

INTRODUCTION TO THE 2024 EDITION

This 2024 Edition of *Uniform Commercial Code With Illinois Code Comments* (Illinois Practice Series, Volumes 2A and 2B) replaces the 2023 Edition of this treatise and includes developments that have recently impacted this area of law in Illinois.

Amendments to the Illinois Code

Since the enactment in Illinois in 1961 of the 1958 Official Text of the U.C.C., effective July 1, 1962, the Official Text of the U.C.C. has undergone successive republications.

The 1962 Official Text uniformly amended several sections throughout the U.C.C. and added three new sections and some optional provisions.

The 1972 Official Text, which became effective in Illinois on July 1, 1973, substantially revised Article 9 and related provisions in Articles 1, 2 and 5. The Article 9 revisions were the work product of a special review committee appointed by the Permanent Editorial Board in 1966 whose work spanned the period from 1966 to 1972. The 1972 Official Text also incorporated the few uniform amendments to the U.C.C. approved by the Permanent Editorial Board in 1966, including an optional section 1-209 on subordinated obligations.

The 1978 Official Text, which became effective in Illinois on January 14, 1988, extensively revised virtually every section of Article 8. The 1978 revision was primarily the work product of the Committee on Stock Certificates of the Section of Corporation, Banking and Business Law of the American Bar Association. In 1975, that ABA committee published its recommendations for amendments of the Model Business Corporation Act and for extensive revision of Article 8 of the U.C.C. to accommodate the concept of an uncertificated security as a possible solution to problems created by transfers of stock certificates in times of record high volume trading. These recommendations were reviewed by a committee of the Permanent Editorial Board known as the 348 Committee and, with revisions agreeable to both committees, were submitted to the Permanent Editorial Board. In the course of its examination of the proposed revisions, the Board made further revisions and submitted a revised Article 8 to the two drafting organizations in 1977, together with related amendments to Article 9 and minor amendments to Articles 1 and 5, which were then approved.

The 1987 revision of the U.C.C. entailed the addition of an entirely new article, Article 2A—Leases, resulting in the 1987 Official Text. The 1989 Official Text involved the addition of another new article, Article 4A—Funds Transfers, as well as a revised Article 6 with a repealer option. The 1990 Official Text included a complete revision of Article 3, retitling it “Negotiable Instruments” from “Commercial Paper,” numerous related amendments to Article 4 and certain related amendments to Article 1, and several amendments to Article 2A. The 1987 and 1990 amendments became effective in Illinois on January 1, 1992. Article 4A became effective in Illinois on January 1, 1991, and the repeal of Article 6 took effect on January 1, 1992.

The 1994 Official Text included a 1994 revision to Article 8—Investment Securities and technical amendments to certain sections of Article 1, 2, 5 and 9 so as to incorporate new or revised cross-references necessitated in the process of updating the Uniform Commercial Code. The Illinois General Assembly adopted the 1994 Official Text, effective January 1, 1996.

The 1995 Official Text introduced the first revision of Article 5—Letters of Credit and included a modest number of conforming amendments to Articles 1, 2 and 9. The

Illinois General Assembly adopted the 1995 Official Text, effective January 1, 1997, save for certain technical amendments and some non-uniform variations, which are noted in the text below.

The 1999 Official Text contained a major overhaul of Article 9—Secured Transactions. It included conforming amendments to Articles 1, 2, 2A, 4, 5, 6, 7, and 8. It became effective on July 1, 2001.

The 2001 Official Text contained the first complete revision of Article 1—General Provisions. It included conforming amendments to Articles 2, 2A, 3, 4, 4A, 5, 8, and 9. It became effective on January 1, 2009.

The 2003 Official Text also contained the first significant revision of Article 7—Documents of Title. It included conforming amendments to Articles 1, 2, 2A, 4, 5, 8 and 9. It also became effective on January 1, 2009.

The Official Text of the Uniform Commercial Code was modified in 2010 with amendments to Article 9 that have an effective date on July 1, 2013. These amendments were adopted by the Illinois General Assembly in Public Act 97-1034 and became effective as of July 1, 2013.

Although not yet introduced into the Illinois legislature to amend the Illinois Uniform Commercial Code, the Uniform Law Commission issued amendments in 2022 to the Uniform Commercial Code to “address emerging technologies, providing updated rules for commercial transactions involving virtual currencies, distributed ledger technologies (including blockchain), artificial intelligence, and other technological developments.” These amendments impact many articles of the U.C.C. and create a new Article 12 entitled, “Controllable Electronic Records.” See <https://www.uniformlaws.org/committees/community-home?CommunityKey=1457c422-ddb7-40b0-8c76-39a1991651ac>. The text of new Article 12 can be accessed at: <https://www.uniformlaws.org/committees/community-home/librarydocuments/viewdocument?DocumentKey=1f2381d0-d879-4137-93f5-36d7341b36d8>. As of this writing in late 2023, these amendments have been enacted in 11 states.

Impact of Federal Law

Since 1970 federal legislation or administrative regulation has had an increasing impact upon the area of law regulated by the U.C.C. and in some cases has directly affected, or will indirectly affect, U.C.C. provisions. Such legislation and regulation include—under the umbrella of the Consumer Credit Protection Act—Truth in Lending, Fair Credit Billing, and Electronic Funds Transfers; they also include the Magnuson—Moss Warranty—Federal Trade Commission Improvement Act, the Federal Trade Commission’s Holder in Due Course Rule, and the Bankruptcy Reform Act.

Citation of Illinois Uniform Commercial Code

The Illinois Uniform Commercial Code initially appeared as Chapter 26 of the Illinois Revised Statutes. West Publishing Company published the Illinois U.C.C. as part of the SMITH—HURD ILLINOIS ANNOTATED STATUTES. The Illinois U.C.C. was then cited as 26 Ill. Rev. Stat. § 1-101, et seq., or, in the West annotated version, as Ill. S.H.A. ch. 26, § 1-101, et seq.

PUBLIC ACT NO. 87-1005 replaced the Illinois Revised Statutes with a completely recodified “Illinois Compiled Statutes.” This recodification became effective September 3, 1992. The Illinois U.C.C. was placed in Chapter 810, Part 5 of the Illinois Compiled Statutes. The Illinois U.C.C. is now cited as 810 ILCS 5/1-101 et seq. All citations to the current version of the Illinois U.C.C. which appear in this ILLINOIS UNIFORM COMMERCIAL CODE are to 810 ILCS 5/____.

Illinois Code Comments

West Publishing Company first published the Illinois Code Comments in 1963 as part of the SMITH–HURD ILLINOIS ANNOTATED STATUTES. In 1974 West published a new edition of the Illinois Code Comments to Articles 7, 8 and 9 in conjunction with the adoption of the 1972 Text of Article 9 in Illinois. The Illinois Code Comments were updated yearly by a Cumulative Annual Pocket Part. West discontinued the annual revision of the Illinois Code Comments after the publication of the May, 1988 Pocket Part. The SMITH–HURD ILLINOIS ANNOTATED STATUTES were themselves superseded in 1992 by the recodified Illinois Compiled Statutes.

The Illinois Code Comments contained in this ILLINOIS UNIFORM COMMERCIAL CODE represent a continuation of the Illinois Code Comments as they appeared in the SMITH–HURD ILLINOIS ANNOTATED STATUTES, updated to reflect revisions in the Illinois U.C.C. and subsequent case law. In addition, the text of the Illinois Code Comments has been reorganized by topic headings rather than by subsections of the U.C.C. Nevertheless, the topic headings tend to follow the same order as subsections of the U.C.C. section which is the subject of the Comment. The Illinois Code Comments continue to contain citations to pre-Code cases when such cases are consistent with the U.C.C. and constitute useful precedent.

In July 2022, the Uniform Law Commission created a new article 12 entitled: Uniform Commercial Code—Controllable Electronic Records. See, <https://www.uniformlaws.org/committees/community-home?CommunityKey=1457c422-ddb7-40b0-8c76-39a1991651ac>. Article 12 addresses and defines “controllable electronic records” and also identifies that which is not a controllable electronic record. As of late 2023, this Article has not been enacted by Illinois. For the text of new Article 12, see, <https://www.uniformlaws.org/committees/community-home/librarydocuments/viewdocument?DocumentKey=1f2381d0-d879-4137-93f5-36d7341b36d8>.