12 "Financing agency". Section 2--104.

13 "Future goods". Section 2--105.

14 "Goods". Section 2--105.

15 "Identification". Section 2--501.

16 "Installment contract". Section 2--612.

17 "Letter of Credit". Section 2--325.

18 "Lot". Section 2--105.

19 "Merchant". Section 2--104.

20 "Overseas". Section 2--323.

21 "Person in position of seller". Section 2--707.

22 "Present sale". Section 2--106.

23 "Sale". Section 2--106.

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

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

26 "Termination". Section 2--106.

1           (3) "Control" as provided in Section 7-106 and the ~~The~~  
2 following definitions in other Articles apply to this Article:

3           "Check". Section 3--104.

4           "Consignee". Section 7--102.

5           "Consignor". Section 7--102.

6           "Consumer goods". Section 9-102.

7           "Dishonor". Section 3-502.

8           "Draft". Section 3--104.

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

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

13           (810 ILCS 5/2-104) (from Ch. 26, par. 2-104)

14           Sec. 2-104. Definitions. "merchant"; "between merchants";  
15 "financing agency".

16           (1) "Merchant" means a person who deals in goods of the  
17 kind or otherwise by his occupation holds himself out as having  
18 knowledge or skill peculiar to the practices or goods involved  
19 in the transaction or to whom such knowledge or skill may be  
20 attributed by his employment of an agent or broker or other  
21 intermediary who by his occupation holds himself out as having  
22 such knowledge or skill.

23           (2) "Financing agency" means a bank, finance company or  
24 other person who in the ordinary course of business makes  
25 advances against goods or documents of title or who by

1 arrangement with either the seller or the buyer intervenes in  
2 ordinary course to make or collect payment due or claimed under  
3 the contract for sale, as by purchasing or paying the seller's  
4 draft or making advances against it or by merely taking it for  
5 collection whether or not documents of title accompany or are  
6 associated with the draft. "Financing agency" includes also a  
7 bank or other person who similarly intervenes between persons  
8 who are in the position of seller and buyer in respect to the  
9 goods (Section 2--707).

10 (3) "Between merchants" means in any transaction with  
11 respect to which both parties are chargeable with the knowledge  
12 or skill of merchants.

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

14 (810 ILCS 5/2-310) (from Ch. 26, par. 2-310)

15 Sec. 2-310. Open time for payment or running of credit  
16 authority to ship under reservation.

17 Unless otherwise agreed

18 (a) payment is due at the time and place at which the  
19 buyer is to receive the goods even though the place of shipment  
20 is the place of delivery; and

21 (b) if the seller is authorized to send the goods he  
22 may ship them under reservation, and may tender the documents  
23 of title, but the buyer may inspect the goods after their  
24 arrival before payment is due unless such inspection is  
25 inconsistent with the terms of the contract (Section 2--513);

1 and

2 (c) if delivery is authorized and made by way of  
3 documents of title otherwise than by subsection (b) then  
4 payment is due regardless of where the goods are to be received  
5 (i) at the time and place at which the buyer is to receive  
6 delivery of the tangible documents or (ii) at the time the  
7 buyer is to receive delivery of the electronic documents and at  
8 the seller's place of business or if none, the seller's  
9 residence ~~regardless of where the goods are to be received;~~ and

10 (d) where the seller is required or authorized to ship  
11 the goods on credit the credit period runs from the time of  
12 shipment but post-dating the invoice or delaying its dispatch  
13 will correspondingly delay the starting of the credit period.

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

15 (810 ILCS 5/2-323) (from Ch. 26, par. 2-323)

16 Sec. 2-323. Form of bill of lading required in overseas  
17 shipment; "overseas."

18 (1) Where the contract contemplates overseas shipment and  
19 contains a term C.I.F. or C. & F. or F.O.B. vessel, the seller  
20 unless otherwise agreed must obtain a negotiable bill of lading  
21 stating that the goods have been loaded on board or, in the  
22 case of a term C.I.F. or C. & F., received for shipment.

23 (2) Where in a case within subsection (1) a tangible bill  
24 of lading has been issued in a set of parts, unless otherwise  
25 agreed if the documents are not to be sent from abroad the

1 buyer may demand tender of the full set; otherwise only one  
2 part of the bill of lading need be tendered. Even if the  
3 agreement expressly requires a full set

4 (a) due tender of a single part is acceptable within  
5 the provisions of this Article on cure of improper delivery  
6 (subsection (1) of Section 2-508; and

7 (b) even though the full set is demanded, if the  
8 documents are sent from abroad the person tendering an  
9 incomplete set may nevertheless require payment upon  
10 furnishing an indemnity which the buyer in good faith deems  
11 adequate.

12 (3) A shipment by water or by air or a contract  
13 contemplating such shipment is "overseas" insofar as by usage  
14 of trade or agreement it is subject to the commercial,  
15 financing or shipping practices characteristic of  
16 international deep water commerce.

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

18 (810 ILCS 5/2-401) (from Ch. 26, par. 2-401)

19 Sec. 2-401. Passing of title; reservation for security;  
20 limited application of this section.

21 Each provision of this Article with regard to the rights,  
22 obligations and remedies of the seller, the buyer, purchasers  
23 or other third parties applies irrespective of title to the  
24 goods except where the provision refers to such title. Insofar  
25 as situations are not covered by the other provisions of this

1 Article and matters concerning title become material the  
2 following rules apply:

3 (1) Title to goods cannot pass under a contract for sale  
4 prior to their identification to the contract (Section 2--501),  
5 and unless otherwise explicitly agreed the buyer acquires by  
6 their identification a special property as limited by this Act.  
7 Any retention or reservation by the seller of the title  
8 (property) in goods shipped or delivered to the buyer is  
9 limited in effect to a reservation of a security interest.  
10 Subject to these provisions and to the provisions of the  
11 Article on Secured Transactions (Article 9), title to goods  
12 passes from the seller to the buyer in any manner and on any  
13 conditions explicitly agreed on by the parties.

14 (2) Unless otherwise explicitly agreed title passes to the  
15 buyer at the time and place at which the seller completes his  
16 performance with reference to the physical delivery of the  
17 goods, despite any reservation of a security interest and even  
18 though a document of title is to be delivered at a different  
19 time or place; and in particular and despite any reservation of  
20 a security interest by the bill of lading

21 (a) if the contract requires or authorizes the seller  
22 to send the goods to the buyer but does not require him to  
23 deliver them at destination, title passes to the buyer at the  
24 time and place of shipment; and

25 (b) if the contract requires delivery at destination,  
26 title passes on tender there.

1 (3) Unless otherwise explicitly agreed where delivery is to  
2 be made without moving the goods,

3 (a) if the seller is to deliver a tangible document of  
4 title, title passes at the time when and the place where he  
5 delivers such documents and if the seller is to deliver an  
6 electronic document of title, title passes when the seller  
7 delivers the document; or

8 (b) if the goods are at the time of contracting already  
9 identified and no documents of title are to be delivered, title  
10 passes at the time and place of contracting.

11 (4) A rejection or other refusal by the buyer to receive or  
12 retain the goods, whether or not justified, or a justified  
13 revocation of acceptance reverts title to the goods in the  
14 seller. Such reversion occurs by operation of law and is not a  
15 "sale".

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

17 (810 ILCS 5/2-503) (from Ch. 26, par. 2-503)

18 Sec. 2-503. Manner of seller's tender of delivery.

19 (1) Tender of delivery requires that the seller put and  
20 hold conforming goods at the buyer's disposition and give the  
21 buyer any notification reasonably necessary to enable him to  
22 take delivery. The manner, time and place for tender are  
23 determined by the agreement and this Article, and in particular

24 (a) tender must be at a reasonable hour, and if it is  
25 of goods they must be kept available for the period reasonably



1 necessary to enable the buyer to take possession; but

2 (b) unless otherwise agreed the buyer must furnish  
3 facilities reasonably suited to the receipt of the goods.

4 (2) Where the case is within the next section respecting  
5 shipment tender requires that the seller comply with its  
6 provisions.

7 (3) Where the seller is required to deliver at a particular  
8 destination tender requires that he comply with subsection (1)  
9 and also in any appropriate case tender documents as described  
10 in subsections (4) and (5) of this Section.

11 (4) Where goods are in the possession of a bailee and are  
12 to be delivered without being moved

13 (a) tender requires that the seller either tender a  
14 negotiable document of title covering such goods or procure  
15 acknowledgment by the bailee of the buyer's right to possession  
16 of the goods; but

17 (b) tender to the buyer of a non-negotiable document of  
18 title or of a record directing ~~written direction~~ to the bailee  
19 to deliver is sufficient tender unless the buyer seasonably  
20 objects, and except as otherwise provided in Article 9 receipt  
21 by the bailee of notification of the buyer's rights fixes those  
22 rights as against the bailee and all third persons; but risk of  
23 loss of the goods and of any failure by the bailee to honor the  
24 non-negotiable document of title or to obey the direction  
25 remains on the seller until the buyer has had a reasonable time  
26 to present the document or direction, and a refusal by the

1 bailee to honor the document or to obey the direction defeats  
2 the tender.

3 (5) Where the contract requires the seller to deliver  
4 documents

5 (a) he must tender all such documents in correct form,  
6 except as provided in this Article with respect to bills of  
7 lading in a set (subsection (2) of Section 2--323; and

8 (b) tender through customary banking channels is  
9 sufficient and dishonor of a draft accompanying or associated  
10 with the documents constitutes non-acceptance or rejection.

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

12 (810 ILCS 5/2-505) (from Ch. 26, par. 2-505)

13 Sec. 2-505. Seller's shipment under reservation.

14 (1) Where the seller has identified goods to the contract  
15 by or before shipment:

16 (a) his procurement of a negotiable bill of lading to  
17 his own order or otherwise reserves in him a security interest  
18 in the goods. His procurement of the bill to the order of a  
19 financing agency or of the buyer indicates in addition only the  
20 seller's expectation of transferring that interest to the  
21 person named.

22 (b) a non-negotiable bill of lading to himself or his  
23 nominee reserves possession of the goods as security but except  
24 in a case of conditional delivery (subsection (2) of Section  
25 2--507 a non-negotiable bill of lading naming the buyer as

1 consignee reserves no security interest even though the seller  
2 retains possession or control of the bill of lading.

3 (2) When shipment by the seller with reservation of a  
4 security interest is in violation of the contract for sale it  
5 constitutes an improper contract for transportation within the  
6 preceding section but impairs neither the rights given to the  
7 buyer by shipment and identification of the goods to the  
8 contract nor the seller's powers as a holder of a negotiable  
9 document of title.

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

11 (810 ILCS 5/2-506) (from Ch. 26, par. 2-506)

12 Sec. 2-506. Rights of financing agency.

13 (1) A financing agency by paying or purchasing for value a  
14 draft which relates to a shipment of goods acquires to the  
15 extent of the payment or purchase and in addition to its own  
16 rights under the draft and any document of title securing it  
17 any rights of the shipper in the goods including the right to  
18 stop delivery and the shipper's right to have the draft honored  
19 by the buyer.

20 (2) The right to reimbursement of a financing agency which  
21 has in good faith honored or purchased the draft under  
22 commitment to or authority from the buyer is not impaired by  
23 subsequent discovery of defects with reference to any relevant  
24 document which was apparently regular ~~on its face~~.

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

1 (810 ILCS 5/2-509) (from Ch. 26, par. 2-509)

2 Sec. 2-509. Risk of loss in the absence of breach.

3 (1) Where the contract requires or authorizes the seller to  
4 ship the goods by carrier

5 (a) if it does not require him to deliver them at a  
6 particular destination, the risk of loss passes to the buyer  
7 when the goods are duly delivered to the carrier even though  
8 the shipment is under reservation (Section 2--505); but

9 (b) if it does require him to deliver them at a  
10 particular destination and the goods are there duly tendered  
11 while in the possession of the carrier, the risk of loss passes  
12 to the buyer when the goods are there duly so tendered as to  
13 enable the buyer to take delivery.

14 (2) Where the goods are held by a bailee to be delivered  
15 without being moved, the risk of loss passes to the buyer

16 (a) on his receipt of possession or control of a  
17 negotiable document of title covering the goods; or

18 (b) on acknowledgment by the bailee of the buyer's  
19 right to possession of the goods; or

20 (c) after his receipt of possession or control of a  
21 non-negotiable document of title or other ~~written~~ direction to  
22 deliver in a record, as provided in subsection (4) (b) of  
23 Section 2--503.

24 (3) In any case not within subsection (1) or (2), the risk  
25 of loss passes to the buyer on his receipt of the goods if the

1 seller is a merchant; otherwise the risk passes to the buyer on  
2 tender of delivery.

3 (4) The provisions of this Section are subject to contrary  
4 agreement of the parties and to the provisions of this Article  
5 on sale on approval (Section 2--327) and on effect of breach on  
6 risk of loss (Section 2--510).

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

8 (810 ILCS 5/2-605) (from Ch. 26, par. 2-605)

9 Sec. 2-605. Waiver of buyer's objections by failure to  
10 particularize.

11 (1) The buyer's failure to state in connection with  
12 rejection a particular defect which is ascertainable by  
13 reasonable inspection precludes him from relying on the  
14 unstated defect to justify rejection or to establish breach

15 (a) where the seller could have cured it if stated  
16 seasonably; or

17 (b) between merchants when the seller has after  
18 rejection made a request in writing for a full and final  
19 written statement of all defects on which the buyer proposes to  
20 rely.

21 (2) Payment against documents made without reservation of  
22 rights precludes recovery of the payment for defects apparent  
23 in ~~on the face of~~ the documents.

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

1 (810 ILCS 5/2-705) (from Ch. 26, par. 2-705)

2 Sec. 2-705. Seller's stoppage of delivery in transit or  
3 otherwise.

4 (1) The seller may stop delivery of goods in the possession  
5 of a carrier or other bailee when he discovers the buyer to be  
6 insolvent (Section 2-702) and may stop delivery of carload,  
7 truckload, planeload or larger shipments of express or freight  
8 when the buyer repudiates or fails to make a payment due before  
9 delivery or if for any other reason the seller has a right to  
10 withhold or reclaim the goods.

11 (2) As against such buyer the seller may stop delivery  
12 until

13 (a) receipt of the goods by the buyer; or

14 (b) acknowledgment to the buyer by any bailee of the  
15 goods except a carrier that the bailee holds the goods for the  
16 buyer; or

17 (c) such acknowledgment to the buyer by a carrier by  
18 reshipment or as warehouse ~~warehouseman~~; or

19 (d) negotiation to the buyer of any negotiable document  
20 of title covering the goods.

21 (3) (a) To stop delivery the seller must so notify as to  
22 enable the bailee by reasonable diligence to prevent delivery  
23 of the goods.

24 (b) After such notification the bailee must hold and  
25 deliver the goods according to the directions of the seller but  
26 the seller is liable to the bailee for any ensuing charges or

1 damages.

2 (c) If a negotiable document of title has been issued  
3 for goods the bailee is not obliged to obey a notification to  
4 stop until surrender of possession or control of the document.

5 (d) A carrier who has issued a non-negotiable bill of  
6 lading is not obliged to obey a notification to stop received  
7 from a person other than the consignor.

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

9 (810 ILCS 5/2A-103) (from Ch. 26, par. 2A-103)

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

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

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

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

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

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

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

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

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

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

25               (ii) the lessor acquires the goods or the right to  
26 possession and use of the goods in connection with the



1 lease; and

2 (iii) one of the following occurs:

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

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

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

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

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

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

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

1           (j) "Lease" means a transfer of the right to possession  
2           and use of goods for a term in return for consideration,  
3           but a sale, including a sale on approval or a sale or  
4           return, or retention or creation of a security interest is  
5           not a lease. Unless the context clearly indicates  
6           otherwise, the term includes a sublease.

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

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

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

21          (n) "Lessee" means a person who acquires the right to  
22          possession and use of goods under a lease. Unless the  
23          context clearly indicates otherwise, the term includes a  
24          sublessee.

25          (o) "Lessee in ordinary course of business" means a  
26          person who in good faith and without knowledge that the

1 lease to him or her is in violation of the ownership rights  
2 or security interest or leasehold interest of a third party  
3 in the goods leases in ordinary course from a person in the  
4 business of selling or leasing goods of that kind but does  
5 not include a pawnbroker. "Leasing" may be for cash or by  
6 exchange of other property or on secured or unsecured  
7 credit and includes acquiring ~~receiving~~ goods or documents  
8 of title under a pre-existing lease contract but does not  
9 include a transfer in bulk or as security for or in total  
10 or partial satisfaction of a money debt.

11 (p) "Lessor" means a person who transfers the right to  
12 possession and use of goods under a lease. Unless the  
13 context clearly indicates otherwise, the term includes a  
14 sublessor.

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

18 (r) "Lien" means a charge against or interest in goods  
19 to secure payment of a debt or performance of an  
20 obligation, but the term does not include a security  
21 interest.

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

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

1           (u) "Present value" means the amount as of a date  
2           certain of one or more sums payable in the future,  
3           discounted to the date certain. The discount is determined  
4           by the interest rate specified by the parties if the rate  
5           was not manifestly unreasonable at the time the transaction  
6           was entered into; otherwise, the discount is determined by  
7           a commercially reasonable rate that takes into account the  
8           facts and circumstances of each case at the time the  
9           transaction was entered into.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 "Pursuant to commitment". Section 9-102(a) (68).

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

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

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

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

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

25 (4) In addition, Article 1 contains general definitions and  
26 principles of construction and interpretation applicable

1 throughout this Article.

2 (Source: P.A. 91-893, eff. 7-1-01; 92-651, eff. 7-11-02.)

3 (810 ILCS 5/2A-514) (from Ch. 26, par. 2A-514)

4 Sec. 2A-514. Waiver of lessee's objections.

5 (1) In rejecting goods, a lessee's failure to state a  
6 particular defect that is ascertainable by reasonable  
7 inspection precludes the lessee from relying on the defect to  
8 justify rejection or to establish default:

9 (a) if, stated seasonably, the lessor or the supplier  
10 could have cured it (Section 2A-513); or

11 (b) between merchants if the lessor or the supplier  
12 after rejection has made a request in writing for a full  
13 and final written statement of all defects on which the  
14 lessee proposes to rely.

15 (2) A lessee's failure to reserve rights when paying rent  
16 or other consideration against documents precludes recovery of  
17 the payment for defects apparent in ~~on the face of~~ the  
18 documents.

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

20 (810 ILCS 5/2A-526) (from Ch. 26, par. 2A-526)

21 Sec. 2A-526. Lessor's stoppage of delivery in transit or  
22 otherwise.

23 (1) A lessor may stop delivery of goods in the possession  
24 of a carrier or other bailee if the lessor discovers the lessee

1 to be insolvent and may stop delivery of carload, truckload,  
2 planeload, or larger shipments of express or freight if the  
3 lessee repudiates or fails to make a payment due before  
4 delivery, whether for rent, security or otherwise under the  
5 lease contract, or for any other reason the lessor has a right  
6 to withhold or take possession of the goods.

7 (2) In pursuing its remedies under subsection (1), the  
8 lessor may stop delivery until:

9 (a) receipt of the goods by the lessee;

10 (b) acknowledgment to the lessee by any bailee of the  
11 goods, except a carrier, that the bailee holds the goods  
12 for the lessee; or

13 (c) such an acknowledgment to the lessee by a carrier  
14 via reshipment or as a warehouse ~~warehouseman~~.

15 (3) (a) To stop delivery, a lessor shall so notify as to  
16 enable the bailee by reasonable diligence to prevent  
17 delivery of the goods.

18 (b) After notification, the bailee shall hold and  
19 deliver the goods according to the directions of the  
20 lessor, but the lessor is liable to the bailee for any  
21 ensuing charges or damages.

22 (c) A carrier who has issued a nonnegotiable bill of  
23 lading is not obliged to obey a notification to stop  
24 received from a person other than the consignor.

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



1 (810 ILCS 5/4-104) (from Ch. 26, par. 4-104)

2 Sec. 4-104. Definitions and index of definitions.

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

4 (1) "Account" means any deposit or credit account with  
5 a bank, including a demand, time, savings, passbook, share  
6 draft, or like account, other than an account evidenced by  
7 a certificate of deposit;

8 (2) "Afternoon" means the period of a day between noon  
9 and midnight;

10 (3) "Banking day" means the part of a day on which a  
11 bank is open to the public for carrying on substantially  
12 all of its banking functions, except that any day that is  
13 not a banking day for purposes of Federal Reserve  
14 Regulation CC (as may be amended from time to time) shall  
15 not be a banking day for purposes of this Article or  
16 Article 3;

17 (4) "Clearing house" means an association of banks or  
18 other payors regularly clearing items;

19 (5) "Customer" means a person having an account with a  
20 bank or for whom a bank has agreed to collect items,  
21 including a bank that maintains an account at another bank;

22 (6) "Documentary draft" means a draft to be presented  
23 for acceptance or payment if specified documents,  
24 certificated securities (Section 8-102) or instructions  
25 for uncertificated securities (Section 8-102), or other  
26 certificates, statements, or the like are to be received by

1 the drawee or other payor before acceptance or payment of  
2 the draft;

3 (7) "Draft" means a draft as defined in Section 3-104  
4 or an item, other than an instrument, that is an order;

5 (8) "Drawee" means a person ordered in a draft to make  
6 payment;

7 (9) "Item" means an instrument or a promise or order to  
8 pay money handled by a bank for collection or payment. The  
9 term does not include a payment order governed by Article  
10 4A or a credit or debit card slip;

11 (10) "Midnight deadline" with respect to a bank is  
12 midnight on its next banking day following the banking day  
13 on which it receives the relevant item or notice or from  
14 which the time for taking action commences to run,  
15 whichever is later;

16 (11) "Settle" means to pay in cash, by clearing-house  
17 settlement, in a charge or credit or by remittance, or  
18 otherwise as agreed. A settlement may be either provisional  
19 or final;

20 (12) "Suspends payments" with respect to a bank means  
21 that it has been closed by order of the supervisory  
22 authorities, that a public officer has been appointed to  
23 take it over, or that it ceases or refuses to make payments  
24 in the ordinary course of business.

25 (b) Other definitions applying to this Article and the  
26 Sections in which they appear are:

1	"Agreement for electronic	
2	presentment"	Section 4-110.
3	"Bank"	Section 4-105.
4	"Collecting bank"	Section 4-105.
5	"Depository bank"	Section 4-105.
6	"Intermediary bank"	Section 4-105.
7	"Payor bank"	Section 4-105.
8	"Presenting bank"	Section 4-105.
9	"Presentment notice"	Section 4-110.
10	(c) <u>"Control" as provided in Section 7-106 and the</u> <del>The</del>	
11	following definitions in other Articles apply to this Article:	
12	"Acceptance"	Section 3-409.
13	"Alteration"	Section 3-407.
14	"Cashier's check"	Section 3-104.
15	"Certificate of deposit"	Section 3-104.
16	"Certified check"	Section 3-409.
17	"Check"	Section 3-104.
18	"Good faith"	Section 3-103.
19	"Holder in due course"	Section 3-302.
20	"Instrument"	Section 3-104.
21	"Notice of dishonor"	Section 3-503.
22	"Order"	Section 3-103.
23	"Ordinary care"	Section 3-103.
24	"Person entitled to enforce"	Section 3-301.
25	"Presentment"	Section 3-501.
26	"Promise"	Section 3-103.

1           "Prove"                               Section 3-103.  
2           "Teller's check"                    Section 3-104.  
3           "Unauthorized signature"            Section 3-403.

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

7           (Source: P.A. 88-45; 89-364, eff. 1-1-96.)

8           (810 ILCS 5/4-210) (from Ch. 26, par. 4-210)

9           Sec. 4-210. Security interest of collecting bank in items,  
10 accompanying documents and proceeds.

11          (a) A collecting bank has a security interest in an item  
12 and any accompanying documents or the proceeds of either:

13           (1) in case of an item deposited in an account, to the  
14 extent to which credit given for the item has been  
15 withdrawn or applied;

16           (2) in case of an item for which it has given credit  
17 available for withdrawal as of right, to the extent of the  
18 credit given, whether or not the credit is drawn upon or  
19 there is a right of charge-back; or

20           (3) if it makes an advance on or against the item.

21          (b) If credit given for several items received at one time  
22 or pursuant to a single agreement is withdrawn or applied in  
23 part, the security interest remains upon all the items, any  
24 accompanying documents or the proceeds of either. For the  
25 purpose of this Section, credits first given are first

1 withdrawn.

2 (c) Receipt by a collecting bank of a final settlement for  
3 an item is a realization on its security interest in the item,  
4 accompanying documents, and proceeds. So long as the bank does  
5 not receive final settlement for the item or give up possession  
6 of the item or possession or control of the accompanying  
7 documents for purposes other than collection, the security  
8 interest continues to that extent and is subject to Article 9,  
9 but:

10 (1) no security agreement is necessary to make the  
11 security interest enforceable Section 9-203(b) (3) (A);

12 (2) no filing is required to perfect the security  
13 interest; and

14 (3) the security interest has priority over  
15 conflicting perfected security interests in the item,  
16 accompanying documents, or proceeds.

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

18 (810 ILCS 5/8-103) (from Ch. 26, par. 8-103)

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

21 (a) A share or similar equity interest issued by a  
22 corporation, business trust, joint stock company, or similar  
23 entity is a security.

24 (b) An "investment company security" is a security.  
25 "Investment company security" means a share or similar equity

1 interest issued by an entity that is registered as an  
2 investment company under the federal investment company laws,  
3 an interest in a unit investment trust that is so registered,  
4 or a face-amount certificate issued by a face-amount  
5 certificate company that is so registered. Investment company  
6 security does not include an insurance policy or endowment  
7 policy or annuity contract issued by an insurance company.

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

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

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

23 (f) A commodity contract, as defined in Section  
24 9-102(a)(15), is not a security or a financial asset.

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

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

2 (810 ILCS 5/9-102) (from Ch. 26, par. 9-102)

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

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

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

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

1 deposit accounts, (iv) investment property, (v)  
2 letter-of-credit rights or letters of credit, or (vi)  
3 rights to payment for money or funds advanced or sold,  
4 other than rights arising out of the use of a credit or  
5 charge card or information contained on or for use with the  
6 card.

7 (3) "Account debtor" means a person obligated on an  
8 account, chattel paper, or general intangible. The term  
9 does not include persons obligated to pay a negotiable  
10 instrument, even if the instrument constitutes part of  
11 chattel paper.

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

14 (A) authenticated by a secured party;

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

18 (C) identifying the components of the obligations  
19 in reasonable detail.

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

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

25 (B) which is created by statute in favor of a  
26 person that in the ordinary course of its business



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

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

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

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

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

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

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

14 (7) "Authenticate" means:

15 (A) to sign; or

16 (B) to execute or otherwise adopt a symbol, or  
17 encrypt or similarly process a record in whole or in  
18 part, with the present intent of the authenticating  
19 person to identify the person and adopt or accept a  
20 record.

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

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

1           (10) "Certificate of title" means a certificate of  
2 title with respect to which a statute provides for the  
3 security interest in question to be indicated on the  
4 certificate as a condition or result of the security  
5 interest's obtaining priority over the rights of a lien  
6 creditor with respect to the collateral.

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

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

1 (A) proceeds to which a security interest  
2 attaches;

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

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

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

8 (A) the claimant is an organization; or

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

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

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

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

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

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

25 (B) traded on a foreign commodity board of trade,  
26 exchange, or market, and is carried on the books of a

1 commodity intermediary for a commodity customer.

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

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

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

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

12 (18) "Communicate" means:

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

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

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

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

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

24 (A) the merchant:

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

1 (ii) is not an auctioneer; and

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

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

8 (C) the goods are not consumer goods immediately  
9 before delivery; and

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

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

14 (22) "Consumer debtor" means a debtor in a consumer  
15 transaction.

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

19 (24) "Consumer-goods transaction" means a consumer  
20 transaction in which:

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

23 (B) a security interest in consumer goods secures  
24 the obligation.

25 (25) "Consumer obligor" means an obligor who is an  
26 individual and who incurred the obligation as part of a

1 transaction entered into primarily for personal, family,  
2 or household purposes.

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

10 (27) "Continuation statement" means an amendment of a  
11 financing statement which:

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

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

17 (28) "Debtor" means:

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

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

23 (C) a consignee.

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

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

4 (30) "Document" means a document of title or a receipt  
5 of the type described in Section 7-201(b) ~~7-201(2)~~.

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

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

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

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

17 (A) crops grown, growing, or to be grown,  
18 including:

19 (i) crops produced on trees, vines, and  
20 bushes; and

21 (ii) aquatic goods produced in aquacultural  
22 operations;

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

25 (C) supplies used or produced in a farming  
26 operation; or

1 (D) products of crops or livestock in their  
2 unmanufactured states.

3 (35) "Farming operation" means raising, cultivating,  
4 propagating, fattening, grazing, or any other farming,  
5 livestock, or aquacultural operation.

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

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

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

12 (39) "Financing statement" means a record or records  
13 composed of an initial financing statement and any filed  
14 record relating to the initial financing statement.

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

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

23 (42) "General intangible" means any personal property,  
24 including things in action, other than accounts, chattel  
25 paper, commercial tort claims, deposit accounts,  
26 documents, goods, instruments, investment property,



1 letter-of-credit rights, letters of credit, money, and  
2 oil, gas, or other minerals before extraction. The term  
3 includes payment intangibles and software.

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

7 (44) "Goods" means all things that are movable when a  
8 security interest attaches. The term includes (i)  
9 fixtures, (ii) standing timber that is to be cut and  
10 removed under a conveyance or contract for sale, (iii) the  
11 unborn young of animals, (iv) crops grown, growing, or to  
12 be grown, even if the crops are produced on trees, vines,  
13 or bushes, and (v) manufactured homes. The term also  
14 includes a computer program embedded in goods and any  
15 supporting information provided in connection with a  
16 transaction relating to the program if (i) the program is  
17 associated with the goods in such a manner that it  
18 customarily is considered part of the goods, or (ii) by  
19 becoming the owner of the goods, a person acquires a right  
20 to use the program in connection with the goods. The term  
21 does not include a computer program embedded in goods that  
22 consist solely of the medium in which the program is  
23 embedded. The term also does not include accounts, chattel  
24 paper, commercial tort claims, deposit accounts,  
25 documents, general intangibles, instruments, investment  
26 property, letter-of-credit rights, letters of credit,

1 money, or oil, gas, or other minerals before extraction.

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

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

13 (47) "Instrument" means a negotiable instrument or any  
14 other writing that evidences a right to the payment of a  
15 monetary obligation, is not itself a security agreement or  
16 lease, and is of a type that in ordinary course of business  
17 is transferred by delivery with any necessary indorsement  
18 or assignment. The term does not include (i) investment  
19 property, (ii) letters of credit, (iii) nonnegotiable  
20 certificates of deposit, (iv) uncertificated certificates  
21 of deposit, (v) nontransferrable certificates of deposit,  
22 or (vi) writings that evidence a right to payment arising  
23 out of the use of a credit or charge card or information  
24 contained on or for use with the card.

25 (48) "Inventory" means goods, other than farm  
26 products, which:

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

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

4 (C) are furnished by a person under a contract of  
5 service; or

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

8 (49) "Investment property" means a security, whether  
9 certificated or uncertificated, security entitlement,  
10 securities account, commodity contract, or commodity  
11 account.

12 (50) "Jurisdiction of organization", with respect to a  
13 registered organization, means the jurisdiction under  
14 whose law the organization is organized.

15 (51) "Letter-of-credit right" means a right to payment  
16 or performance under a letter of credit, whether or not the  
17 beneficiary has demanded or is at the time entitled to  
18 demand payment or performance. The term does not include  
19 the right of a beneficiary to demand payment or performance  
20 under a letter of credit.

21 (52) "Lien creditor" means:

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

24 (B) an assignee for benefit of creditors from the  
25 time of assignment;

26 (C) a trustee in bankruptcy from the date of the

1 filing of the petition; or

2 (D) a receiver in equity from the time of  
3 appointment.

4 (53) "Manufactured home" means a structure,  
5 transportable in one or more sections, which, in the  
6 traveling mode, is eight body feet or more in width or 40  
7 body feet or more in length, or, when erected on site, is  
8 320 or more square feet, and which is built on a permanent  
9 chassis and designed to be used as a dwelling with or  
10 without a permanent foundation when connected to the  
11 required utilities, and includes the plumbing, heating,  
12 air-conditioning, and electrical systems contained  
13 therein. The term includes any structure that meets all of  
14 the requirements of this paragraph except the size  
15 requirements and with respect to which the manufacturer  
16 voluntarily files a certification required by the United  
17 States Secretary of Housing and Urban Development and  
18 complies with the standards established under Title 42 of  
19 the United States Code.

20 (54) "Manufactured-home transaction" means a secured  
21 transaction:

22 (A) that creates a purchase-money security  
23 interest in a manufactured home, other than a  
24 manufactured home held as inventory; or

25 (B) in which a manufactured home, other than a  
26 manufactured home held as inventory, is the primary

1 collateral.

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

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

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

13 (58) "Noncash proceeds" means proceeds other than cash  
14 proceeds.

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

24 (60) "Original debtor", except as used in Section  
25 9-310(c), means a person that, as debtor, entered into a  
26 security agreement to which a new debtor has become bound

1 under Section 9-203(d).

2 (61) "Payment intangible" means a general intangible  
3 under which the account debtor's principal obligation is a  
4 monetary obligation.

5 (62) "Person related to", with respect to an  
6 individual, means:

7 (A) the spouse of the individual;

8 (B) a brother, brother-in-law, sister, or  
9 sister-in-law of the individual;

10 (C) an ancestor or lineal descendant of the  
11 individual or the individual's spouse; or

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

15 (63) "Person related to", with respect to an  
16 organization, means:

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

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

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

26 (D) the spouse of an individual described in

1           subparagraph (A), (B), or (C); or

2           (E) an individual who is related by blood or  
3 marriage to an individual described in subparagraph  
4 (A), (B), (C), or (D) and shares the same home with the  
5 individual.

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

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

10           (B) whatever is collected on, or distributed on  
11 account of, collateral;

12           (C) rights arising out of collateral;

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

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

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

1           (66) "Proposal" means a record authenticated by a  
2 secured party which includes the terms on which the secured  
3 party is willing to accept collateral in full or partial  
4 satisfaction of the obligation it secures pursuant to  
5 Sections 9-620, 9-621, and 9-622.

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

8                   (A) debt securities are issued;

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

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

16           (68) "Pursuant to commitment", with respect to an  
17 advance made or other value given by a secured party, means  
18 pursuant to the secured party's obligation, whether or not  
19 a subsequent event of default or other event not within the  
20 secured party's control has relieved or may relieve the  
21 secured party from its obligation.

22           (69) "Record", except as used in "for record", "of  
23 record", "record or legal title", and "record owner", means  
24 information that is inscribed on a tangible medium or which  
25 is stored in an electronic or other medium and is  
26 retrievable in perceivable form.



1           (70) "Registered organization" means an organization  
2 organized solely under the law of a single State or the  
3 United States and as to which the State or the United  
4 States must maintain a public record showing the  
5 organization to have been organized.

6           (71) "Secondary obligor" means an obligor to the extent  
7 that:

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

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

12           (72) "Secured party" means:

13                   (A) a person in whose favor a security interest is  
14 created or provided for under a security agreement,  
15 whether or not any obligation to be secured is  
16 outstanding;

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

18                   (C) a consignor;

19                   (D) a person to which accounts, chattel paper,  
20 payment intangibles, or promissory notes have been  
21 sold;

22                   (E) a trustee, indenture trustee, agent,  
23 collateral agent, or other representative in whose  
24 favor a security interest or agricultural lien is  
25 created or provided for; or

26                   (F) a person that holds a security interest arising

1 under Section 2-401, 2-505, 2-711(3), 2A-508(5),  
2 4-210, or 5-118.

3 (73) "Security agreement" means an agreement that  
4 creates or provides for a security interest.

5 (74) "Send", in connection with a record or  
6 notification, means:

7 (A) to deposit in the mail, deliver for  
8 transmission, or transmit by any other usual means of  
9 communication, with postage or cost of transmission  
10 provided for, addressed to any address reasonable  
11 under the circumstances; or

12 (B) to cause the record or notification to be  
13 received within the time that it would have been  
14 received if properly sent under subparagraph (A).

15 (75) "Software" means a computer program and any  
16 supporting information provided in connection with a  
17 transaction relating to the program. The term does not  
18 include a computer program that is included in the  
19 definition of goods.

20 (76) "State" means a State of the United States, the  
21 District of Columbia, Puerto Rico, the United States Virgin  
22 Islands, or any territory or insular possession subject to  
23 the jurisdiction of the United States.

24 (77) "Supporting obligation" means a letter-of-credit  
25 right or secondary obligation that supports the payment or  
26 performance of an account, chattel paper, a document, a

1 general intangible, an instrument, or investment property.

2 (78) "Tangible chattel paper" means chattel paper  
3 evidenced by a record or records consisting of information  
4 that is inscribed on a tangible medium.

5 (79) "Termination statement" means an amendment of a  
6 financing statement which:

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

9 (B) indicates either that it is a termination  
10 statement or that the identified financing statement  
11 is no longer effective.

12 (80) "Transmitting utility" means a person primarily  
13 engaged in the business of:

14 (A) operating a railroad, subway, street railway,  
15 or trolley bus;

16 (B) transmitting communications electrically,  
17 electromagnetically, or by light;

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

19 (D) transmitting or producing and transmitting  
20 electricity, steam, gas, or water.

21 (b) Definitions in other Articles. "Control" as provided in  
22 Section 7-106 and the ~~The~~ following definitions in other  
23 Articles apply to this Article:

24 "Applicant". Section 5-102.

25 "Beneficiary". Section 5-102.

26 "Broker". Section 8-102.

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

1 "Proceeds of a letter of credit". Section 5-114.

2 "Prove". Section 3-103.

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. 91-893, eff. 7-1-01; 92-819, eff. 8-21-02.)

14 (810 ILCS 5/9-203) (from Ch. 26, par. 9-203)

15 Sec. 9-203. Attachment and enforceability of security  
16 interest; proceeds; supporting obligations; formal requisites.

17 (a) Attachment. A security interest attaches to collateral  
18 when it becomes enforceable against the debtor with respect to  
19 the collateral, unless an agreement expressly postpones the  
20 time of attachment.

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

25 (1) value has been given;

1           (2) the debtor has rights in the collateral or the  
2 power to transfer rights in the collateral to a secured  
3 party; and

4           (3) one of the following conditions is met:

5           (A) the debtor has authenticated a security  
6 agreement that provides a description of the  
7 collateral and, if the security interest covers timber  
8 to be cut, a description of the land concerned;

9           (B) the collateral is not a certificated security  
10 and is in the possession of the secured party under  
11 Section 9-313 pursuant to the debtor's security  
12 agreement;

13           (C) the collateral is a certificated security in  
14 registered form and the security certificate has been  
15 delivered to the secured party under Section 8-301  
16 pursuant to the debtor's security agreement; or

17           (D) the collateral is deposit accounts, electronic  
18 chattel paper, investment property, ~~or~~  
19 letter-of-credit rights, or electronic documents, and  
20 the secured party has control under Section 7-106,  
21 9-104, 9-105, 9-106, or 9-107 pursuant to the debtor's  
22 security agreement.

23           (c) Other UCC provisions. Subsection (b) is subject to  
24 Section 4-210 on the security interest of a collecting bank,  
25 Section 5-118 on the security interest of a letter-of-credit  
26 issuer or nominated person, Section 9-110 on a security

1 interest arising under Article 2 or 2A, and Section 9-206 on  
2 security interests in investment property.

3 (d) When person becomes bound by another person's security  
4 agreement. A person becomes bound as debtor by a security  
5 agreement entered into by another person if, by operation of  
6 law other than this Article or by contract:

7 (1) the security agreement becomes effective to create  
8 a security interest in the person's property; or

9 (2) the person becomes generally obligated for the  
10 obligations of the other person, including the obligation  
11 secured under the security agreement, and acquires or  
12 succeeds to all or substantially all of the assets of the  
13 other person.

14 (e) Effect of new debtor becoming bound. If a new debtor  
15 becomes bound as debtor by a security agreement entered into by  
16 another person:

17 (1) the agreement satisfies subsection (b)(3) with  
18 respect to existing or after-acquired property of the new  
19 debtor to the extent the property is described in the  
20 agreement; and

21 (2) another agreement is not necessary to make a  
22 security interest in the property enforceable.

23 (f) Proceeds and supporting obligations. The attachment of  
24 a security interest in collateral gives the secured party the  
25 rights to proceeds provided by Section 9-315 and is also  
26 attachment of a security interest in a supporting obligation

1 for the collateral.

2 (g) Lien securing right to payment. The attachment of a  
3 security interest in a right to payment or performance secured  
4 by a security interest or other lien on personal or real  
5 property is also attachment of a security interest in the  
6 security interest, mortgage, or other lien.

7 (h) Security entitlement carried in securities account.  
8 The attachment of a security interest in a securities account  
9 is also attachment of a security interest in the security  
10 entitlements carried in the securities account.

11 (i) Commodity contracts carried in commodity account. The  
12 attachment of a security interest in a commodity account is  
13 also attachment of a security interest in the commodity  
14 contracts carried in the commodity account.

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

16 (810 ILCS 5/9-207) (from Ch. 26, par. 9-207)

17 Sec. 9-207. Rights and duties of secured party having  
18 possession or control of collateral.

19 (a) Duty of care when secured party in possession. Except  
20 as otherwise provided in subsection (d), a secured party shall  
21 use reasonable care in the custody and preservation of  
22 collateral in the secured party's possession. In the case of  
23 chattel paper or an instrument, reasonable care includes taking  
24 necessary steps to preserve rights against prior parties unless  
25 otherwise agreed.



1 (b) Expenses, risks, duties, and rights when secured party  
2 in possession. Except as otherwise provided in subsection (d),  
3 if a secured party has possession of collateral:

4 (1) reasonable expenses, including the cost of  
5 insurance and payment of taxes or other charges, incurred  
6 in the custody, preservation, use, or operation of the  
7 collateral are chargeable to the debtor and are secured by  
8 the collateral;

9 (2) the risk of accidental loss or damage is on the  
10 debtor to the extent of a deficiency in any effective  
11 insurance coverage;

12 (3) the secured party shall keep the collateral  
13 identifiable, but fungible collateral may be commingled;  
14 and

15 (4) the secured party may use or operate the  
16 collateral:

17 (A) for the purpose of preserving the collateral or  
18 its value;

19 (B) as permitted by an order of a court having  
20 competent jurisdiction; or

21 (C) except in the case of consumer goods, in the  
22 manner and to the extent agreed by the debtor.

23 (c) Duties and rights when secured party in possession or  
24 control. Except as otherwise provided in subsection (d), a  
25 secured party having possession of collateral or control of  
26 collateral under Section 7-106, 9-104, 9-105, 9-106, or 9-107:

1           (1) may hold as additional security any proceeds,  
2           except money or funds, received from the collateral;

3           (2) shall apply money or funds received from the  
4           collateral to reduce the secured obligation, unless  
5           remitted to the debtor; and

6           (3) may create a security interest in the collateral.

7           (d) Buyer of certain rights to payment. If the secured  
8           party is a buyer of accounts, chattel paper, payment  
9           intangibles, or promissory notes or a consignor:

10           (1) subsection (a) does not apply unless the secured  
11           party is entitled under an agreement:

12                   (A) to charge back uncollected collateral; or

13                   (B) otherwise to full or limited recourse against  
14           the debtor or a secondary obligor based on the  
15           nonpayment or other default of an account debtor or  
16           other obligor on the collateral; and

17           (2) subsections (b) and (c) do not apply.

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

19           (810 ILCS 5/9-208) (from Ch. 26, par. 9-208)

20           Sec. 9-208. Additional duties of secured party having  
21           control of collateral.

22           (a) Applicability of Section. This Section applies to cases  
23           in which there is no outstanding secured obligation and the  
24           secured party is not committed to make advances, incur  
25           obligations, or otherwise give value.

1 (b) Duties of secured party after receiving demand from  
2 debtor. Within 10 days after receiving an authenticated demand  
3 by the debtor:

4 (1) a secured party having control of a deposit account  
5 under Section 9-104(a) (2) shall send to the bank with which  
6 the deposit account is maintained an authenticated  
7 statement that releases the bank from any further  
8 obligation to comply with instructions originated by the  
9 secured party;

10 (2) a secured party having control of a deposit account  
11 under Section 9-104(a) (3) shall:

12 (A) pay the debtor the balance on deposit in the  
13 deposit account; or

14 (B) transfer the balance on deposit into a deposit  
15 account in the debtor's name;

16 (3) a secured party, other than a buyer, having control  
17 of electronic chattel paper under Section 9-105 shall:

18 (A) communicate the authoritative copy of the  
19 electronic chattel paper to the debtor or its  
20 designated custodian;

21 (B) if the debtor designates a custodian that is  
22 the designated custodian with which the authoritative  
23 copy of the electronic chattel paper is maintained for  
24 the secured party, communicate to the custodian an  
25 authenticated record releasing the designated  
26 custodian from any further obligation to comply with

1 instructions originated by the secured party and  
2 instructing the custodian to comply with instructions  
3 originated by the debtor; and

4 (C) take appropriate action to enable the debtor or  
5 its designated custodian to make copies of or revisions  
6 to the authoritative copy which add or change an  
7 identified assignee of the authoritative copy without  
8 the consent of the secured party;

9 (4) a secured party having control of investment  
10 property under Section 8-106(d) (2) or 9-106(b) shall send  
11 to the securities intermediary or commodity intermediary  
12 with which the security entitlement or commodity contract  
13 is maintained an authenticated record that releases the  
14 securities intermediary or commodity intermediary from any  
15 further obligation to comply with entitlement orders or  
16 directions originated by the secured party; ~~and~~

17 (5) a secured party having control of a  
18 letter-of-credit right under Section 9-107 shall send to  
19 each person having an unfulfilled obligation to pay or  
20 deliver proceeds of the letter of credit to the secured  
21 party an authenticated release from any further obligation  
22 to pay or deliver proceeds of the letter of credit to the  
23 secured party; and.

24 (6) a secured party having control of an electronic  
25 document shall:

26 (A) give control of the electronic document to the

1           debtor or its designated custodian;

2           (B) if the debtor designates a custodian that is  
3           the designated custodian with which the authoritative  
4           copy of the electronic document is maintained for the  
5           secured party, communicate to the custodian an  
6           authenticated record releasing the designated  
7           custodian from any further obligation to comply with  
8           instructions originated by the secured party and  
9           instructing the custodian to comply with instructions  
10           originated by the debtor; and

11           (C) take appropriate action to enable the debtor or  
12           its designated custodian to make copies of or revisions  
13           to the authoritative copy which add or change an  
14           identified assignee of the authoritative copy without  
15           the consent of the secured party.

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

17           (810 ILCS 5/9-301) (from Ch. 26, par. 9-301)

18           Sec. 9-301. Law governing perfection and priority of  
19           security interests. Except as otherwise provided in Sections  
20           9-303 through 9-306.1, the following rules determine the law  
21           governing perfection, the effect of perfection or  
22           nonperfection, and the priority of a security interest in  
23           collateral:

24           (1) Except as otherwise provided in this Section, while  
25           a debtor is located in a jurisdiction, the local law of

1           that jurisdiction governs perfection, the effect of  
2           perfection or nonperfection, and the priority of a security  
3           interest in collateral.

4           (2) While collateral is located in a jurisdiction, the  
5           local law of that jurisdiction governs perfection, the  
6           effect of perfection or nonperfection, and the priority of  
7           a possessory security interest in that collateral.

8           (3) Except as otherwise provided in paragraph (4),  
9           while tangible negotiable documents, goods, instruments,  
10          money, or tangible chattel paper is located in a  
11          jurisdiction, the local law of that jurisdiction governs:

12                 (A) perfection of a security interest in the goods  
13                 by filing a fixture filing;

14                 (B) perfection of a security interest in timber to  
15                 be cut; and

16                 (C) the effect of perfection or nonperfection and  
17                 the priority of a nonpossessory security interest in  
18                 the collateral.

19          (4) The local law of the jurisdiction in which the  
20          wellhead or minehead is located governs perfection, the  
21          effect of perfection or nonperfection, and the priority of  
22          a security interest in as-extracted collateral.

23          (Source: P.A. 91-893, eff. 7-1-01; 92-234, eff. 1-1-02.)

24                 (810 ILCS 5/9-310) (from Ch. 26, par. 9-310)

25                 Sec. 9-310. When filing required to perfect security

1 interest or agricultural lien; security interests and  
2 agricultural liens to which filing provisions do not apply.

3 (a) General rule: perfection by filing. Except as otherwise  
4 provided in subsection (b) and Section 9-312(b), a financing  
5 statement must be filed to perfect all security interests and  
6 agricultural liens.

7 (b) Exceptions: filing not necessary. The filing of a  
8 financing statement is not necessary to perfect a security  
9 interest:

10 (1) that is perfected under Section 9-308(d), (e), (f),  
11 or (g);

12 (2) that is perfected under Section 9-309 when it  
13 attaches;

14 (3) in property subject to a statute, regulation, or  
15 treaty described in Section 9-311(a);

16 (4) in goods in possession of a bailee which is  
17 perfected under Section 9-312(d) (1) or (2);

18 (5) in certificated securities, documents, goods, or  
19 instruments which is perfected without filing, control, or  
20 possession under Section 9-312(e), (f), or (g);

21 (6) in collateral in the secured party's possession  
22 under Section 9-313;

23 (7) in a certificated security which is perfected by  
24 delivery of the security certificate to the secured party  
25 under Section 9-313;

26 (8) in deposit accounts, electronic chattel paper,

1       electronic documents, investment property,  
2       letter-of-credit rights, or beneficial interests in  
3       Illinois land trusts which is perfected by control under  
4       Section 9-314;

5           (9) in proceeds which is perfected under Section 9-315;  
6       or

7           (10) that is perfected under Section 9-316.

8       (c) Assignment of perfected security interest. If a secured  
9       party assigns a perfected security interest or agricultural  
10       lien, a filing under this Article is not required to continue  
11       the perfected status of the security interest against creditors  
12       of and transferees from the original debtor.

13       (Source: P.A. 91-893, eff. 7-1-01; 92-234, eff. 1-1-02.)

14           (810 ILCS 5/9-312) (from Ch. 26, par. 9-312)

15       Sec. 9-312. Perfection of security interests in chattel  
16       paper, deposit accounts, documents, goods covered by  
17       documents, instruments, investment property, letter-of-credit  
18       rights, and money; perfection by permissive filing; temporary  
19       perfection without filing or transfer of possession.

20       (a) Perfection by filing permitted. A security interest in  
21       chattel paper, negotiable documents, instruments, beneficial  
22       interests in Illinois land trusts, or investment property may  
23       be perfected by filing.

24       (b) Control or possession of certain collateral. Except as  
25       otherwise provided in Section 9-315(c) and (d) for proceeds:



1           (1) a security interest in a deposit account may be  
2 perfected only by control under Section 9-314;

3           (2) and except as otherwise provided in Section  
4 9-308(d), a security interest in a letter-of-credit right  
5 may be perfected only by control under Section 9-314; and

6           (3) a security interest in money may be perfected only  
7 by the secured party's taking possession under Section  
8 9-313.

9           (c) Goods covered by negotiable document. While goods are  
10 in the possession of a bailee that has issued a negotiable  
11 document covering the goods:

12           (1) a security interest in the goods may be perfected  
13 by perfecting a security interest in the document; and

14           (2) a security interest perfected in the document has  
15 priority over any security interest that becomes perfected  
16 in the goods by another method during that time.

17           (d) Goods covered by nonnegotiable document. While goods  
18 are in the possession of a bailee that has issued a  
19 nonnegotiable document covering the goods, a security interest  
20 in the goods may be perfected by:

21           (1) issuance of a document in the name of the secured  
22 party;

23           (2) the bailee's receipt of notification of the secured  
24 party's interest; or

25           (3) filing as to the goods.

26           (e) Temporary perfection: new value. A security interest in

1 certificated securities, negotiable documents, or instruments  
2 is perfected without filing or the taking of possession or  
3 control for a period of 20 days from the time it attaches to  
4 the extent that it arises for new value given under an  
5 authenticated security agreement.

6 (f) Temporary perfection: goods or documents made  
7 available to debtor. A perfected security interest in a  
8 negotiable document or goods in possession of a bailee, other  
9 than one that has issued a negotiable document for the goods,  
10 remains perfected for 20 days without filing if the secured  
11 party makes available to the debtor the goods or documents  
12 representing the goods for the purpose of:

13 (1) ultimate sale or exchange; or

14 (2) loading, unloading, storing, shipping,  
15 transshipping, manufacturing, processing, or otherwise  
16 dealing with them in a manner preliminary to their sale or  
17 exchange.

18 (g) Temporary perfection: delivery of security certificate  
19 or instrument to debtor. A perfected security interest in a  
20 certificated security or instrument remains perfected for 20  
21 days without filing if the secured party delivers the security  
22 certificate or instrument to the debtor for the purpose of:

23 (1) ultimate sale or exchange; or

24 (2) presentation, collection, enforcement, renewal, or  
25 registration of transfer.

26 (h) Expiration of temporary perfection. After the 20-day

1 period specified in subsection (e), (f), or (g) expires,  
2 perfection depends upon compliance with this Article.

3 (Source: P.A. 91-893, eff. 7-1-01; 92-234, eff. 1-1-02.)

4 (810 ILCS 5/9-313) (from Ch. 26, par. 9-313)

5 Sec. 9-313. When possession by or delivery to secured party  
6 perfects security interest without filing.

7 (a) Perfection by possession or delivery. Except as  
8 otherwise provided in subsection (b), a secured party may  
9 perfect a security interest in tangible negotiable documents,  
10 goods, instruments, money, or tangible chattel paper by taking  
11 possession of the collateral. A secured party may perfect a  
12 security interest in certificated securities by taking  
13 delivery of the certificated securities under Section 8-301.

14 (b) Goods covered by certificate of title. With respect to  
15 goods covered by a certificate of title issued by this State, a  
16 secured party may perfect a security interest in the goods by  
17 taking possession of the goods only in the circumstances  
18 described in Section 9-316(d).

19 (c) Collateral in possession of person other than debtor.  
20 With respect to collateral other than certificated securities  
21 and goods covered by a document, a secured party takes  
22 possession of collateral in the possession of a person other  
23 than the debtor, the secured party, or a lessee of the  
24 collateral from the debtor in the ordinary course of the  
25 debtor's business, when:

1           (1) the person in possession authenticates a record  
2           acknowledging that it holds possession of the collateral  
3           for the secured party's benefit; or

4           (2) the person takes possession of the collateral after  
5           having authenticated a record acknowledging that it will  
6           hold possession of collateral for the secured party's  
7           benefit.

8           (d) Time of perfection by possession; continuation of  
9           perfection. If perfection of a security interest depends upon  
10          possession of the collateral by a secured party, perfection  
11          occurs no earlier than the time the secured party takes  
12          possession and continues only while the secured party retains  
13          possession.

14          (e) Time of perfection by delivery; continuation of  
15          perfection. A security interest in a certificated security in  
16          registered form is perfected by delivery when delivery of the  
17          certificated security occurs under Section 8-301 and remains  
18          perfected by delivery until the debtor obtains possession of  
19          the security certificate.

20          (f) Acknowledgment not required. A person in possession of  
21          collateral is not required to acknowledge that it holds  
22          possession for a secured party's benefit.

23          (g) Effectiveness of acknowledgment; no duties or  
24          confirmation. If a person acknowledges that it holds possession  
25          for the secured party's benefit:

26                (1) the acknowledgment is effective under subsection

1 (c) or Section 8-301(a), even if the acknowledgment  
2 violates the rights of a debtor; and

3 (2) unless the person otherwise agrees or law other  
4 than this Article otherwise provides, the person does not  
5 owe any duty to the secured party and is not required to  
6 confirm the acknowledgment to another person.

7 (h) Secured party's delivery to person other than debtor. A  
8 secured party having possession of collateral does not  
9 relinquish possession by delivering the collateral to a person  
10 other than the debtor or a lessee of the collateral from the  
11 debtor in the ordinary course of the debtor's business if the  
12 person was instructed before the delivery or is instructed  
13 contemporaneously with the delivery:

14 (1) to hold possession of the collateral for the  
15 secured party's benefit; or

16 (2) to redeliver the collateral to the secured party.

17 (i) Effect of delivery under subsection (h); no duties or  
18 confirmation. A secured party does not relinquish possession,  
19 even if a delivery under subsection (h) violates the rights of  
20 a debtor. A person to which collateral is delivered under  
21 subsection (h) does not owe any duty to the secured party and  
22 is not required to confirm the delivery to another person  
23 unless the person otherwise agrees or law other than this  
24 Article otherwise provides.

25 (Source: P.A. 91-357, eff. 7-29-99; 91-893, eff. 7-1-01.)

1 (810 ILCS 5/9-314) (from Ch. 26, par. 9-314)

2 Sec. 9-314. Perfection by control.

3 (a) Perfection by control. A security interest in  
4 investment property, deposit accounts, electronic chattel  
5 paper, letter-of-credit rights, electronic documents, or  
6 beneficial interests in Illinois land trusts may be perfected  
7 by control of the collateral under Section 7-106, 9-104, 9-105,  
8 9-106, 9-107, or 9-107.1.

9 (b) Specified collateral: time of perfection by control;  
10 continuation of perfection. A security interest in deposit  
11 accounts, electronic chattel paper, letter-of-credit rights,  
12 electronic documents, or beneficial interests in Illinois land  
13 trusts is perfected by control under Section 7-106, 9-104,  
14 9-105, 9-107, or 9-107.1 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 from the  
20 time the secured party obtains control and remains perfected by  
21 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. 91-893, eff. 7-1-01; 92-234, eff. 1-1-02.)

7 (810 ILCS 5/9-317) (from Ch. 26, par. 9-317)

8 Sec. 9-317. Interests that take priority over or take free  
9 of security interest or agricultural lien.

10 (a) Conflicting security interests and rights of lien  
11 creditors. A security interest or agricultural lien is  
12 subordinate to the rights of:

13 (1) a person entitled to priority under Section 9-322;

14 and

15 (2) except as otherwise provided in subsection (e) or  
16 (f), a person that becomes a lien creditor before the  
17 earlier of the time:

18 (A) the security interest or agricultural lien is  
19 perfected; or

20 (B) one of the conditions specified in Section  
21 9-203(b)(3) is met and a financing statement covering  
22 the collateral is filed.

23 (b) Buyers that receive delivery. Except as otherwise  
24 provided in subsection (e), a buyer, other than a secured  
25 party, of tangible chattel paper, tangible documents, goods,

1 instruments, or a security certificate takes free of a security  
2 interest or agricultural lien if the buyer gives value and  
3 receives delivery of the collateral without knowledge of the  
4 security interest or agricultural lien and before it is  
5 perfected.

6 (c) Lessees that receive delivery. Except as otherwise  
7 provided in subsection (e), a lessee of goods takes free of a  
8 security interest or agricultural lien if the lessee gives  
9 value and receives delivery of the collateral without knowledge  
10 of the security interest or agricultural lien and before it is  
11 perfected.

12 (d) Licensees and buyers of certain collateral. A licensee  
13 of a general intangible or a buyer, other than a secured party,  
14 of accounts, electronic chattel paper, electronic documents,  
15 general intangibles, or investment property other than a  
16 certificated security takes free of a security interest if the  
17 licensee or buyer gives value without knowledge of the security  
18 interest and before it is perfected.

19 (e) Purchase-money security interest. Except as otherwise  
20 provided in Sections 9-320 and 9-321, if a person files a  
21 financing statement with respect to a purchase-money security  
22 interest before or within 20 days after the debtor receives  
23 delivery of the collateral, the security interest takes  
24 priority over the rights of a buyer, lessee, or lien creditor  
25 which arise between the time the security interest attaches and  
26 the time of filing.



1 (f) Public deposits. An unperfected security interest  
2 shall take priority over the rights of a lien creditor if (i)  
3 the lien creditor is a trustee or receiver of a bank or acting  
4 in furtherance of its supervisory authority over such bank and  
5 (ii) a security interest is granted by the bank to secure a  
6 deposit of public funds with the bank or a repurchase agreement  
7 with the bank pursuant to the Government Securities Act of  
8 1986, as amended.

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

10 (810 ILCS 5/9-338)

11 Sec. 9-338. Priority of security interest or agricultural  
12 lien perfected by filed financing statement providing certain  
13 incorrect information. If a security interest or agricultural  
14 lien is perfected by a filed financing statement providing  
15 information described in Section 9-516(b)(5) which is  
16 incorrect at the time the financing statement is filed:

17 (1) the security interest or agricultural lien is  
18 subordinate to a conflicting perfected security interest  
19 in the collateral to the extent that the holder of the  
20 conflicting security interest gives value in reasonable  
21 reliance upon the incorrect information; and

22 (2) a purchaser, other than a secured party, of the  
23 collateral takes free of the security interest or  
24 agricultural lien to the extent that, in reasonable  
25 reliance upon the incorrect information, the purchaser

1 gives value and, in the case of tangible chattel paper,  
2 tangible documents, goods, instruments, or a security  
3 certificate, receives delivery of the collateral.

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

5 (810 ILCS 5/9-601)

6 Sec. 9-601. Rights after default; judicial enforcement;  
7 consignor or buyer of accounts, chattel paper, payment  
8 intangibles, or promissory notes.

9 (a) Rights of secured party after default. After default, a  
10 secured party has the rights provided in this Part and, except  
11 as otherwise provided in Section 9-602, those provided by  
12 agreement of the parties. A secured party:

13 (1) may reduce a claim to judgment, foreclose, or  
14 otherwise enforce the claim, security interest, or  
15 agricultural lien by any available judicial procedure; and

16 (2) if the collateral is documents, may proceed either  
17 as to the documents or as to the goods they cover.

18 (b) Rights and duties of secured party in possession or  
19 control. A secured party in possession of collateral or control  
20 of collateral under Section 7-106, 9-104, 9-105, 9-106, or  
21 9-107 has the rights and duties provided in Section 9-207.

22 (c) Rights cumulative; simultaneous exercise. The rights  
23 under subsections (a) and (b) are cumulative and may be  
24 exercised simultaneously.

25 (d) Rights of debtor and obligor. Except as otherwise

1 provided in subsection (g) and Section 9-605, after default, a  
2 debtor and an obligor have the rights provided in this Part and  
3 by agreement of the parties.

4 (e) Lien of levy after judgment. If a secured party has  
5 reduced its claim to judgment, the lien of any levy that may be  
6 made upon the collateral by virtue of a judgment relates back  
7 to the earliest of:

8 (1) the date of perfection of the security interest or  
9 agricultural lien in the collateral;

10 (2) the date of filing a financing statement covering  
11 the collateral; or

12 (3) any date specified in a statute under which the  
13 agricultural lien was created.

14 (f) Execution sale. A sale pursuant to a judgment is a  
15 foreclosure of the security interest or agricultural lien by  
16 judicial procedure within the meaning of this Section. A  
17 secured party may purchase at the sale and thereafter hold the  
18 collateral free of any other requirements of this Article.

19 (g) Consignor or buyer of certain rights to payment. Except  
20 as otherwise provided in Section 9-607(c), this Part imposes no  
21 duties upon a secured party that is a consignor or is a buyer  
22 of accounts, chattel paper, payment intangibles, or promissory  
23 notes.

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

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