

**SUBSTITUTE FOR
SENATE BILL NO. 299**

A bill to amend 1962 PA 174, entitled
"Uniform commercial code,"
by amending sections 1105, 1206, 4104, 5114, 8101, 8102, 8103,
8104, 8105, 8106, 8107, 8108, 8201, 8202, 8203, 8204, 8205, 8206,
8207, 8208, 8301, 8302, 8303, 8304, 8305, 8306, 8307, 8401, 8402,
8403, 8404, 8405, 8406, 8407, 9103, 9105, 9106, 9203, 9301, 9302,
9303, 9304, 9305, 9306, 9309, 9312, and 9994 (MCL 440.1105,
440.1206, 440.4104, 440.5114, 440.8101, 440.8102, 440.8103,
440.8104, 440.8105, 440.8106, 440.8107, 440.8108, 440.8201,
440.8202, 440.8203, 440.8204, 440.8205, 440.8206, 440.8207,
440.8208, 440.8301, 440.8302, 440.8303, 440.8304, 440.8305,
440.8306, 440.8307, 440.8401, 440.8402, 440.8403, 440.8404,
440.8405, 440.8406, 440.8407, 440.9103, 440.9105, 440.9106,
440.9203, 440.9301, 440.9302, 440.9303, 440.9304, 440.9305,
440.9306, 440.9309, 440.9312, and 440.9994), section 1105 as

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amended by 1992 PA 101, section 4104 as amended by 1993 PA 130, sections 5114, 8102, 8103, 8104, 8105, 8106, 8107, 8201, 8202, 8203, 8204, 8205, 8206, 8207, 8208, 8301, 8302, 8304, 8305, 8306, 8307, 8401, 8402, 8403, 8404, 8405, 8406, 9103, 9203, 9304, 9305, 9309, and 9312 as amended and sections 8108 and 8407 as added by 1987 PA 16, section 9105 as amended by 1988 PA 130, section 9301 as amended by 1984 PA 170, and section 9302 as amended by 1996 PA 72, and by adding sections 8109, 8110, 8111, 8112, 8113, 8114, 8115, 8116, 8210, 8501, 8502, 8503, 8504, 8505, 8506, 8507, 8508, 8509, 8510, 8511, 8601, 9115, and 9116; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1105. (1) Except as provided hereafter in this sec-
2 tion, when a transaction bears a reasonable relation to this
3 state and also to another state or nation the parties may agree
4 that the law either of this state or of such other state or
5 nation shall govern their rights and duties. Failing such agree-
6 ment this act applies to transactions bearing an appropriate
7 relation to this state.

8 (2) Where 1 of the following provisions of this act speci-
9 fies the applicable law, that provision governs and a contrary
10 agreement is effective only to the extent permitted by the law
11 (including the conflict of laws rules) so specified:
12 Rights of creditors against sold goods. Section 2402.
13 Applicability of the article on bank deposits and
14 collections. Section 4102.

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1 Governing law in the article on funds transfers. Section 4A502.

2 Bulk transfers subject to the article on bulk

3 transfers. Section 6102.

4 Applicability of the article on investment

5 securities. Section ~~8106~~ 8110.

6 Applicability of the article on leases. Sections 2A105 and 2A106.

7 Perfection provisions of the article on secured

8 transactions. Section 9103.

9 Sec. 1206. (1) Except in the cases described in subsection

10 (2) of this section, a contract for the sale of personal property

11 is not enforceable by way of action or defense beyond \$5,000.00

12 in amount or value of remedy unless there is some writing which

13 indicates that a contract for sale has been made between the par-

14 ties at a defined or stated price, reasonably identifies the

15 subject matter, and is signed by the party against whom enforce-

16 ment is sought or by his OR HER authorized agent.

17 (2) Subsection (1) of this section does not apply to con-

18 tracts for the sale of goods (section 2201) nor of securities

19 (section ~~8319~~ 8113) nor to security agreements (section 9203).

20 Sec. 4104. (1) As used in this article unless the context

21 otherwise requires:

22 (a) "Account" means any depositor credit account with a

23 bank, including a demand, time, savings, passbook, share draft,

24 or like account, other than an account evidenced by a certificate

25 of deposit.

26 (b) "Afternoon" means the period of a day between noon and

27 midnight.

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1 (c) "Banking day" means the part of a day on which a bank is
2 open to the public for carrying on substantially all of its bank-
3 ing functions.

4 (d) "Clearing-house" means an association of banks or other
5 payors regularly clearing items.

6 (e) "Customer" means any person having an account with a
7 bank or for whom a bank has agreed to collect items, including a
8 bank that maintains an account at another bank.

9 (f) "Documentary draft" means a draft to be presented for
10 acceptance or payment if specified documents, certificated secur-
11 ities, (section 8102) or instructions for uncertificated securi-
12 ties (~~section 8308~~ 8102), or other certificates, statements, or
13 the like are to be received by the drawee or other payor before
14 acceptance or payment of the draft.

15 (g) "Draft" means a draft as defined in section 3104 or an
16 item, other than an instrument, that is an order.

17 (h) "Drawee" means a person ordered in a draft to make
18 payment.

19 (i) "Item" means an instrument or a promise or order to pay
20 money handled by a bank for collection or pay. The term does not
21 include a payment order governed by article 2a or a credit or
22 debit card slip.

23 (j) "Midnight deadline" with respect to a bank is midnight
24 on its next banking day following the banking day on which it
25 receives the relevant item or notice or from which the time for
26 taking action commences to run, whichever is later.

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1 (k) "Settle" means to pay in cash, by clearing-house
2 settlement, in a charge or credit or by remittance, or otherwise
3 as agreed. A settlement may be either provisional or final.

4 (l) "Suspends payments" with respect to a bank means that it
5 has been closed by order of the supervisory authorities, that a
6 public officer has been appointed to take it over or that it
7 ceases or refuses to make payments in the ordinary course of
8 business.

9 (2) Other definitions applying to this article and the sec-
10 tions in which they appear are:

11 "Agreement for electronic presentment".	Section 4110.
12 "Bank".	Section 4105.
13 "Collecting bank".	Section 4105.
14 "Depository bank".	Section 4105.
15 "Intermediary bank".	Section 4105.
16 "Payor bank".	Section 4105.
17 "Presenting bank".	Section 4105.
18 "Presentment notice".	Section 4110.

19 (3) The following definitions in other articles apply to
20 this article:

21 "Acceptance".	Section 3409.
22 "Alteration".	Section 3409.
23 "Certificate of deposit".	Section 3104.
24 "Cashier's check".	Section 3104.
25 "Certified check".	Section 3409.
26 "Check".	Section 3104.

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1	"Draft".	Section 3104.
2	"Good faith".	Section 3103.
3	"Holder in due course".	Section 3302.
4	"Instrument".	Section 3104.
5	"Notice of dishonor".	Section 3503.
6	"Order".	Section 3103.
7	"Ordinary care".	Section 3103.
8	"Person entitled to enforce".	Section 3301.
9	"Presentment".	Section 3501.
10	"Promise".	Section 3103.
11	"Prove".	Section 3103.
12	"Teller's check".	Section 3104.
13	"Unauthorized signature".	Section 3403.

14 (4) In addition article 1 contains general definitions and
15 principles of construction and interpretation applicable through-
16 out this article.

17 Sec. 5114. (1) An issuer must honor a draft or demand for
18 payment which complies with the terms of the relevant credit
19 regardless of whether the goods or documents conform to the
20 underlying contract for sale or other contract between the cus-
21 tomer and the beneficiary. The issuer is not excused from honor
22 of such a draft or demand by reason of an additional general term
23 that all documents must be satisfactory to the issuer, but an
24 issuer may require that specified documents must be satisfactory
25 to it.

26 (2) Unless otherwise agreed when documents appear on their
27 face to comply with the terms of a credit, but a required

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1 document does not in fact conform to the warranties made on
2 negotiation or transfer of a document of title (section 7507) or
3 of a certificated security (section ~~8306~~ 8108) or is forged or
4 fraudulent or there is fraud in the transaction:

5 (a) the issuer must honor the draft on demand for payment if
6 honor is demanded by a negotiating bank or other holder of the
7 draft or demand which has taken the draft or demand under the
8 credit and under circumstances which would make it a holder in
9 due course (section 3302) and in an appropriate case would make
10 it a person to whom a document of title has been duly negotiated
11 (section 7502) or a bona fide purchaser of a certificated secur-
12 ity (section 8302); and

13 (b) in all other cases as against its customer, an issuer
14 acting in good faith may honor the draft or demand for payment
15 despite notification from the customer of fraud, forgery or other
16 defect not apparent on the face of the documents but a court of
17 appropriate jurisdiction may enjoin such honor.

18 (3) Unless otherwise agreed an issuer which has duly honored
19 a draft or demand for payment is entitled to immediate reimburse-
20 ment of any payment made under the credit and to be put in effec-
21 tively available funds not later than the day before maturity of
22 any acceptance made under the credit.

23 (4) When a credit provides for payment by the issuer on
24 receipt of notice that the required documents are in the posses-
25 sion of a correspondent or other agent of the issuer

26 (a) any payment made on receipt of the notice is
27 conditional; and

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1 (b) the issuer may reject documents which do not comply with
2 the credit if it does so within 3 banking days following its
3 receipt of the documents; and

4 (c) in the event of such rejection, the issuer is entitled
5 by charge back or otherwise to return of the payment made.

6 (5) In the case covered by subsection (4) failure to reject
7 documents within the time specified in subdivision (b) consti-
8 tutes acceptance of the documents and makes the payment final in
9 favor of the beneficiary.

10 Sec. 8101. This article ~~shall be known and~~ may be cited
11 as ~~"~~ uniform commercial code--investment securities. ~~"~~.

12 Sec. 8102. ~~(1) In this article unless the context other-~~
13 ~~wise requires:~~

14 ~~(a) a "certificated security" is a share, participation, or~~
15 ~~other interest in property of or an enterprise of the issuer or~~
16 ~~an obligation of the issuer which is:~~

17 ~~(i) represented by an instrument issued in bearer or regis-~~
18 ~~tered form;~~

19 ~~(ii) of a type commonly dealt in on securities exchanges or~~
20 ~~markets or commonly recognized in any area in which it is issued~~
21 ~~or dealt in as a medium for investment; and~~

22 ~~(iii) either one of a class or series or by its terms divis-~~
23 ~~ible into a class or series of shares, participations, interests,~~
24 ~~or obligations.~~

25 ~~(b) an "uncertificated security" is a share, participation,~~
26 ~~or other interest in property or an enterprise of the issuer or~~
27 ~~an obligation of the issuer which is:~~

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1 ~~(i) not represented by an instrument and the transfer of~~
2 ~~which is registered upon books maintained for that purpose by or~~
3 ~~on behalf of the issuer;~~

4 ~~(ii) of a type commonly dealt in on securities exchanges or~~
5 ~~markets; and~~

6 ~~(iii) either one of a class or series or by its terms divis-~~
7 ~~ible into a class or series of shares, participations, interests,~~
8 ~~or obligations.~~

9 ~~(c) a "security" is either a certificated or an uncertifi-~~
10 ~~cated security. If a security is certificated, the terms~~
11 ~~"security" and "certificated security" may mean either the intan-~~
12 ~~gible interest, the instrument representing that interest, or~~
13 ~~both, as the context requires. A writing that is a certificated~~
14 ~~security is governed by this article and not by article 3, even~~
15 ~~though it also meets the requirements of that article. This~~
16 ~~article does not apply to money. If a certificated security has~~
17 ~~been retained by or surrendered to the issuer or its transfer~~
18 ~~agent for reasons other than registration of transfer, other tem-~~
19 ~~porary purpose, payment, exchange, or acquisition by the issuer,~~
20 ~~that security shall be treated as an uncertificated security for~~
21 ~~purposes of this article.~~

22 ~~(d) a certificated security is in "registered form" if it~~
23 ~~specifies a person entitled to the security or the rights it rep-~~
24 ~~resents and if its transfer may be registered upon books main-~~
25 ~~tained for that purpose by or on behalf of the issuer, or the~~
26 ~~security so states.~~

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1 ~~(e) a certificated security is in "bearer form" if it runs~~
2 ~~to bearer according to its terms and not by reason of any~~
3 ~~indorsement.~~

4 ~~(2) A "subsequent purchaser" is a person who takes other~~
5 ~~than by original issue.~~

6 ~~(3) A "clearing corporation" is a corporation registered as~~
7 ~~a clearing agency under the federal securities laws or a~~
8 ~~corporation:~~

9 ~~(a) at least 90% of whose capital stock is held by or for 1~~
10 ~~or more persons, other than individuals, none of which, other~~
11 ~~than a national securities exchange or association, holds in~~
12 ~~excess of 20% of the capital stock of the corporation, and each~~
13 ~~of which is:~~

14 ~~(i) subject to supervision or regulation pursuant to federal~~
15 ~~or state banking laws or state insurance laws,~~

16 ~~(ii) a broker or dealer or investment company registered~~
17 ~~under the federal securities laws, or~~

18 ~~(iii) a national securities exchange or association regis-~~
19 ~~tered under the federal securities laws; and~~

20 ~~(b) any remaining capital stock of which is held by individ-~~
21 ~~uals who have purchased the capital stock at or prior to the time~~
22 ~~of their taking office as directors of the corporation and who~~
23 ~~have purchased only so much of the capital stock as is necessary~~
24 ~~to permit them to qualify as directors.~~

25 ~~(4) A "custodian bank" is a bank or trust company that is~~
26 ~~supervised and examined by state or federal authority having~~

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1 ~~supervision over banks and is acting as custodian for a clearing~~
2 ~~corporation.~~

3 ~~(5) Other definitions applying to this article or to speci-~~
4 ~~fied parts thereof and the sections in which they appear are:~~

5 ~~"Adverse claim". Section 8302.~~

6 ~~"Bona fide purchaser". Section 8302.~~

7 ~~"Broker". Section 8303.~~

8 ~~"Debtor". Section 9105.~~

9 ~~"Financial intermediary". Section 8313.~~

10 ~~"Guarantee of the signature". Section 8402.~~

11 ~~"Initial transaction statement". Section 8408.~~

12 ~~"Instruction". Section 8308.~~

13 ~~"Intermediary bank". Section 4105.~~

14 ~~"Issuer". Section 8201.~~

15 ~~"Overissue". Section 8104.~~

16 ~~"Secured party". Section 9105.~~

17 ~~"Security agreement". Section 9105.~~

18 ~~(6) In addition article 1 contains general definitions and~~
19 ~~principles of construction and interpretation applicable through-~~
20 ~~out this article.~~

21 (1) AS USED IN THIS ARTICLE:

22 (A) "ADVERSE CLAIM" MEANS A CLAIM THAT A CLAIMANT HAS A
23 PROPERTY INTEREST IN A FINANCIAL ASSET AND THAT IT IS A VIOLATION
24 OF THE RIGHTS OF THE CLAIMANT FOR ANOTHER PERSON TO HOLD, TRANS-
25 FER, OR DEAL WITH THE FINANCIAL ASSET.

26 (B) "BEARER FORM", AS APPLIED TO A CERTIFICATED SECURITY,
27 MEANS A FORM IN WHICH THE SECURITY IS PAYABLE TO THE BEARER OF

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1 THE SECURITY CERTIFICATE ACCORDING TO ITS TERMS BUT NOT BY REASON
2 OF AN INDORSEMENT.

3 (C) "BROKER" MEANS A PERSON DEFINED AS A BROKER OR DEALER
4 UNDER THE FEDERAL SECURITIES LAWS, BUT WITHOUT EXCLUDING A BANK
5 ACTING IN THAT CAPACITY.

6 (D) "CERTIFICATED SECURITY" MEANS A SECURITY THAT IS REPRE-
7 SENTED BY A CERTIFICATE.

8 (E) "CLEARING CORPORATION" MEANS 1 OR MORE OF THE
9 FOLLOWING:

10 (i) A PERSON THAT IS REGISTERED AS A CLEARING AGENCY UNDER
11 THE FEDERAL SECURITIES LAWS.

12 (ii) A FEDERAL RESERVE BANK.

13 (iii) ANY OTHER PERSON THAT PROVIDES CLEARANCE OR SETTLEMENT
14 SERVICES WITH RESPECT TO FINANCIAL ASSETS THAT WOULD REQUIRE IT
15 TO REGISTER AS A CLEARING AGENCY UNDER THE FEDERAL SECURITIES
16 LAWS BUT FOR AN EXCLUSION OR EXEMPTION FROM THE REGISTRATION
17 REQUIREMENT, IF ITS ACTIVITIES AS A CLEARING CORPORATION, INCLUD-
18 ING PROMULGATION OF RULES, ARE SUBJECT TO REGULATION BY A FEDERAL
19 OR STATE GOVERNMENTAL AUTHORITY.

20 (F) "COMMUNICATE" MEANS EITHER OF THE FOLLOWING:

21 (i) SEND A SIGNED WRITING.

22 (ii) TRANSMIT INFORMATION BY ANY MECHANISM AGREED UPON BY
23 THE PERSONS TRANSMITTING AND RECEIVING THE INFORMATION.

24 (G) "ENTITLEMENT HOLDER" MEANS A PERSON IDENTIFIED IN THE
25 RECORDS OF A SECURITIES INTERMEDIARY AS THE PERSON HAVING A
26 SECURITY ENTITLEMENT AGAINST THE SECURITIES INTERMEDIARY. IF A

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1 PERSON ACQUIRES A SECURITY ENTITLEMENT UNDER SECTION 8501(2)(B)
2 OR (C), THAT PERSON IS THE ENTITLEMENT HOLDER.

3 (H) "ENTITLEMENT ORDER" MEANS A NOTIFICATION COMMUNICATED TO
4 A SECURITIES INTERMEDIARY DIRECTING TRANSFER OR REDEMPTION OF A
5 FINANCIAL ASSET TO WHICH THE ENTITLEMENT HOLDER HAS A SECURITY
6 ENTITLEMENT.

7 (I) "FINANCIAL ASSET", EXCEPT AS OTHERWISE PROVIDED IN SEC-
8 TION 8103, MEANS 1 OR MORE OF THE FOLLOWING:

9 (i) A SECURITY.

10 (ii) AN OBLIGATION OF A PERSON OR A SHARE, PARTICIPATION, OR
11 OTHER INTEREST IN A PERSON OR IN PROPERTY OR AN ENTERPRISE OF A
12 PERSON, WHICH IS, OR IS OF A TYPE, DEALT IN OR TRADED ON FINAN-
13 CIAL MARKETS, OR WHICH IS RECOGNIZED IN ANY AREA IN WHICH IT IS
14 ISSUED OR DEALT IN AS A MEDIUM FOR INVESTMENT.

15 (iii) ANY PROPERTY THAT IS HELD BY A SECURITIES INTERMEDIARY
16 FOR ANOTHER PERSON IN A SECURITIES ACCOUNT IF THE SECURITIES
17 INTERMEDIARY HAS EXPRESSLY AGREED WITH THE OTHER PERSON THAT THE
18 PROPERTY IS TO BE TREATED AS A FINANCIAL ASSET UNDER THIS
19 ARTICLE. AS CONTEXT REQUIRES, THE TERM MEANS EITHER THE INTEREST
20 ITSELF OR THE MEANS BY WHICH A PERSON'S CLAIM TO IT IS EVIDENCED,
21 INCLUDING A CERTIFICATED OR UNCERTIFICATED SECURITY, A SECURITY
22 CERTIFICATE, OR A SECURITY ENTITLEMENT.

23 (J) "GOOD FAITH", FOR PURPOSES OF THE OBLIGATION OF GOOD
24 FAITH IN THE PERFORMANCE OR ENFORCEMENT OF CONTRACTS OR DUTIES
25 WITHIN THIS ARTICLE, MEANS HONESTY IN FACT AND THE OBSERVANCE OF
26 REASONABLE COMMERCIAL STANDARDS OF FAIR DEALING.

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1 (K) "INDORSEMENT" MEANS A SIGNATURE THAT ALONE OR
2 ACCOMPANIED BY OTHER WORDS IS MADE ON A SECURITY CERTIFICATE IN
3 REGISTERED FORM OR ON A SEPARATE DOCUMENT FOR THE PURPOSE OF
4 ASSIGNING, TRANSFERRING, OR REDEEMING THE SECURITY OR GRANTING A
5 POWER TO ASSIGN, TRANSFER, OR REDEEM THE SECURITY.

6 (l) "INSTRUCTION" MEANS A NOTIFICATION COMMUNICATED TO THE
7 ISSUER OF AN UNCERTIFICATED SECURITY WHICH DIRECTS THAT THE
8 TRANSFER OF THE SECURITY BE REGISTERED OR THAT THE SECURITY BE
9 REDEEMED.

10 (M) "REGISTERED FORM", AS APPLIED TO A CERTIFICATED SECURI-
11 TY, MEANS A FORM CONTAINING BOTH OF THE FOLLOWING:

12 (i) THE SECURITY CERTIFICATE SPECIFIES A PERSON ENTITLED TO
13 THE SECURITY.

14 (ii) A TRANSFER OF THE SECURITY MAY BE REGISTERED UPON BOOKS
15 MAINTAINED FOR THAT PURPOSE BY OR ON BEHALF OF THE ISSUER, OR THE
16 SECURITY CERTIFICATE SO STATES.

17 (N) "SECURITIES INTERMEDIARY" MEANS EITHER OF THE
18 FOLLOWING:

19 (i) A CLEARING CORPORATION.

20 (ii) A PERSON, INCLUDING A BANK OR BROKER, THAT IN THE ORDI-
21 NARY COURSE OF ITS BUSINESS MAINTAINS SECURITIES ACCOUNTS FOR
22 OTHERS AND IS ACTING IN THAT CAPACITY.

23 (O) "SECURITY", EXCEPT AS OTHERWISE PROVIDED IN SECTION
24 8103, MEANS AN OBLIGATION OF AN ISSUER OR A SHARE, PARTICIPATION,
25 OR OTHER INTEREST IN AN ISSUER OR IN PROPERTY OR AN ENTERPRISE OF
26 AN ISSUER AND IS ALL OF THE FOLLOWING:

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1 (i) REPRESENTED BY A SECURITY CERTIFICATE IN BEARER OR
2 REGISTERED FORM, OR THE TRANSFER OF WHICH MAY BE REGISTERED UPON
3 BOOKS MAINTAINED FOR THAT PURPOSE BY OR ON BEHALF OF THE ISSUER.

4 (ii) ONE OF A CLASS OR SERIES OR BY ITS TERMS IS DIVISIBLE
5 INTO A CLASS OR SERIES OF SHARES, PARTICIPATIONS, INTERESTS, OR
6 OBLIGATIONS.

7 (iii) EITHER OF THE FOLLOWING:

8 (A) IS, OR IS OF A TYPE, DEALT IN OR TRADED ON SECURITIES
9 EXCHANGES OR SECURITIES MARKETS.

10 (B) IS A MEDIUM FOR INVESTMENT AND BY ITS TERMS EXPRESSLY
11 PROVIDES THAT IT IS A SECURITY GOVERNED BY THIS ARTICLE.

12 (P) "SECURITY CERTIFICATE" MEANS A CERTIFICATE REPRESENTING
13 A SECURITY.

14 (Q) "SECURITY ENTITLEMENT" MEANS THE RIGHTS AND PROPERTY
15 INTEREST OF AN ENTITLEMENT HOLDER WITH RESPECT TO A FINANCIAL
16 ASSET SPECIFIED IN PART 5.

17 (R) "UNCERTIFICATED SECURITY" MEANS A SECURITY THAT IS NOT
18 REPRESENTED BY A CERTIFICATE.

19 (2) OTHER DEFINITIONS APPLYING TO THIS ARTICLE AND THE SEC-
20 TIONS IN WHICH THEY APPEAR ARE:

21	APPROPRIATE PERSON	SECTION 8107
22	CONTROL	SECTION 8106
23	DELIVERY	SECTION 8301
24	INVESTMENT COMPANY SECURITY	SECTION 8103
25	ISSUER	SECTION 8201
26	OVERISSUE	SECTION 8210

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1 PROTECTED PURCHASER SECTION 8303

2 SECURITIES ACCOUNT SECTION 8501

3 (3) IN ADDITION, ARTICLE 1 CONTAINS GENERAL DEFINITIONS AND
4 PRINCIPLES OF CONSTRUCTION AND INTERPRETATION APPLICABLE THROUGH-
5 OUT THIS ARTICLE.

6 (4) THE CHARACTERIZATION OF A PERSON, BUSINESS, OR TRANSAC-
7 TION FOR PURPOSES OF THIS ARTICLE DOES NOT DETERMINE THE CHARAC-
8 TERIZATION OF THE PERSON, BUSINESS, OR TRANSACTION FOR PURPOSES
9 OF ANY OTHER LAW, REGULATION, OR RULE.

10 Sec. 8103. ~~A lien upon a security in favor of an issuer of~~
11 ~~the security is valid against a purchaser only if:~~

12 ~~(a) the security is certificated and the right of the issuer~~
13 ~~to the lien is noted conspicuously on the security; or~~

14 ~~(b) the security is uncertificated and a notation of the~~
15 ~~right of the issuer to the lien is contained in the initial~~
16 ~~transaction statement sent to the purchaser or, if his or her~~
17 ~~interest is transferred to him or her other than by registration~~
18 ~~of transfer, pledge, or release, the initial transaction state-~~
19 ~~ment sent to the registered owner or the registered pledgee.~~

20 (1) A SHARE OR SIMILAR EQUITY INTEREST ISSUED BY A CORPORA-
21 TION, BUSINESS TRUST, JOINT STOCK COMPANY, OR SIMILAR ENTITY IS A
22 SECURITY.

23 (2) AN INVESTMENT COMPANY SECURITY IS A SECURITY.

24 "INVESTMENT COMPANY SECURITY" MEANS A SHARE OR SIMILAR EQUITY
25 INTEREST ISSUED BY AN ENTITY THAT IS REGISTERED AS AN INVESTMENT
26 COMPANY UNDER THE FEDERAL INVESTMENT COMPANY LAWS, AN INTEREST IN
27 A UNIT INVESTMENT TRUST THAT IS SO REGISTERED, OR A FACE-AMOUNT

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1 CERTIFICATE ISSUED BY A FACE-AMOUNT CERTIFICATE COMPANY THAT IS
2 SO REGISTERED. INVESTMENT COMPANY SECURITY DOES NOT INCLUDE AN
3 INSURANCE POLICY OR ENDOWMENT POLICY OR ANNUITY CONTRACT ISSUED
4 BY AN INSURANCE COMPANY.

5 (3) AN INTEREST IN A PARTNERSHIP OR LIMITED LIABILITY COM-
6 PANY IS NOT A SECURITY UNLESS IT IS DEALT IN OR TRADED ON SECURI-
7 TIES EXCHANGES OR IN SECURITIES MARKETS, ITS TERMS EXPRESSLY PRO-
8 VIDE THAT IT IS A SECURITY GOVERNED BY THIS ARTICLE, OR IT IS AN
9 INVESTMENT COMPANY SECURITY. HOWEVER, AN INTEREST IN A PARTNER-
10 SHIP OR LIMITED LIABILITY COMPANY IS A FINANCIAL ASSET IF IT IS
11 HELD IN A SECURITIES ACCOUNT.

12 (4) A WRITING THAT IS A SECURITY CERTIFICATE IS GOVERNED BY
13 THIS ARTICLE AND NOT BY ARTICLE 3, EVEN THOUGH IT ALSO MEETS THE
14 REQUIREMENTS OF THAT ARTICLE. HOWEVER, A NEGOTIABLE INSTRUMENT
15 GOVERNED BY ARTICLE 3 IS A FINANCIAL ASSET IF IT IS HELD IN A
16 SECURITIES ACCOUNT.

17 (5) AN OPTION OR SIMILAR OBLIGATION ISSUED BY A CLEARING
18 CORPORATION TO ITS PARTICIPANTS IS NOT A SECURITY, BUT IS A
19 FINANCIAL ASSET.

20 (6) A COMMODITY CONTRACT IS NOT A SECURITY OR A FINANCIAL
21 ASSET.

22 Sec. 8104. ~~(1) The provisions of this article which vali-~~
23 ~~date a security or compel its issue or reissue do not apply to~~
24 ~~the extent that validation, issue, or reissue would result in~~
25 ~~overissue; but if:~~

26 ~~(a) an identical security which does not constitute an~~
27 ~~overissue is reasonably available for purchase, the person~~

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~~1 entitled to issue or validation may compel the issuer to purchase
2 the security for him or her and either deliver a certificated
3 security or register the transfer of an uncertificated security
4 to him or her, against surrender of any certificated security he
5 or she holds; or~~

~~6 (b) a security is not so available for purchase, the person
7 entitled to issue or validation may recover from the issuer the
8 price he or she or the last purchaser for value paid for it with
9 interest from the date of his or her demand.~~

~~10 (2) "Overissue" means the issue of securities in excess of
11 the amount the issuer has corporate power to issue.~~

12 (1) A PERSON ACQUIRES A SECURITY OR AN INTEREST IN A SECUR-
13 ITY UNDER THIS ARTICLE IN EITHER OF THE FOLLOWING SITUATIONS:

14 (A) THE PERSON IS A PURCHASER TO WHOM A SECURITY IS DELIV-
15 ERED PURSUANT TO SECTION 8301.

16 (B) THE PERSON ACQUIRES A SECURITY ENTITLEMENT TO THE SECUR-
17 ITY PURSUANT TO SECTION 8501.

18 (2) A PERSON ACQUIRES A FINANCIAL ASSET, OTHER THAN A SECUR-
19 ITY, OR AN INTEREST IN THE SECURITY, UNDER THIS ARTICLE, IF THE
20 PERSON ACQUIRES A SECURITY ENTITLEMENT TO THE FINANCIAL ASSET.

21 (3) A PERSON WHO ACQUIRES A SECURITY ENTITLEMENT TO A SECUR-
22 ITY OR OTHER FINANCIAL ASSET HAS THE RIGHTS SPECIFIED IN PART 5,
23 BUT IS A PURCHASER OF ANY SECURITY, SECURITY ENTITLEMENT, OR
24 OTHER FINANCIAL ASSET HELD BY THE SECURITIES INTERMEDIARY ONLY TO
25 THE EXTENT PROVIDED IN SECTION 8503.

26 (4) UNLESS THE CONTEXT SHOWS THAT A DIFFERENT MEANING IS
27 INTENDED, A PERSON WHO IS REQUIRED BY OTHER LAW, REGULATION,

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1 RULE, OR AGREEMENT TO TRANSFER, DELIVER, PRESENT, SURRENDER,
2 EXCHANGE, OR OTHERWISE PUT IN THE POSSESSION OF ANOTHER PERSON A
3 SECURITY OR FINANCIAL ASSET SATISFIES THAT REQUIREMENT BY CAUSING
4 THE OTHER PERSON TO ACQUIRE AN INTEREST IN THE SECURITY OR FINAN-
5 CIAL ASSET PURSUANT TO SUBSECTION (1) OR (2).

6 Sec. 8105. ~~(1) Certificated securities governed by this~~
7 ~~article are negotiable instruments.~~

8 ~~(2) Statements (section 8408), notices, or the like, sent by~~
9 ~~the issuer of uncertificated securities, and instructions~~
10 ~~(section 8308) are neither negotiable instruments nor certifi-~~
11 ~~cated securities.~~

12 ~~(3) In any action on a security:~~

13 ~~(a) unless specifically denied in the pleadings, each signa-~~
14 ~~ture on a certificated security, in a necessary indorsement, on~~
15 ~~an initial transaction statement, or on an instruction, is admit-~~
16 ~~ted;~~

17 ~~(b) if the effectiveness of a signature is put in issue, the~~
18 ~~burden of establishing it is on the party claiming under the sig-~~
19 ~~nature, but the signature is presumed to be genuine or autho-~~
20 ~~rized;~~

21 ~~(c) if signatures on a certificated security are admitted or~~
22 ~~established, production of the security entitles a holder to~~
23 ~~recover on it unless the defendant establishes a defense or a~~
24 ~~defect going to the validity of the security;~~

25 ~~(d) if signatures on an initial transaction statement are~~
26 ~~admitted or established, the facts stated in the statement are~~
27 ~~presumed to be true as of the time of its issuance; and~~

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1 ~~(e) after it is shown that a defense or defect exists, the~~
2 ~~plaintiff has the burden of establishing that he or she or some~~
3 ~~person under whom he or she claims is a person against whom the~~
4 ~~defense or defect is ineffective (section 8202).~~

5 (1) A PERSON HAS NOTICE OF AN ADVERSE CLAIM IF 1 OR MORE OF
6 THE FOLLOWING APPLY:

7 (A) THE PERSON KNOWS OF THE ADVERSE CLAIM.

8 (B) THE PERSON IS AWARE OF FACTS SUFFICIENT TO INDICATE THAT
9 THERE IS A SIGNIFICANT PROBABILITY THAT THE ADVERSE CLAIM EXISTS
10 AND DELIBERATELY AVOIDS INFORMATION THAT WOULD ESTABLISH THE
11 EXISTENCE OF THE ADVERSE CLAIM.

12 (C) THE PERSON HAS A DUTY, IMPOSED BY STATUTE OR REGULATION,
13 TO INVESTIGATE WHETHER AN ADVERSE CLAIM EXISTS, AND THE INVESTI-
14 GATION SO REQUIRED WOULD ESTABLISH THE EXISTENCE OF THE ADVERSE
15 CLAIM.

16 (2) HAVING KNOWLEDGE THAT A FINANCIAL ASSET OR INTEREST IN A
17 FINANCIAL ASSET IS OR HAS BEEN TRANSFERRED BY A REPRESENTATIVE
18 IMPOSES NO DUTY OF INQUIRY INTO THE RIGHTFULNESS OF A TRANSACTION
19 AND IS NOT NOTICE OF AN ADVERSE CLAIM. HOWEVER, A PERSON WHO
20 KNOWS THAT A REPRESENTATIVE HAS TRANSFERRED A FINANCIAL ASSET OR
21 INTEREST IN A FINANCIAL ASSET IN A TRANSACTION THAT IS, OR WHOSE
22 PROCEEDS ARE BEING USED, FOR THE INDIVIDUAL BENEFIT OF THE REPRE-
23 SENTATIVE OR OTHERWISE IN BREACH OF DUTY HAS NOTICE OF AN ADVERSE
24 CLAIM.

25 (3) AN ACT OR EVENT THAT CREATES A RIGHT TO IMMEDIATE PER-
26 FORMANCE OF THE PRINCIPAL OBLIGATION REPRESENTED BY A SECURITY
27 CERTIFICATE OR SETS A DATE ON OR AFTER WHICH THE CERTIFICATE IS

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1 TO BE PRESENTED OR SURRENDERED FOR REDEMPTION OR EXCHANGE DOES
2 NOT ITSELF CONSTITUTE NOTICE OF AN ADVERSE CLAIM EXCEPT IN THE
3 CASE OF A TRANSFER THAT MEETS EITHER OF THE FOLLOWING:

4 (A) IS MORE THAN 1 YEAR AFTER A DATE SET FOR PRESENTMENT OR
5 SURRENDER FOR REDEMPTION OR EXCHANGE.

6 (B) IS MORE THAN 6 MONTHS AFTER A DATE SET FOR PAYMENT OF
7 MONEY AGAINST PRESENTATION OR SURRENDER OF THE CERTIFICATE, IF
8 MONEY WAS AVAILABLE FOR PAYMENT ON THAT DATE.

9 (4) A PURCHASER OF A CERTIFICATED SECURITY HAS NOTICE OF AN
10 ADVERSE CLAIM IF THE SECURITY CERTIFICATE APPLIES TO 1 OF THE
11 FOLLOWING:

12 (A) WHETHER IN BEARER OR REGISTERED FORM, HAS BEEN INDORSED
13 "FOR COLLECTION" OR "FOR SURRENDER" OR FOR SOME OTHER PURPOSE NOT
14 INVOLVING TRANSFER.

15 (B) IS IN BEARER FORM AND HAS ON IT AN UNAMBIGUOUS STATEMENT
16 THAT IT IS THE PROPERTY OF A PERSON OTHER THAN THE TRANSFEROR,
17 BUT THE MERE WRITING OF A NAME ON THE CERTIFICATE IS NOT SUCH A
18 STATEMENT.

19 (5) FILING OF A FINANCING STATEMENT UNDER ARTICLE 9 IS NOT
20 NOTICE OF AN ADVERSE CLAIM TO A FINANCIAL ASSET.

21 Sec. 8106. ~~The law, including the conflict of laws rules,~~
22 ~~of the jurisdiction of organization of the issuer governs the~~
23 ~~validity of a security, the effectiveness of registration by the~~
24 ~~issuer, and the rights and duties of the issuer with respect to:~~

25 ~~(a) registration of transfer of a certificated security;~~

26 ~~(b) registration of transfer, pledge, or release of an~~
27 ~~uncertificated security; and~~

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1 ~~(c) sending of statements of uncertificated securities.~~

2 (1) A PURCHASER HAS CONTROL OF A CERTIFICATED SECURITY IN
3 BEARER FORM IF THE CERTIFICATED SECURITY IS DELIVERED TO THE
4 PURCHASER.

5 (2) A PURCHASER HAS CONTROL OF A CERTIFICATED SECURITY IN
6 REGISTERED FORM IF THE CERTIFICATED SECURITY IS DELIVERED TO THE
7 PURCHASER AND IF EITHER OF THE FOLLOWING APPLIES:

8 (A) THE CERTIFICATE IS INDORSED TO THE PURCHASER OR IN BLANK
9 BY AN EFFECTIVE INDORSEMENT.

10 (B) THE CERTIFICATE IS REGISTERED IN THE NAME OF THE PUR-
11 CHASER, UPON ORIGINAL ISSUE OR REGISTRATION OF TRANSFER BY THE
12 ISSUER.

13 (3) A PURCHASER HAS CONTROL OF AN UNCERTIFICATED SECURITY IF
14 EITHER OF THE FOLLOWING APPLIES:

15 (A) THE UNCERTIFICATED SECURITY IS DELIVERED TO THE
16 PURCHASER.

17 (B) THE ISSUER HAS AGREED THAT IT WILL COMPLY WITH INSTRUC-
18 TIONS ORIGINATED BY THE PURCHASER WITHOUT FURTHER CONSENT BY THE
19 REGISTERED OWNER.

20 (4) A PURCHASER HAS CONTROL OF A SECURITY ENTITLEMENT IF
21 EITHER OF THE FOLLOWING APPLIES:

22 (A) THE PURCHASER BECOMES THE ENTITLEMENT HOLDER.

23 (B) THE SECURITIES INTERMEDIARY HAS AGREED THAT IT WILL
24 COMPLY WITH ENTITLEMENT ORDERS ORIGINATED BY THE PURCHASER WITH-
25 OUT FURTHER CONSENT BY THE ENTITLEMENT HOLDER.

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1 (5) IF AN INTEREST IN A SECURITY ENTITLEMENT IS GRANTED BY
2 THE ENTITLEMENT HOLDER TO THE ENTITLEMENT HOLDER'S OWN SECURITIES
3 INTERMEDIARY, THE SECURITIES INTERMEDIARY HAS CONTROL.

4 (6) A PURCHASER WHO HAS SATISFIED THE REQUIREMENTS OF SUB-
5 SECTION (3)(B) OR (4)(B) HAS CONTROL EVEN IF THE REGISTERED OWNER
6 IN THE CASE OF SUBSECTION (3)(B) OR THE ENTITLEMENT HOLDER IN THE
7 CASE OF SUBSECTION (4)(B) RETAINS THE RIGHT TO MAKE SUBSTITUTIONS
8 FOR THE UNCERTIFICATED SECURITY OR SECURITY ENTITLEMENT, TO ORIG-
9 INATE INSTRUCTIONS OR ENTITLEMENT ORDERS TO THE ISSUER OR SECURI-
10 TIES INTERMEDIARY, OR OTHERWISE TO DEAL WITH THE UNCERTIFICATED
11 SECURITY OR SECURITY ENTITLEMENT.

12 (7) AN ISSUER OR A SECURITIES INTERMEDIARY MAY NOT ENTER
13 INTO AN AGREEMENT OF THE KIND DESCRIBED IN SUBSECTION (3)(B) OR
14 (4)(B) WITHOUT THE CONSENT OF THE REGISTERED OWNER OR ENTITLEMENT
15 HOLDER, BUT AN ISSUER OR A SECURITIES INTERMEDIARY IS NOT
16 REQUIRED TO ENTER INTO SUCH AN AGREEMENT EVEN THOUGH THE REGIS-
17 TERED OWNER OR ENTITLEMENT HOLDER SO DIRECTS. AN ISSUER OR
18 SECURITIES INTERMEDIARY THAT HAS ENTERED INTO SUCH AN AGREEMENT
19 IS NOT REQUIRED TO CONFIRM THE EXISTENCE OF THE AGREEMENT TO
20 ANOTHER PARTY UNLESS REQUESTED TO DO SO BY THE REGISTERED OWNER
21 OR ENTITLEMENT HOLDER.

22 Sec. 8107. ~~(1) Unless otherwise agreed and subject to any~~
23 ~~applicable law or regulation respecting short sales, a person~~
24 ~~obligated to transfer securities may transfer any certificated~~
25 ~~security of the specified issue in bearer form or registered in~~
26 ~~the name of the transferee, or indorsed to him or her or in~~

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1 ~~blank, or may transfer an equivalent uncertificated security to~~
2 ~~the transferee or a person designated by the transferee.~~

3 ~~(2) If the buyer fails to pay the price as it comes due~~
4 ~~under a contract of sale, the seller may recover the price of:~~

5 ~~(a) certificated securities accepted by the buyer;~~

6 ~~(b) uncertificated securities that have been transferred to~~
7 ~~the buyer or a person designated by the buyer; and~~

8 ~~(c) other securities if efforts at their resale would be~~
9 ~~unduly burdensome or if there is no readily available market for~~
10 ~~their resale.~~

11 (1) "APPROPRIATE PERSON" MEANS 1 OR MORE OF THE FOLLOWING:

12 (A) WITH RESPECT TO AN INDORSEMENT, THE PERSON SPECIFIED BY
13 A SECURITY CERTIFICATE OR BY AN EFFECTIVE SPECIAL INDORSEMENT TO
14 BE ENTITLED TO THE SECURITY.

15 (B) WITH RESPECT TO AN INSTRUCTION, THE REGISTERED OWNER OF
16 AN UNCERTIFICATED SECURITY.

17 (C) WITH RESPECT TO AN ENTITLEMENT ORDER, THE ENTITLEMENT
18 HOLDER.

19 (D) IF THE PERSON DESIGNATED IN SUBDIVISION (A), (B), OR (C)
20 IS DECEASED, THE DESIGNATED PERSON'S SUCCESSOR TAKING UNDER OTHER
21 LAW OR THE DESIGNATED PERSON'S PERSONAL REPRESENTATIVE ACTING FOR
22 THE ESTATE OF THE DECEDENT.

23 (E) IF THE PERSON DESIGNATED IN SUBDIVISION (A), (B), OR (C)
24 LACKS CAPACITY, THE DESIGNATED PERSON'S GUARDIAN, CONSERVATOR, OR
25 OTHER SIMILAR REPRESENTATIVE WHO HAS POWER UNDER OTHER LAW TO
26 TRANSFER THE SECURITY OR FINANCIAL ASSET.

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1 (2) AN INDORSEMENT, INSTRUCTION, OR ENTITLEMENT ORDER IS
2 EFFECTIVE IF 1 OR MORE OF THE FOLLOWING ARE TRUE:

3 (A) IT IS MADE BY THE APPROPRIATE PERSON.

4 (B) IT IS MADE BY A PERSON WHO HAS POWER UNDER THE LAW OF
5 AGENCY TO TRANSFER THE SECURITY OR FINANCIAL ASSET ON BEHALF OF
6 THE APPROPRIATE PERSON, INCLUDING, IN THE CASE OF AN INSTRUCTION
7 OR ENTITLEMENT ORDER, A PERSON WHO HAS CONTROL UNDER SECTION
8 8106(3)(B) OR (4)(B).

9 (C) THE APPROPRIATE PERSON HAS RATIFIED THE INDORSEMENT,
10 INSTRUCTION, OR ENTITLEMENT ORDER OR IS OTHERWISE PRECLUDED FROM
11 ASSERTING ITS INEFFECTIVENESS.

12 (3) AN INDORSEMENT, INSTRUCTION, OR ENTITLEMENT ORDER MADE
13 BY A REPRESENTATIVE IS EFFECTIVE EVEN IF EITHER OF THE FOLLOWING
14 APPLIES:

15 (A) THE REPRESENTATIVE HAS FAILED TO COMPLY WITH A CONTROL-
16 LING INSTRUMENT OR WITH THE LAW OF THE STATE HAVING JURISDICTION
17 OF THE REPRESENTATIVE RELATIONSHIP, INCLUDING ANY LAW REQUIRING
18 THE REPRESENTATIVE TO OBTAIN COURT APPROVAL OF THE TRANSACTION.

19 (B) THE REPRESENTATIVE'S ACTION IN MAKING THE INDORSEMENT,
20 INSTRUCTION, OR ENTITLEMENT ORDER OR USING THE PROCEEDS OF THE
21 TRANSACTION IS OTHERWISE A BREACH OF DUTY.

22 (4) IF A SECURITY IS REGISTERED IN THE NAME OF OR SPECIALLY
23 INDORSED TO A PERSON DESCRIBED AS A REPRESENTATIVE, OR IF A
24 SECURITIES ACCOUNT IS MAINTAINED IN THE NAME OF A PERSON
25 DESCRIBED AS A REPRESENTATIVE, AN INDORSEMENT, INSTRUCTION, OR
26 ENTITLEMENT ORDER MADE BY THE PERSON IS EFFECTIVE EVEN THOUGH THE
27 PERSON IS NO LONGER SERVING IN THE DESCRIBED CAPACITY.

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1 (5) EFFECTIVENESS OF AN INDORSEMENT, INSTRUCTION, OR
2 ENTITLEMENT ORDER IS DETERMINED AS OF THE DATE THE INDORSEMENT,
3 INSTRUCTION, OR ENTITLEMENT ORDER IS MADE, AND AN INDORSEMENT,
4 INSTRUCTION, OR ENTITLEMENT ORDER DOES NOT BECOME INEFFECTIVE BY
5 REASON OF ANY LATER CHANGE OF CIRCUMSTANCES.

6 Sec. 8108. ~~A security interest in an uncertificated secur-~~
7 ~~ity may be evidenced by the registration of pledge to the secured~~
8 ~~party or a person designated by the secured party. There can be~~
9 ~~not more than 1 registered pledge of an uncertificated security~~
10 ~~at any time. The registered owner of an uncertificated security~~
11 ~~is the person in whose name the security is registered, even if~~
12 ~~the security is subject to a registered pledge. The rights of a~~
13 ~~registered pledgee of an uncertificated security under this arti-~~
14 ~~cle are terminated by the registration of release.~~

15 (1) A PERSON WHO TRANSFERS A CERTIFICATED SECURITY TO A PUR-
16 CHASER FOR VALUE WARRANTS TO THE PURCHASER, AND AN INDORSER, IF
17 THE TRANSFER IS BY INDORSEMENT, AND WARRANTS TO ANY SUBSEQUENT
18 PURCHASER ALL OF THE FOLLOWING:

19 (A) THE CERTIFICATE IS GENUINE AND HAS NOT BEEN MATERIALLY
20 ALTERED.

21 (B) THE TRANSFEROR OR INDORSER DOES NOT KNOW OF ANY FACT
22 THAT MIGHT IMPAIR THE VALIDITY OF THE SECURITY.

23 (C) THERE IS NO ADVERSE CLAIM TO THE SECURITY.

24 (D) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON
25 TRANSFER.

26 (E) IF THE TRANSFER IS BY INDORSEMENT, THE INDORSEMENT IS
27 MADE BY AN APPROPRIATE PERSON, OR IF THE INDORSEMENT IS BY AN

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1 AGENT, THE AGENT HAS ACTUAL AUTHORITY TO ACT ON BEHALF OF THE
2 APPROPRIATE PERSON.

3 (F) THE TRANSFER IS OTHERWISE EFFECTIVE AND RIGHTFUL.

4 (2) A PERSON WHO ORIGINATES AN INSTRUCTION FOR REGISTRATION
5 OF TRANSFER OF AN UNCERTIFICATED SECURITY TO A PURCHASER FOR
6 VALUE WARRANTS TO THE PURCHASER ALL OF THE FOLLOWING:

7 (A) THE INSTRUCTION IS MADE BY AN APPROPRIATE PERSON, OR IF
8 THE INSTRUCTION IS BY AN AGENT, THE AGENT HAS ACTUAL AUTHORITY TO
9 ACT ON BEHALF OF THE APPROPRIATE PERSON.

10 (B) THE SECURITY IS VALID.

11 (C) THERE IS NO ADVERSE CLAIM TO THE SECURITY.

12 (D) AT THE TIME THE INSTRUCTION IS PRESENTED TO THE ISSUER,
13 ALL OF THE FOLLOWING APPLY:

14 (i) THE PURCHASER WILL BE ENTITLED TO THE REGISTRATION OF
15 TRANSFER.

16 (ii) THE TRANSFER WILL BE REGISTERED BY THE ISSUER FREE FROM
17 ALL LIENS, SECURITY INTERESTS, RESTRICTIONS, AND CLAIMS OTHER
18 THAN THOSE SPECIFIED IN THE INSTRUCTION.

19 (iii) THE TRANSFER WILL NOT VIOLATE ANY RESTRICTION ON
20 TRANSFER.

21 (iv) THE REQUESTED TRANSFER WILL OTHERWISE BE EFFECTIVE AND
22 RIGHTFUL.

23 (3) A PERSON WHO TRANSFERS AN UNCERTIFICATED SECURITY TO A
24 PURCHASER FOR VALUE AND DOES NOT ORIGINATE AN INSTRUCTION IN CON-
25 NECTION WITH THE TRANSFER WARRANTS ALL OF THE FOLLOWING:

26 (A) THE UNCERTIFICATED SECURITY IS VALID.

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1 (B) THERE IS NO ADVERSE CLAIM TO THE SECURITY.

2 (C) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON
3 TRANSFER.

4 (D) THE TRANSFER IS OTHERWISE EFFECTIVE AND RIGHTFUL.

5 (4) A PERSON WHO INDORSES A SECURITY CERTIFICATE WARRANTS TO
6 THE ISSUER BOTH OF THE FOLLOWING:

7 (A) THERE IS NO ADVERSE CLAIM TO THE SECURITY.

8 (B) THE INDORSEMENT IS EFFECTIVE.

9 (5) A PERSON WHO ORIGINATES AN INSTRUCTION FOR REGISTRATION
10 OF TRANSFER OF AN UNCERTIFICATED SECURITY WARRANTS TO THE ISSUER
11 BOTH OF THE FOLLOWING:

12 (A) THE INSTRUCTION IS EFFECTIVE.

13 (B) AT THE TIME THE INSTRUCTION IS PRESENTED TO THE ISSUER,
14 THE PURCHASER WILL BE ENTITLED TO THE REGISTRATION OF TRANSFER.

15 (6) A PERSON WHO PRESENTS A CERTIFICATED SECURITY FOR REGIS-
16 TRATION OF TRANSFER OR FOR PAYMENT OR EXCHANGE WARRANTS TO THE
17 ISSUER THAT THE PERSON IS ENTITLED TO THE REGISTRATION, PAYMENT,
18 OR EXCHANGE, BUT A PURCHASER FOR VALUE AND WITHOUT NOTICE OF
19 ADVERSE CLAIMS TO WHOM TRANSFER IS REGISTERED WARRANTS ONLY THAT
20 THE PERSON HAS NO KNOWLEDGE OF ANY UNAUTHORIZED SIGNATURE IN A
21 NECESSARY INDORSEMENT.

22 (7) IF A PERSON ACTS AS AGENT OF ANOTHER IN DELIVERING A
23 CERTIFICATED SECURITY TO A PURCHASER, THE IDENTITY OF THE PRINCI-
24 PAL WAS KNOWN TO THE PERSON TO WHOM THE CERTIFICATE WAS DELIV-
25 ERED, AND THE CERTIFICATE DELIVERED BY THE AGENT WAS RECEIVED BY
26 THE AGENT FROM THE PRINCIPAL OR RECEIVED BY THE AGENT FROM
27 ANOTHER PERSON AT THE DIRECTION OF THE PRINCIPAL, THE PERSON

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1 DELIVERING THE SECURITY CERTIFICATE WARRANTS ONLY THAT THE
2 DELIVERING PERSON HAS AUTHORITY TO ACT FOR THE PRINCIPAL AND DOES
3 NOT KNOW OF ANY ADVERSE CLAIM TO THE CERTIFICATED SECURITY.

4 (8) A SECURED PARTY WHO REDELIVERS A SECURITY CERTIFICATE
5 RECEIVED, OR AFTER PAYMENT AND ON ORDER OF THE DEBTOR DELIVERS
6 THE SECURITY CERTIFICATE TO ANOTHER PERSON, MAKES ONLY THE WAR-
7 RANTIES OF AN AGENT UNDER SUBSECTION (7).

8 (9) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A BROKER
9 ACTING FOR A CUSTOMER MAKES TO THE ISSUER AND A PURCHASER THE
10 WARRANTIES PROVIDED IN SUBSECTIONS (1) THROUGH (6). A BROKER
11 THAT DELIVERS A SECURITY CERTIFICATE TO ITS CUSTOMER, OR CAUSES
12 ITS CUSTOMER TO BE REGISTERED AS THE OWNER OF AN UNCERTIFICATED
13 SECURITY, MAKES TO THE CUSTOMER THE WARRANTIES PROVIDED IN SUB-
14 SECTION (1) OR (2), AND THAT BROKER HAS THE RIGHTS AND PRIVILEGES
15 OF A PURCHASER UNDER THIS SECTION. THE WARRANTIES OF AND IN
16 FAVOR OF THE BROKER ACTING AS AN AGENT ARE IN ADDITION TO APPLI-
17 CABLE WARRANTIES GIVEN BY AND IN FAVOR OF THE CUSTOMER.

18 SEC. 8109. (1) A PERSON WHO ORIGINATES AN ENTITLEMENT ORDER
19 TO A SECURITIES INTERMEDIARY WARRANTS TO THE SECURITIES INTERME-
20 DIARY BOTH OF THE FOLLOWING:

21 (A) THE ENTITLEMENT ORDER IS MADE BY AN APPROPRIATE PERSON,
22 OR IF THE ENTITLEMENT ORDER IS BY AN AGENT, THE AGENT HAS ACTUAL
23 AUTHORITY TO ACT ON BEHALF OF THE APPROPRIATE PERSON.

24 (B) THERE IS NO ADVERSE CLAIM TO THE SECURITY ENTITLEMENT.

25 (2) A PERSON WHO DELIVERS A SECURITY CERTIFICATE TO A SECUR-
26 ITIES INTERMEDIARY FOR CREDIT TO A SECURITIES ACCOUNT OR
27 ORIGINATES AN INSTRUCTION WITH RESPECT TO AN UNCERTIFICATED

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1 SECURITY DIRECTING THAT THE UNCERTIFICATED SECURITY BE CREDITED
2 TO A SECURITIES ACCOUNT MAKES TO THE SECURITIES INTERMEDIARY THE
3 WARRANTIES SPECIFIED IN SECTION 8108(1)(A) OR (2)(B).

4 (3) IF A SECURITIES INTERMEDIARY DELIVERS A SECURITY CERTIF-
5 ICATE TO ITS ENTITLEMENT HOLDER OR CAUSES ITS ENTITLEMENT HOLDER
6 TO BE REGISTERED AS THE OWNER OF AN UNCERTIFICATED SECURITY, THE
7 SECURITIES INTERMEDIARY MAKES TO THE ENTITLEMENT HOLDER THE WAR-
8 RANTIES SPECIFIED IN SECTION 8108(1)(A) OR (2)(B).

9 SEC. 8110. (1) THE LAW OF THE ISSUER'S JURISDICTION, AS
10 SPECIFIED IN SUBSECTION (4), GOVERNS ALL OF THE FOLLOWING:

11 (A) THE VALIDITY OF A SECURITY.

12 (B) THE RIGHTS AND DUTIES OF THE ISSUER WITH RESPECT TO REG-
13 ISTRATION OF TRANSFER.

14 (C) THE EFFECTIVENESS OF REGISTRATION OF TRANSFER BY THE
15 ISSUER.

16 (D) WHETHER THE ISSUER OWES ANY DUTIES TO AN ADVERSE CLAIM-
17 ANT TO A SECURITY.

18 (E) WHETHER AN ADVERSE CLAIM CAN BE ASSERTED AGAINST A
19 PERSON TO WHOM TRANSFER OF A CERTIFICATED OR UNCERTIFICATED
20 SECURITY IS REGISTERED OR A PERSON WHO OBTAINS CONTROL OF AN
21 UNCERTIFICATED SECURITY.

22 (2) THE LAW OF THE SECURITIES INTERMEDIARY'S JURISDICTION,
23 AS SPECIFIED IN SUBSECTION (5), GOVERNS ALL OF THE FOLLOWING:

24 (A) ACQUISITION OF A SECURITY ENTITLEMENT FROM THE SECURI-
25 TIES INTERMEDIARY.

26 (B) THE RIGHTS AND DUTIES OF THE SECURITIES INTERMEDIARY AND
27 ENTITLEMENT HOLDER ARISING OUT OF A SECURITY ENTITLEMENT.

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1 (C) WHETHER THE SECURITIES INTERMEDIARY OWES ANY DUTIES TO
2 AN ADVERSE CLAIMANT TO A SECURITY ENTITLEMENT.

3 (D) WHETHER AN ADVERSE CLAIM CAN BE ASSERTED AGAINST A
4 PERSON WHO ACQUIRES A SECURITY ENTITLEMENT FROM THE SECURITIES
5 INTERMEDIARY OR A PERSON WHO PURCHASES A SECURITY ENTITLEMENT OR
6 INTEREST THEREIN FROM AN ENTITLEMENT HOLDER.

7 (3) THE LAW OF THE JURISDICTION IN WHICH A SECURITY CERTIFI-
8 CATE IS LOCATED AT THE TIME OF DELIVERY GOVERNS WHETHER AN
9 ADVERSE CLAIM CAN BE ASSERTED AGAINST A PERSON TO WHOM THE SECUR-
10 ITY CERTIFICATE IS DELIVERED.

11 (4) "ISSUER'S JURISDICTION" MEANS THE JURISDICTION UNDER
12 WHICH THE ISSUER OF THE SECURITY IS ORGANIZED OR, IF PERMITTED BY
13 THE LAW OF THAT JURISDICTION, THE LAW OF ANOTHER JURISDICTION
14 SPECIFIED BY THE ISSUER. AN ISSUER ORGANIZED UNDER THE LAW OF
15 THIS STATE MAY SPECIFY THE LAW OF ANOTHER JURISDICTION AS THE LAW
16 GOVERNING THE MATTERS SPECIFIED IN SUBSECTION (1)(B) THROUGH
17 (E).

18 (5) THE FOLLOWING RULES DETERMINE A "SECURITIES
19 INTERMEDIARY'S JURISDICTION" FOR THE PURPOSES OF THIS SECTION:

20 (A) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND
21 ITS ENTITLEMENT HOLDER SPECIFIES THAT IT IS GOVERNED BY THE LAW
22 OF A PARTICULAR JURISDICTION, THAT JURISDICTION IS THE SECURITIES
23 INTERMEDIARY'S JURISDICTION.

24 (B) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND
25 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY THE GOVERNING LAW AS PRO-
26 VIDED IN SUBDIVISION (A), BUT EXPRESSLY SPECIFIES THAT THE
27 SECURITIES ACCOUNT IS MAINTAINED AT AN OFFICE IN A PARTICULAR

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1 JURISDICTION, THAT JURISDICTION IS THE SECURITIES INTERMEDIARY'S
2 JURISDICTION.

3 (C) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND
4 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY A JURISDICTION AS PRO-
5 VIDED IN SUBDIVISION (A) OR (B), THE SECURITIES INTERMEDIARY'S
6 JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE OFFICE
7 IDENTIFIED IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING THE
8 ENTITLEMENT HOLDER'S ACCOUNT.

9 (D) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND
10 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY A JURISDICTION AS PRO-
11 VIDED IN SUBDIVISION (A) OR (B) AND AN ACCOUNT STATEMENT DOES NOT
12 IDENTIFY AN OFFICE SERVING THE ENTITLEMENT HOLDER'S ACCOUNT AS
13 PROVIDED IN SUBDIVISION (C), THE SECURITIES INTERMEDIARY'S JURIS-
14 DICTION IS THE JURISDICTION IN WHICH IS LOCATED THE CHIEF EXECU-
15 TIVE OFFICE OF THE SECURITIES INTERMEDIARY.

16 (6) A SECURITIES INTERMEDIARY'S JURISDICTION IS NOT DETER-
17 MINED BY THE PHYSICAL LOCATION OF CERTIFICATES REPRESENTING
18 FINANCIAL ASSETS, OR BY THE JURISDICTION IN WHICH IS ORGANIZED
19 THE ISSUER OF THE FINANCIAL ASSET WITH RESPECT TO WHICH AN ENTI-
20 TLEMENT HOLDER HAS A SECURITY ENTITLEMENT, OR BY THE LOCATION OF
21 FACILITIES FOR DATA PROCESSING OR OTHER RECORD KEEPING CONCERNING
22 THE ACCOUNT.

23 SEC. 8111. A RULE ADOPTED BY A CLEARING CORPORATION GOVERN-
24 ING RIGHTS AND OBLIGATIONS AMONG THE CLEARING CORPORATION AND ITS
25 PARTICIPANTS IN THE CLEARING CORPORATION IS EFFECTIVE EVEN IF THE
26 RULE CONFLICTS WITH THIS ACT AND AFFECTS ANOTHER PARTY WHO DOES
27 NOT CONSENT TO THE RULE.

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1 SEC. 8112. (1) THE INTEREST OF A DEBTOR IN A CERTIFICATED
2 SECURITY MAY BE REACHED BY A CREDITOR ONLY BY ACTUAL SEIZURE OF
3 THE SECURITY CERTIFICATE BY THE OFFICER MAKING THE ATTACHMENT OR
4 LEVY, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4). HOWEVER, A
5 CERTIFICATED SECURITY FOR WHICH THE CERTIFICATE HAS BEEN SURREN-
6 DERED TO THE ISSUER MAY BE REACHED BY A CREDITOR BY LEGAL PROCESS
7 UPON THE ISSUER.

8 (2) THE INTEREST OF A DEBTOR IN AN UNCERTIFICATED SECURITY
9 MAY BE REACHED BY A CREDITOR ONLY BY LEGAL PROCESS UPON THE
10 ISSUER AT ITS CHIEF EXECUTIVE OFFICE IN THE UNITED STATES, EXCEPT
11 AS OTHERWISE PROVIDED IN SUBSECTION (4).

12 (3) THE INTEREST OF A DEBTOR IN A SECURITY ENTITLEMENT MAY
13 BE REACHED BY A CREDITOR ONLY BY LEGAL PROCESS UPON THE SECURI-
14 TIES INTERMEDIARY WITH WHOM THE DEBTOR'S SECURITIES ACCOUNT IS
15 MAINTAINED, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4).

16 (4) THE INTEREST OF A DEBTOR IN A CERTIFICATED SECURITY FOR
17 WHICH THE CERTIFICATE IS IN THE POSSESSION OF A SECURED PARTY, OR
18 IN AN UNCERTIFICATED SECURITY REGISTERED IN THE NAME OF A SECURED
19 PARTY, OR A SECURITY ENTITLEMENT MAINTAINED IN THE NAME OF A
20 SECURED PARTY, MAY BE REACHED BY A CREDITOR BY LEGAL PROCESS UPON
21 THE SECURED PARTY.

22 (5) A CREDITOR WHOSE DEBTOR IS THE OWNER OF A CERTIFICATED
23 SECURITY, UNCERTIFICATED SECURITY, OR SECURITY ENTITLEMENT IS
24 ENTITLED TO AID FROM A COURT OF COMPETENT JURISDICTION, BY
25 INJUNCTION OR OTHERWISE, IN REACHING THE CERTIFICATED SECURITY,
26 UNCERTIFICATED SECURITY, OR SECURITY ENTITLEMENT OR IN SATISFYING

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1 THE CLAIM BY MEANS ALLOWED AT LAW OR IN EQUITY IN REGARD TO
2 PROPERTY THAT CANNOT READILY BE REACHED BY OTHER LEGAL PROCESS.

3 SEC. 8113. A CONTRACT OR MODIFICATION OF A CONTRACT FOR THE
4 SALE OR PURCHASE OF A SECURITY IS ENFORCEABLE WHETHER OR NOT
5 THERE IS A WRITING SIGNED OR RECORD AUTHENTICATED BY A PARTY
6 AGAINST WHOM ENFORCEMENT IS SOUGHT, EVEN IF THE CONTRACT OR MODI-
7 FICATION IS NOT CAPABLE OF PERFORMANCE WITHIN 1 YEAR OF ITS
8 MAKING.

9 SEC. 8114. THE FOLLOWING RULES APPLY IN AN ACTION ON A CER-
10 TIFICATED SECURITY AGAINST THE ISSUER:

11 (A) UNLESS SPECIFICALLY DENIED IN THE PLEADINGS, EACH SIGNA-
12 TURE ON A SECURITY CERTIFICATE OR IN A NECESSARY INDORSEMENT IS
13 ADMITTED.

14 (B) IF THE EFFECTIVENESS OF A SIGNATURE IS PUT IN ISSUE, THE
15 BURDEN OF ESTABLISHING EFFECTIVENESS IS ON THE PARTY CLAIMING
16 UNDER THE SIGNATURE, BUT THE SIGNATURE IS PRESUMED TO BE GENUINE
17 OR AUTHORIZED.

18 (C) IF SIGNATURES ON A SECURITY CERTIFICATE ARE ADMITTED OR
19 ESTABLISHED, PRODUCTION OF THE CERTIFICATE ENTITLES A HOLDER TO
20 RECOVER ON IT UNLESS THE DEFENDANT ESTABLISHES A DEFENSE OR A
21 DEFECT GOING TO THE VALIDITY OF THE SECURITY.

22 (D) IF IT IS SHOWN THAT A DEFENSE OR DEFECT EXISTS, THE
23 PLAINTIFF HAS THE BURDEN OF ESTABLISHING THAT THE PLAINTIFF OR
24 SOME PERSON UNDER WHOM THE PLAINTIFF CLAIMS IS A PERSON AGAINST
25 WHOM THE DEFENSE OR DEFECT CANNOT BE ASSERTED.

26 SEC. 8115. A SECURITIES INTERMEDIARY THAT HAS TRANSFERRED A
27 FINANCIAL ASSET PURSUANT TO AN EFFECTIVE ENTITLEMENT ORDER, OR A

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1 BROKER OR OTHER AGENT OR BAILEE THAT HAS DEALT WITH A FINANCIAL
2 ASSET AT THE DIRECTION OF ITS CUSTOMER OR PRINCIPAL, IS NOT
3 LIABLE TO A PERSON HAVING AN ADVERSE CLAIM TO THE FINANCIAL
4 ASSET, UNLESS THE SECURITIES INTERMEDIARY, OR BROKER OR OTHER
5 AGENT OR BAILEE DID 1 OR MORE OF THE FOLLOWING:

6 (A) TOOK THE ACTION AFTER IT HAD BEEN SERVED WITH AN INJUNC-
7 TION, RESTRAINING ORDER, OR OTHER LEGAL PROCESS ENJOINING IT FROM
8 DOING SO, ISSUED BY A COURT OF COMPETENT JURISDICTION, AND HAD A
9 REASONABLE OPPORTUNITY TO ACT ON THE INJUNCTION, RESTRAINING
10 ORDER, OR OTHER LEGAL PROCESS.

11 (B) ACTED IN COLLUSION WITH THE WRONGDOER IN VIOLATING THE
12 RIGHTS OF THE ADVERSE CLAIMANT.

13 (C) IN THE CASE OF A SECURITY CERTIFICATE THAT HAS BEEN
14 STOLEN, ACTED WITH NOTICE OF THE ADVERSE CLAIM.

15 SEC. 8116. A SECURITIES INTERMEDIARY THAT RECEIVES A FINAN-
16 CIAL ASSET AND ESTABLISHES A SECURITY ENTITLEMENT TO THE FINAN-
17 CIAL ASSET IN FAVOR OF AN ENTITLEMENT HOLDER IS A PURCHASER FOR
18 VALUE OF THE FINANCIAL ASSET. A SECURITIES INTERMEDIARY THAT
19 ACQUIRES A SECURITY ENTITLEMENT TO A FINANCIAL ASSET FROM ANOTHER
20 SECURITIES INTERMEDIARY ACQUIRES THE SECURITY ENTITLEMENT FOR
21 VALUE IF THE SECURITIES INTERMEDIARY ACQUIRING THE SECURITY ENTI-
22 TLEMENT ESTABLISHES A SECURITY ENTITLEMENT TO THE FINANCIAL ASSET
23 IN FAVOR OF AN ENTITLEMENT HOLDER.

24 Sec. 8201. ~~(1) With respect to obligations on or defenses~~
25 ~~to a security, "issuer" includes a person who:~~

26 ~~(a) places or authorizes the placing of his or her name on a~~
27 ~~certificated security (other than as authenticating trustee,~~

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1 registrar, transfer agent, or the like) to evidence that it
2 represents a share, participation, or other interest in his or
3 her property or in an enterprise, or to evidence his or her duty
4 to perform an obligation represented by the certificated securi-
5 ty;

6 (b) creates shares, participations, or other interests in
7 his or her property or in an enterprise or undertakes obliga-
8 tions, which shares, participations, interests, or obligations
9 are uncertificated securities;

10 (c) directly or indirectly creates fractional interests in
11 his or her rights or property which fractional interests are rep-
12 resented by certificated securities; or

13 (d) becomes responsible for or in place of any other person
14 described as an issuer in this section.

15 (2) With respect to obligations on or defenses to a securi-
16 ty, a guarantor is an issuer to the extent of his or her guaranty
17 whether or not his or her obligation is noted on a certificated
18 security or on statements of uncertificated securities sent pur-
19 suant to section 8408.

20 (3) With respect to registration of transfer, pledge, or
21 release (part 4 of this article), "issuer" means a person on
22 whose behalf transfer books are maintained.

23 (1) WITH RESPECT TO AN OBLIGATION ON OR A DEFENSE TO A
24 SECURITY, AN "ISSUER" INCLUDES A PERSON THAT DOES 1 OR MORE OF
25 THE FOLLOWING:

26 (A) PLACES OR AUTHORIZES THE PLACING OF ITS NAME ON A
27 SECURITY CERTIFICATE, OTHER THAN AS AUTHENTICATING TRUSTEE,

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1 REGISTRAR, TRANSFER AGENT, OR SIMILAR PERSON, TO EVIDENCE A
2 SHARE, PARTICIPATION, OR OTHER INTEREST IN ITS PROPERTY OR IN AN
3 ENTERPRISE, OR TO EVIDENCE ITS DUTY TO PERFORM AN OBLIGATION REP-
4 RESENTED BY THE CERTIFICATE.

5 (B) CREATES A SHARE, PARTICIPATION, OR OTHER INTEREST IN ITS
6 PROPERTY OR IN AN ENTERPRISE, OR UNDERTAKES AN OBLIGATION, THAT
7 IS AN UNCERTIFICATED SECURITY.

8 (C) DIRECTLY OR INDIRECTLY CREATES A FRACTIONAL INTEREST IN
9 ITS RIGHTS OR PROPERTY, IF THE FRACTIONAL INTEREST IS REPRESENTED
10 BY A SECURITY CERTIFICATE.

11 (D) BECOMES RESPONSIBLE FOR, OR IN PLACE OF, ANOTHER PERSON
12 DESCRIBED AS AN ISSUER IN THIS SECTION.

13 (2) WITH RESPECT TO AN OBLIGATION ON OR DEFENSE TO A SECURI-
14 TY, A GUARANTOR IS AN ISSUER TO THE EXTENT OF ITS GUARANTY,
15 WHETHER OR NOT ITS OBLIGATION IS NOTED ON A SECURITY
16 CERTIFICATE.

17 (3) WITH RESPECT TO A REGISTRATION OF A TRANSFER, ISSUER
18 MEANS A PERSON ON WHOSE BEHALF TRANSFER BOOKS ARE MAINTAINED.

19 Sec. 8202. ~~-(1) Even against a purchaser for value and~~
20 ~~without notice, the terms of a security include:~~

21 ~~(a) if the security is certificated, those terms stated on~~
22 ~~the security;~~

23 ~~(b) if the security is uncertificated, those terms contained~~
24 ~~in the initial transaction statement sent to the purchaser, or if~~
25 ~~the interest is transferred to him or her other than by registra-~~
26 ~~tion of transfer, pledge, or release, the initial transaction~~
27 ~~statement sent to the registered owner or registered pledgee; and~~

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1 ~~(c) those terms made part of the security by reference, on~~
2 ~~the certificated security or in the initial transaction state-~~
3 ~~ment, to another instrument, indenture, or document or to a con-~~
4 ~~stitution, statute, ordinance, rule, regulation, order or the~~
5 ~~like, to the extent that the terms referred to do not conflict~~
6 ~~with the terms stated on the certificated security or contained~~
7 ~~in the statement. A reference under this subdivision does not of~~
8 ~~itself charge a purchaser for value with notice of a defect going~~
9 ~~to the validity of the security, even though the certificated~~
10 ~~security or statement expressly states that a person accepting it~~
11 ~~admits notice.~~

12 ~~(2) A certificated security in the hands of a purchaser for~~
13 ~~value or an uncertificated security as to which an initial trans-~~
14 ~~action statement has been sent to a purchaser for value, other~~
15 ~~than a security issued by a government or governmental agency or~~
16 ~~unit, even though issued with a defect going to its validity, is~~
17 ~~valid with respect to the purchaser if the purchaser is without~~
18 ~~notice of the particular defect unless the defect involves a vio-~~
19 ~~lation of constitutional provisions, in which case the security~~
20 ~~is valid with respect to a subsequent purchaser for value and~~
21 ~~without notice of the defect. This subsection applies to an~~
22 ~~issuer that is a government or governmental agency or unit only~~
23 ~~if either there has been substantial compliance with the legal~~
24 ~~requirements governing the issue or the issuer has received a~~
25 ~~substantial consideration for the issue as a whole or for the~~
26 ~~particular security and a stated purpose of the issue is one for~~

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1 ~~which the issuer has power to borrow money or issue the~~
2 ~~security.~~

3 ~~(3) Except as provided in the case of certain unauthorized~~
4 ~~signatures (section 8205), lack of genuineness of a certificated~~
5 ~~security or an initial transaction statement is a complete~~
6 ~~defense, even against a purchaser for value and without notice.~~

7 ~~(4) All other defenses of the issuer of a certificated or~~
8 ~~uncertificated security, including nondelivery and conditional~~
9 ~~delivery of a certificated security, are ineffective against a~~
10 ~~purchaser for value who has taken without notice of the particu-~~
11 ~~lar defense.~~

12 ~~(5) Nothing in this section shall be construed to affect the~~
13 ~~right of a party to a "when, as and if issued" or a "when~~
14 ~~distributed" contract to cancel the contract in the event of a~~
15 ~~material change in the character of the security that is the~~
16 ~~subject of the contract or in the plan or arrangement pursuant to~~
17 ~~which the security is to be issued or distributed.~~

18 (1) EVEN AGAINST A PURCHASER FOR VALUE AND WITHOUT NOTICE,
19 THE TERMS OF A CERTIFIED SECURITY INCLUDE TERMS STATED ON THE
20 CERTIFICATE AND TERMS MADE PART OF THE SECURITY BY REFERENCE ON
21 THE CERTIFICATE TO ANOTHER INSTRUMENT, INDENTURE, OR DOCUMENT OR
22 TO A CONSTITUTION, STATUTE, ORDINANCE, RULE, REGULATION, OR
23 ORDER, TO THE EXTENT THE TERMS REFERRED TO DO NOT CONFLICT WITH
24 TERMS STATED ON THE CERTIFICATE. A REFERENCE UNDER THIS SUBSEC-
25 TION DOES NOT OF ITSELF CHARGE A PURCHASER FOR VALUE WITH NOTICE
26 OF A DEFECT GOING TO THE VALIDITY OF THE SECURITY, EVEN IF THE
27 CERTIFICATE EXPRESSLY STATES THAT A PERSON ACCEPTING IT ADMITS

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1 NOTICE. THE TERMS OF AN UNCERTIFICATED SECURITY INCLUDE THOSE
2 STATED IN ANY INSTRUMENT, INDENTURE, OR DOCUMENT OR IN A CONSTI-
3 TUTION, STATUTE, ORDINANCE, RULE, REGULATION, ORDER, OR THE LIKE,
4 PURSUANT TO WHICH THE SECURITY IS ISSUED.

5 (2) THE FOLLOWING RULES APPLY IF AN ISSUER ASSERTS THAT A
6 SECURITY IS NOT VALID:

7 (A) A SECURITY OTHER THAN ONE ISSUED BY A GOVERNMENT OR GOV-
8 ERNMENTAL SUBDIVISION, AGENCY, OR INSTRUMENTALITY, EVEN THOUGH
9 ISSUED WITH A DEFECT GOING TO ITS VALIDITY, IS VALID IN THE HANDS
10 OF A PURCHASER FOR VALUE AND WITHOUT NOTICE OF THE PARTICULAR
11 DEFECT UNLESS THE DEFECT INVOLVES A VIOLATION OF A CONSTITUTIONAL
12 PROVISION. IN THAT CASE, THE SECURITY IS VALID IN THE HANDS OF A
13 PURCHASER FOR VALUE AND WITHOUT NOTICE OF THE DEFECT, OTHER THAN
14 ONE WHO TAKES BY ORIGINAL ISSUE.

15 (B) SUBDIVISION (A) APPLIES TO AN ISSUER THAT IS A GOVERN-
16 MENT OR GOVERNMENTAL SUBDIVISION, AGENCY, OR INSTRUMENTALITY ONLY
17 IF THERE HAS BEEN SUBSTANTIAL COMPLIANCE WITH THE LEGAL REQUIRE-
18 MENTS GOVERNING THE ISSUER OR THE ISSUER HAS RECEIVED A SUBSTAN-
19 TIAL CONSIDERATION FOR THE ISSUE AS A WHOLE OR FOR THE PARTICULAR
20 SECURITY AND A STATED PURPOSE OF THE ISSUE IS ONE FOR WHICH THE
21 ISSUER HAS POWER TO BORROW MONEY OR ISSUE THE SECURITY.

22 (3) EXCEPT AS OTHERWISE PROVIDED IN SECTION 8205, LACK OF
23 GENUINENESS OF A CERTIFICATED SECURITY IS A COMPLETE DEFENSE,
24 EVEN AGAINST A PURCHASER FOR VALUE AND WITHOUT NOTICE.

25 (4) ALL OTHER DEFENSES OF THE ISSUER OF A SECURITY, INCLUD-
26 ING NONDELIVERY AND CONDITIONAL DELIVERY OF A CERTIFICATED
27 SECURITY, ARE INEFFECTIVE AGAINST A PURCHASER FOR VALUE WHO HAS

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1 TAKEN THE CERTIFICATED SECURITY WITHOUT NOTICE OF THE PARTICULAR
2 DEFENSE.

3 (5) THIS SECTION DOES NOT AFFECT THE RIGHT OF A PARTY TO
4 CANCEL A CONTRACT FOR A SECURITY "WHEN, AS AND IF ISSUED" OR
5 "WHEN DISTRIBUTED" IN THE EVENT OF A MATERIAL CHANGE IN THE CHAR-
6 ACTER OF THE SECURITY THAT IS THE SUBJECT TO THE CONTRACT OR IN
7 THE PLAN OR ARRANGEMENT PURSUANT TO WHICH THE SECURITY IS TO BE
8 ISSUED OR DISTRIBUTED.

9 (6) IF A SECURITY IS HELD BY A SECURITIES INTERMEDIARY
10 AGAINST WHOM AN ENTITLEMENT HOLDER HAS A SECURITY ENTITLEMENT
11 WITH RESPECT TO THE SECURITY, THE ISSUER MAY NOT ASSERT ANY
12 DEFENSE THAT THE ISSUER COULD NOT ASSERT IF THE ENTITLEMENT
13 HOLDER HELD THE SECURITY DIRECTLY.

14 Sec. 8203. ~~(1) After an act or event creating a right to~~
15 ~~immediate performance of the principal obligation represented by~~
16 ~~a certificated security or that sets a date on or after which the~~
17 ~~security is to be presented or surrendered for redemption or~~
18 ~~exchange, a purchaser is charged with notice of any defect in its~~
19 ~~issue or defense of the issuer if:~~

20 ~~(a) the act or event is one requiring the payment of money,~~
21 ~~the delivery of certificated securities, the registration of~~
22 ~~transfer of uncertificated securities, or any of these on presen-~~
23 ~~tation or surrender of the certificated security, the funds or~~
24 ~~securities are available on the date set for payment or exchange,~~
25 ~~and he or she takes the security more than 1 year after that~~
26 ~~date; and~~

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1 ~~(b) the act or event is not covered by subdivision (a) and~~
2 ~~the purchaser takes the security more than 2 years after the date~~
3 ~~set for surrender or presentation or the date on which per-~~
4 ~~formance became due.~~

5 ~~(2) A call that has been revoked is not within subsection~~
6 ~~(1).~~ AFTER AN ACT OR EVENT, OTHER THAN A CALL THAT HAS BEEN
7 REVOKED, CREATING A RIGHT TO IMMEDIATE PERFORMANCE OF THE PRINCI-
8 PAL OBLIGATION REPRESENTED BY A CERTIFICATED SECURITY OR SETTING
9 A DATE ON OR AFTER WHICH THE SECURITY IS TO BE PRESENTED OR SUR-
10 RENDERED FOR REDEMPTION OR EXCHANGE, A PURCHASER IS CHARGED WITH
11 NOTICE OF ANY DEFECT IN ITS ISSUE OR DEFENSE OF THE ISSUER, IF
12 THE ACT OR EVENT:

13 (A) REQUIRES THE PAYMENT OF MONEY, THE DELIVERY OF A CERTIF-
14 ICATED SECURITY, THE REGISTRATION OF TRANSFER OF AN UNCERTIFI-
15 CATED SECURITY, OR ANY OF THEM ON PRESENTATION OR SURRENDER OF
16 THE SECURITY CERTIFICATE, THE MONEY OR SECURITY IS AVAILABLE ON
17 THE DATE SET FOR PAYMENT OR EXCHANGE, AND THE PURCHASER TAKES THE
18 SECURITY MORE THAN 1 YEAR AFTER THAT DATE.

19 (B) IS NOT COVERED BY SUBDIVISION (A) AND THE PURCHASER
20 TAKES THE SECURITY MORE THAN 2 YEARS AFTER THE DATE SET FOR SUR-
21 RENDER OR PRESENTATION OR THE DATE ON WHICH PERFORMANCE BECAME
22 DUE.

23 Sec. 8204. A restriction on transfer of a security imposed
24 by the issuer, even though otherwise lawful, is ineffective
25 against a person without ~~actual~~ knowledge of the restriction
26 unless:

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1 (a) ~~the~~ THE security is certificated and the restriction
2 is noted conspicuously on the certificate. ~~;/ or~~

3 (b) ~~the~~ THE security is uncertificated and ~~a notation of~~
4 ~~the restriction is contained in the initial transaction statement~~
5 ~~sent to the person or, if his or her interest is transferred to~~
6 ~~him or her other than by registration of transfer, pledge, or~~
7 ~~release, the initial transaction statement sent to the registered~~
8 ~~owner or the registered pledgee~~ THE REGISTERED OWNER HAS BEEN
9 NOTIFIED OF THE RESTRICTION.

10 Sec. 8205. An unauthorized signature placed on a
11 ~~certificated~~ security CERTIFICATE ~~prior to~~ BEFORE or in the
12 course of issue ~~or placed on an initial transaction statement~~
13 is ineffective, but the signature is effective in favor of a pur-
14 chaser for value of the certificated security ~~or a purchaser for~~
15 ~~value of an uncertificated security to whom the initial transac-~~
16 ~~tion statement has been sent,~~ if the purchaser is without notice
17 of the lack of authority and the signing has been done by:

18 (a) ~~an~~ AN authenticating trustee, registrar, transfer
19 agent, or other person entrusted by the issuer with the signing
20 of the security CERTIFICATE, OR of similar ~~securities or of ini-~~
21 ~~tial transaction statements~~ SECURITY CERTIFICATES, or the imme-
22 diate preparation for signing of any of them. ~~;/ or~~

23 (b) ~~an~~ AN employee of the issuer, or of any of the
24 ~~foregoing~~ PERSONS LISTED IN SUBDIVISION (A) entrusted with
25 responsible handling of the security ~~or initial transaction~~
26 ~~statement~~ CERTIFICATE.

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1 Sec. 8206. (1) If a ~~certificated security~~ SECURITY
2 CERTIFICATE contains the signatures necessary to its issue or
3 transfer but is incomplete in any other respect, IT MAY BE COM-
4 PLETED AS FOLLOWS:

5 (a) ~~any~~ ANY person may complete it by filling in the
6 blanks as authorized. ~~;~~ ~~and~~

7 (b) ~~even~~ EVEN though the blanks are incorrectly filled in,
8 the security as completed is enforceable by a purchaser who took
9 it for value and without notice of the incorrectness.

10 (2) A complete ~~certificated security~~ SECURITY CERTIFICATE
11 that has been improperly altered, even ~~though~~ IF fraudulently,
12 remains enforceable, but only according to its original terms.

13 ~~(3) If an initial transaction statement contains the signa-~~
14 ~~tures necessary to its validity, but is incomplete in any other~~
15 ~~respect:~~

16 ~~(a) any person may complete it by filling in the blanks as~~
17 ~~authorized;~~ ~~and~~

18 ~~(b) even though the blanks are incorrectly filled in, the~~
19 ~~statement as completed is effective in favor of the person to~~
20 ~~whom it is sent if that person purchased the security referred to~~
21 ~~in the statement for value and without notice of the~~
22 ~~incorrectness.~~

23 ~~(4) A complete initial transaction statement that has been~~
24 ~~improperly altered, even though fraudulently, is effective in~~
25 ~~favor of a purchaser to whom it has been sent, but only according~~
26 ~~to its original terms.~~

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1 Sec. 8207. (1) ~~Prior to~~ BEFORE due presentment for
2 registration of transfer of a certificated security in registered
3 form, OR OF AN INSTRUCTION REQUESTING REGISTRATION OF TRANSFER OF
4 AN UNCERTIFICATED SECURITY, the issuer or indenture trustee may
5 treat the registered owner as the person exclusively entitled to
6 vote, ~~to~~ receive notifications, and otherwise ~~to~~ exercise all
7 the rights and powers of an owner.

8 (2) ~~Subject to the provisions of subsections (3), (4), and~~
9 ~~(6), the issuer or indenture trustee may treat~~ THIS ARTICLE DOES
10 NOT AFFECT THE LIABILITY OF the registered owner of ~~an~~
11 ~~uncertificated~~ A security ~~as the person exclusively entitled to~~
12 ~~vote, to receive notifications, and otherwise to exercise all the~~
13 ~~rights and powers of an owner~~ FOR A CALL, ASSESSMENT, OR THE
14 LIKE.

15 ~~(3) The registered owner of an uncertificated security that~~
16 ~~is subject to a registered pledge is not entitled to registration~~
17 ~~of transfer prior to the due presentment to the issuer of a~~
18 ~~release instruction. The exercise of conversion rights with~~
19 ~~respect to a convertible uncertificated security is a transfer~~
20 ~~within the meaning of this section.~~

21 ~~(4) Upon due presentment of a transfer instruction from the~~
22 ~~registered pledgee of an uncertificated security, the issuer~~
23 ~~shall:~~

24 ~~(a) register the transfer of the security to the new owner~~
25 ~~free of pledge, if the instruction specifies a new owner, who may~~
26 ~~be the registered pledgee, and does not specify a pledgee;~~

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1 ~~(b) register the transfer of the security to the new owner~~
2 ~~subject to the interest of the existing pledgee, if the~~
3 ~~instruction specifies a new owner and the existing pledgee; or~~

4 ~~(c) register the release of the security from the existing~~
5 ~~pledge and register the pledge of the security to the other~~
6 ~~pledgee, if the instruction specifies the existing owner and~~
7 ~~another pledgee.~~

8 ~~(5) Continuity of perfection of a security interest is not~~
9 ~~broken by registration of transfer under subsection (4)(b) or by~~
10 ~~registration of release and pledge under subsection (4)(c), if~~
11 ~~the security interest is assigned.~~

12 ~~(6) If an uncertificated security is subject to a registered~~
13 ~~pledge:~~

14 ~~(a) any uncertificated securities issued in exchange for or~~
15 ~~distributed with respect to the pledged security shall be regis-~~
16 ~~tered subject to the pledge;~~

17 ~~(b) any certificated securities issued in exchange for or~~
18 ~~distributed with respect to the pledged security shall be deliv-~~
19 ~~ered to the registered pledgee; and~~

20 ~~(c) any money paid in exchange for or in redemption of part~~
21 ~~or all of the security shall be paid to the registered pledgee.~~

22 ~~(7) Nothing in this article shall be construed to affect the~~
23 ~~liability of the registered owner of a security for calls,~~
24 ~~assessments, or the like.~~

25 Sec. 8208. (1) A person ~~placing his or her signature upon~~
26 ~~a certificated security or an initial transaction statement~~
27 ~~SIGNING A SECURITY CERTIFICATE as authenticating trustee,~~

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1 registrar, transfer agent, or the like, warrants to a purchaser
2 for value of the certificated security, ~~or a purchaser for value~~
3 ~~of an uncertificated security to whom the initial transaction~~
4 ~~statement has been sent,~~ if the purchaser is without notice of
5 the particular defect, that:

6 (a) ~~the certificated security or initial transaction~~
7 ~~statement~~ THE CERTIFICATE is genuine. ~~;~~

8 (b) ~~his or her~~ THE PERSON'S own participation in the issue
9 ~~or registration of the transfer, pledge, or release~~ of the
10 security is within ~~his or her~~ THE PERSON'S capacity and within
11 the scope of the authority received by ~~him or her~~ THE PERSON
12 from the issuer. ~~;~~ ~~and~~

13 (c) ~~he or she~~ THE PERSON has reasonable grounds to believe
14 that the CERTIFICATED security is in the form and within the
15 amount the issuer is authorized to issue.

16 (2) Unless otherwise agreed, a person ~~by so placing his or~~
17 ~~her signature~~ SIGNING UNDER SUBSECTION (1) does not assume
18 responsibility for the validity of the security in other
19 respects.

20 SEC. 8210. (1) IN THIS SECTION, "OVERISSUE" MEANS THE ISSUE
21 OF SECURITIES IN EXCESS OF THE AMOUNT THE ISSUER HAS CORPORATE
22 POWER TO ISSUE, BUT AN OVERISSUE DOES NOT OCCUR IF APPROPRIATE
23 ACTION HAS CURED THE OVERISSUE.

24 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (3) AND (4),
25 THE PROVISIONS OF THIS ARTICLE WHICH VALIDATE A SECURITY OR
26 COMPEL ITS ISSUE OR REISSUE DO NOT APPLY TO THE EXTENT THAT
27 VALIDATION, ISSUE, OR REISSUE WOULD RESULT IN OVERISSUE.

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1 (3) IF AN IDENTICAL SECURITY NOT CONSTITUTING AN OVERISSUE
2 IS REASONABLY AVAILABLE FOR PURCHASE, A PERSON ENTITLED TO ISSUE
3 OR VALIDATION MAY COMPEL THE ISSUER TO PURCHASE THE SECURITY AND
4 DELIVER IT IF CERTIFICATED OR REGISTER ITS TRANSFER IF UNCERTIFI-
5 CATED, AGAINST SURRENDER OF ANY SECURITY CERTIFICATE THE PERSON
6 HOLDS.

7 (4) IF A SECURITY IS NOT REASONABLY AVAILABLE FOR PURCHASE,
8 A PERSON ENTITLED TO ISSUE OR VALIDATION MAY RECOVER FROM THE
9 ISSUER THE PRICE THE PERSON OR THE LAST PURCHASER FOR VALUE PAID
10 FOR IT WITH INTEREST FROM THE DATE OF THE PERSON'S DEMAND.

11 Sec. 8301. ~~(1) Upon transfer of a security to a purchaser~~
12 ~~(section 8313), the purchaser acquires the rights in the security~~
13 ~~which his or her transferor had or had actual authority to convey~~
14 ~~unless the purchaser's rights are limited by section 8302(4).~~

15 ~~(2) A transferee of a limited interest acquires rights only~~
16 ~~to the extent of the interest transferred. The creation or~~
17 ~~release of a security interest in a security is the transfer of a~~
18 ~~limited interest in that security.~~

19 (1) DELIVERY OF A CERTIFICATED SECURITY TO A PURCHASER
20 OCCURS WHEN 1 OF THE FOLLOWING OCCURS:

21 (A) THE PURCHASER ACQUIRES POSSESSION OF THE SECURITY
22 CERTIFICATE.

23 (B) ANOTHER PERSON, OTHER THAN A SECURITIES INTERMEDIARY,
24 EITHER ACQUIRES POSSESSION OF THE SECURITY CERTIFICATE ON BEHALF
25 OF THE PURCHASER OR, HAVING PREVIOUSLY ACQUIRED POSSESSION OF THE
26 CERTIFICATE, ACKNOWLEDGES THAT IT HOLDS FOR THE PURCHASER.

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1 (C) A SECURITIES INTERMEDIARY ACTING ON BEHALF OF THE
2 PURCHASER ACQUIRES POSSESSION OF THE SECURITY CERTIFICATE, ONLY
3 IF THE CERTIFICATE IS IN REGISTERED FORM AND HAS BEEN SPECIALLY
4 INDORSED TO THE PURCHASER BY AN EFFECTIVE INDORSEMENT.

5 (2) DELIVERY OF AN UNCERTIFICATED SECURITY TO A PURCHASER
6 OCCURS WHEN EITHER OF THE FOLLOWING OCCURS:

7 (A) THE ISSUER REGISTERS THE PURCHASER AS THE REGISTERED
8 OWNER, UPON ORIGINAL ISSUE OR REGISTRATION OF TRANSFER.

9 (B) ANOTHER PERSON, OTHER THAN A SECURITIES INTERMEDIARY,
10 EITHER BECOMES THE REGISTERED OWNER OF THE UNCERTIFICATED SECUR-
11 ITY ON BEHALF OF THE PURCHASER OR, HAVING PREVIOUSLY BECOME THE
12 REGISTERED OWNER, ACKNOWLEDGES THAT IT HOLDS FOR THE PURCHASER.

13 Sec. 8302. ~~(1) A "bona fide purchaser" is a purchaser for~~
14 ~~value in good faith and without notice of any adverse claim:~~

15 ~~(a) who takes delivery of a certificated security in bearer~~
16 ~~form or in registered form, issued or indorsed to him or her or~~
17 ~~in blank;~~

18 ~~(b) to whom the transfer, pledge, or release of an uncertif-~~
19 ~~icated security is registered on the books of the issuer; or~~

20 ~~(c) to whom a security is transferred under~~
21 ~~section 8313(1)(c), (d)(i), or (g).~~

22 ~~(2) "Adverse claim" includes a claim that a transfer was or~~
23 ~~would be wrongful or that a particular adverse person is the~~
24 ~~owner of or has an interest in the security.~~

25 ~~(3) A bona fide purchaser in addition to acquiring the~~
26 ~~rights of a purchaser (section 8301) also acquires his or her~~
27 ~~interest in the security free of any adverse claim.~~

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1 ~~(4) Notwithstanding section 8301(1), the transferee of a~~
2 ~~particular certificated security who has been a party to any~~
3 ~~fraud or illegality affecting the security, or who as a prior~~
4 ~~holder of that certificated security had notice of an adverse~~
5 ~~claim, cannot improve his or her position by taking from a bona~~
6 ~~fide purchaser.~~

7 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (2) AND (3),
8 UPON DELIVERY OF A CERTIFICATED OR UNCERTIFICATED SECURITY TO A
9 PURCHASER, THE PURCHASER ACQUIRES ALL RIGHTS IN THE SECURITY THAT
10 THE TRANSFEROR HAD OR HAD POWER TO TRANSFER.

11 (2) A PURCHASER OF A LIMITED INTEREST ACQUIRES RIGHTS ONLY
12 TO THE EXTENT OF THE INTEREST PURCHASED.

13 (3) A PURCHASER OF A CERTIFICATED SECURITY WHO AS A PREVIOUS
14 HOLDER HAD NOTICE OF AN ADVERSE CLAIM DOES NOT IMPROVE ITS POSI-
15 TION BY TAKING FROM A PROTECTED PURCHASER.

16 Sec. 8303. ~~"Broker" means a person engaged for all or part~~
17 ~~of his time in the business of buying and selling securities, who~~
18 ~~in the transaction concerned acts for, or buys a security from or~~
19 ~~sells a security to a customer. Nothing in this article deter-~~
20 ~~mines the capacity in which a person acts for purposes of any~~
21 ~~other statute or rule to which such person is subject.~~

22 (1) "PROTECTED PURCHASER" MEANS A PURCHASER OF A CERTIFI-
23 CATED OR UNCERTIFICATED SECURITY, OR OF AN INTEREST IN A CERTIFI-
24 CATED OR UNCERTIFICATED SECURITY AND MEETS ALL OF THE FOLLOWING:

25 (A) GIVES VALUE.

26 (B) DOES NOT HAVE NOTICE OF ANY ADVERSE CLAIM TO THE
27 SECURITY.

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1 (C) OBTAINS CONTROL OF THE CERTIFICATED OR UNCERTIFICATED
2 SECURITY.

3 (2) IN ADDITION TO ACQUIRING THE RIGHTS OF A PURCHASER, A
4 PROTECTED PURCHASER ALSO ACQUIRES ITS INTEREST IN THE SECURITY
5 FREE OF ANY ADVERSE CLAIM.

6 Sec. 8304. ~~(1) A purchaser, including a broker for the~~
7 ~~seller or buyer but excluding an intermediary bank, of a certifi-~~
8 ~~cated security is charged with notice of adverse claims if:~~

9 ~~(a) the security, whether in bearer or registered form, has~~
10 ~~been indorsed "for collection" or "for surrender" or for some~~
11 ~~other purpose not involving transfer; or~~

12 ~~(b) the security is in bearer form and has on it an unambig-~~
13 ~~uous statement that it is the property of a person other than the~~
14 ~~transferor. The mere writing of a name on a security is not such~~
15 ~~a statement.~~

16 ~~(2) A purchaser, including a broker for the seller or buyer,~~
17 ~~but excluding an intermediary bank, to whom the transfer, pledge,~~
18 ~~or release of an uncertificated security is registered is charged~~
19 ~~with notice of adverse claims as to which the issuer has a duty~~
20 ~~under section 8403(4) at the time of registration and which are~~
21 ~~noted in the initial transaction statement sent to the purchaser~~
22 ~~or, if the interest is transferred to him or her other than by~~
23 ~~registration of transfer, pledge, or release, the initial trans-~~
24 ~~action statement sent to the registered owner or the registered~~
25 ~~pledgee.~~

26 ~~(3) The fact that the purchaser, including a broker for the~~
27 ~~seller or buyer, of a certificated or uncertificated security has~~

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~~1 notice that the security is held for a third person or is
2 registered in the name of or indorsed by a fiduciary does not
3 create a duty of inquiry into the rightfulness of the transfer or
4 constitute constructive notice of adverse claims. However, if
5 the purchaser, excluding an intermediary bank, has knowledge that
6 the proceeds are being used or the transaction is for the indi-
7 vidual benefit of the fiduciary or otherwise in breach of duty,
8 the purchaser is charged with notice of adverse claims.~~

9 (1) AN INDORSEMENT MAY BE IN BLANK OR SPECIAL. AN INDORSE-
10 MENT IN BLANK INCLUDES AN INDORSEMENT TO BEARER. A SPECIAL
11 INDORSEMENT SPECIFIES TO WHOM A SECURITY IS TO BE TRANSFERRED OR
12 WHO HAS POWER TO TRANSFER IT. A HOLDER MAY CONVERT A BLANK
13 INDORSEMENT TO A SPECIAL INDORSEMENT.

14 (2) AN INDORSEMENT PURPORTING TO BE ONLY OF PART OF A SECUR-
15 ITY CERTIFICATE REPRESENTING UNITS INTENDED BY THE ISSUER TO BE
16 SEPARATELY TRANSFERABLE IS EFFECTIVE TO THE EXTENT OF THE
17 INDORSEMENT.

18 (3) AN INDORSEMENT, WHETHER SPECIAL OR IN BLANK, DOES NOT
19 CONSTITUTE A TRANSFER UNTIL DELIVERY OF THE CERTIFICATE ON WHICH
20 IT APPEARS OR, IF THE INDORSEMENT IS ON A SEPARATE DOCUMENT,
21 UNTIL DELIVERY OF BOTH THE DOCUMENT AND THE CERTIFICATE.

22 (4) IF A SECURITY CERTIFICATE IN REGISTERED FORM HAS BEEN
23 DELIVERED TO A PURCHASER WITHOUT A NECESSARY INDORSEMENT, THE
24 PURCHASER MAY BECOME A PROTECTED PURCHASER ONLY WHEN THE INDORSE-
25 MENT IS SUPPLIED. HOWEVER, AGAINST A TRANSFEROR, A TRANSFER IS
26 COMPLETE UPON DELIVERY AND THE PURCHASER HAS A SPECIFICALLY
27 ENFORCEABLE RIGHT TO HAVE ANY NECESSARY INDORSEMENT SUPPLIED.

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1 (5) AN INDORSEMENT OF A SECURITY CERTIFICATE IN BEARER FORM
2 MAY GIVE NOTICE OF AN ADVERSE CLAIM TO THE CERTIFICATE, BUT IT
3 DOES NOT OTHERWISE AFFECT A RIGHT TO REGISTRATION THAT THE HOLDER
4 POSSESSES.

5 (6) UNLESS OTHERWISE AGREED, A PERSON MAKING AN INDORSEMENT
6 ASSUMES ONLY THE OBLIGATIONS PROVIDED IN SECTION 8108 AND NOT AN
7 OBLIGATION THAT THE SECURITY WILL BE HONORED BY THE ISSUER.

8 Sec. 8305. ~~An act or event that creates a right to immedi-~~
9 ~~ate performance of the principal obligation represented by a cer-~~
10 ~~tificated security or sets a date on or after which a certifi-~~
11 ~~cated security is to be presented or surrendered for redemption~~
12 ~~or exchange does not itself constitute any notice of adverse~~
13 ~~claims except in the case of a transfer:~~

14 ~~(a) after 1 year from any date set for presentment or sur-~~
15 ~~render for redemption or exchange; or~~

16 ~~(b) after 6 months from any date set for payment of money~~
17 ~~against presentation or surrender of the security if funds are~~
18 ~~available for payment on that date.~~

19 (1) IF AN INSTRUCTION HAS BEEN ORIGINATED BY AN APPROPRIATE
20 PERSON BUT IS INCOMPLETE IN ANY OTHER RESPECT, ANY PERSON MAY
21 COMPLETE IT AS AUTHORIZED AND THE ISSUER MAY RELY ON IT AS COM-
22 PLETED, EVEN THOUGH IT HAS BEEN COMPLETED INCORRECTLY.

23 (2) UNLESS OTHERWISE AGREED, A PERSON INITIATING AN INSTRUC-
24 TION ASSUMES ONLY THE OBLIGATIONS IMPOSED BY SECTION 8108 AND NOT
25 AN OBLIGATION THAT THE SECURITY WILL BE HONORED BY THE ISSUER.

26 Sec. 8306. ~~(1) A person who presents a certificated~~
27 ~~security for registration of transfer or for payment or exchange~~

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1 ~~warrants to the issuer that he or she is entitled to the~~
2 ~~registration, payment, or exchange. But, a purchaser for value~~
3 ~~and without notice of adverse claims who receives a new, reis-~~
4 ~~sued, or re-registered certificated security on registration of~~
5 ~~transfer or receives an initial transaction statement confirming~~
6 ~~the registration of transfer of an equivalent uncertificated~~
7 ~~security to him or her warrants only that he or she has no knowl-~~
8 ~~edge of any unauthorized signature (section 8311) in a necessary~~
9 ~~indorsement.~~

10 ~~(2) A person by transferring a certificated security to a~~
11 ~~purchaser for value warrants only that:~~

12 ~~(a) the transfer is effective and rightful;~~

13 ~~(b) the security is genuine and has not been materially~~
14 ~~altered; and~~

15 ~~(c) he or she knows no fact which might impair the validity~~
16 ~~of the security.~~

17 ~~(3) If a certificated security is delivered by an intermedi-~~
18 ~~ary known to be entrusted with delivery of the security on behalf~~
19 ~~of another or with collection of a draft or other claim against~~
20 ~~delivery, the intermediary by delivery warrants only his or her~~
21 ~~own good faith and authority even though he or she has purchased~~
22 ~~or made advances against the claim to be collected against the~~
23 ~~delivery.~~

24 ~~(4) A pledgee or other holder for security who redelivers a~~
25 ~~certificated security received, or after payment and on order of~~
26 ~~the debtor delivers that security to a third person, makes only~~
27 ~~the warranties of an intermediary under subsection (3).~~

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1 ~~(5) A person who originates an instruction warrants to the~~
2 ~~issuer that:~~

3 ~~(a) he or she is an appropriate person to originate the~~
4 ~~instruction; and~~

5 ~~(b) at the time the instruction is presented to the issuer~~
6 ~~he or she will be entitled to the registration of transfer,~~
7 ~~pledge, or release.~~

8 ~~(6) A person who originates an instruction warrants to any~~
9 ~~person specially guaranteeing his or her signature~~
10 ~~(section 8312(3)) that:~~

11 ~~(a) he or she is an appropriate person to originate the~~
12 ~~instruction; and~~

13 ~~(b) at the time the instruction is presented to the issuer:~~

14 ~~(i) he or she will be entitled to the registration of trans-~~
15 ~~fer, pledge, or release; and~~

16 ~~(ii) the transfer, pledge, or release requested in the~~
17 ~~instruction will be registered by the issuer free from all liens,~~
18 ~~security interests, restrictions, and claims other than those~~
19 ~~specified in the instruction.~~

20 ~~(7) A person who originates an instruction warrants to a~~
21 ~~purchaser for value and to any person guaranteeing the instruc-~~
22 ~~tion (Section 8312(6)) that:~~

23 ~~(a) he or she is an appropriate person to originate the~~
24 ~~instruction;~~

25 ~~(b) the uncertificated security referred to in the instruc-~~
26 ~~tion is valid; and~~

1 ~~(c) at the time the instruction is presented to the issuer;~~
2 ~~(i) the transferor will be entitled to the registration of~~
3 ~~transfer, pledge, or release;~~
4 ~~(ii) the transfer, pledge, or release requested in the~~
5 ~~instruction will be registered by the issuer free from all liens,~~
6 ~~security interests, restrictions, and claims other than those~~
7 ~~specified in the instruction; and~~
8 ~~(iii) the requested transfer, pledge, or release will be~~
9 ~~rightful.~~
10 ~~(8) If a secured party is the registered pledgee or the reg-~~
11 ~~istered owner of an uncertificated security, a person who origi-~~
12 ~~nates an instruction of release or transfer to the debtor or,~~
13 ~~after payment and on order of the debtor, a transfer instruction~~
14 ~~to a third person, warrants to the debtor or the third person~~
15 ~~only that he or she is an appropriate person to originate the~~
16 ~~instruction and at the time the instruction is presented to the~~
17 ~~issuer, the transferor will be entitled to the registration of~~
18 ~~release or transfer. If a transfer instruction to a third person~~
19 ~~who is a purchaser for value is originated on order of the~~
20 ~~debtor, the debtor makes to the purchaser the warranties of~~
21 ~~subsection (7)(b), and (c)(ii), and (iii).~~
22 ~~(9) A person who transfers an uncertificated security to a~~
23 ~~purchaser for value and does not originate an instruction in con-~~
24 ~~nection with the transfer warrants only that:~~
25 ~~(a) the transfer is effective and rightful; and~~
26 ~~(b) the uncertificated security is valid.~~

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1 ~~(10) A broker gives to his or her customer and to the issuer~~
2 ~~and a purchaser the applicable warranties provided in this~~
3 ~~section and has the rights and privileges of a purchaser under~~
4 ~~this section. The warranties of and in favor of the broker~~
5 ~~acting as an agent are in addition to applicable warranties given~~
6 ~~by and in favor of his or her customer.~~

7 (1) A PERSON WHO GUARANTEES A SIGNATURE OF AN INDORSER OF A
8 SECURITY CERTIFICATE WARRANTS THAT AT THE TIME OF SIGNING ALL OF
9 THE FOLLOWING ARE TRUE:

10 (A) THE SIGNATURE WAS GENUINE.

11 (B) THE SIGNER WAS AN APPROPRIATE PERSON TO INDORSE, OR IF
12 THE SIGNATURE IS BY AN AGENT, THE AGENT HAD ACTUAL AUTHORITY TO
13 ACT ON BEHALF OF THE APPROPRIATE PERSON.

14 (C) THE SIGNER HAD LEGAL CAPACITY TO SIGN.

15 (2) A PERSON WHO GUARANTEES A SIGNATURE OF THE ORIGINATOR OF
16 AN INSTRUCTION WARRANTS THAT AT THE TIME OF SIGNING ALL OF THE
17 FOLLOWING ARE TRUE:

18 (A) THE SIGNATURE WAS GENUINE.

19 (B) THE SIGNER WAS AN APPROPRIATE PERSON TO ORIGINATE THE
20 INSTRUCTION, OR IF THE SIGNATURE IS BY AN AGENT, THE AGENT HAD
21 ACTUAL AUTHORITY TO ACT ON BEHALF OF THE APPROPRIATE PERSON, IF
22 THE PERSON SPECIFIED IN THE INSTRUCTION AS THE REGISTERED OWNER
23 WAS, IN FACT, THE REGISTERED OWNER, AS TO WHICH FACT THE SIGNA-
24 TURE GUARANTOR DOES NOT MAKE A WARRANTY.

25 (C) THE SIGNER HAD LEGAL CAPACITY TO SIGN.

26 (3) A PERSON WHO SPECIALLY GUARANTEES THE SIGNATURE OF AN
27 ORIGINATOR OF AN INSTRUCTION MAKES THE WARRANTIES OF A SIGNATURE

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1 GUARANTOR UNDER SUBSECTION (2) AND ALSO WARRANTS THAT AT THE TIME
2 THE INSTRUCTION IS PRESENTED TO THE ISSUER:

3 (A) THE PERSON SPECIFIED IN THE INSTRUCTION AS THE REGIS-
4 TERED OWNER OF THE UNCERTIFICATED SECURITY WILL BE THE REGISTERED
5 OWNER.

6 (B) THE TRANSFER OF THE UNCERTIFICATED SECURITY REQUESTED IN
7 THE INSTRUCTION WILL BE REGISTERED BY THE ISSUER FREE FROM ALL
8 LIENS, SECURITY INTERESTS, RESTRICTIONS, AND CLAIMS OTHER THAN
9 THOSE SPECIFIED IN THE INSTRUCTION.

10 (4) A GUARANTOR UNDER SUBSECTIONS (1) AND (2) OR A SPECIAL
11 GUARANTOR UNDER SUBSECTION (3) DOES NOT OTHERWISE WARRANT THE
12 RIGHTFULNESS OF THE TRANSFER.

13 (5) A PERSON WHO GUARANTEES AN INDORSEMENT OF A SECURITY
14 CERTIFICATE MAKES THE WARRANTIES OF A SIGNATURE GUARANTOR UNDER
15 SUBSECTION (1) AND ALSO WARRANTS THE RIGHTFULNESS OF THE TRANSFER
16 IN ALL RESPECTS.

17 (6) A PERSON WHO GUARANTEES AN INSTRUCTION REQUESTING THE
18 TRANSFER OF AN UNCERTIFICATED SECURITY MAKES THE WARRANTIES OF A
19 SPECIAL SIGNATURE GUARANTOR UNDER SUBSECTION (3) AND ALSO WAR-
20 RANTS THE RIGHTFULNESS OF THE TRANSFER IN ALL RESPECTS.

21 (7) AN ISSUER MAY NOT REQUIRE A SPECIAL GUARANTY OF SIGNA-
22 TURE, A GUARANTY OF INDORSEMENT, OR A GUARANTY OF INSTRUCTION AS
23 A CONDITION TO REGISTRATION OF TRANSFER.

24 (8) THE WARRANTIES UNDER THIS SECTION ARE MADE TO A PERSON
25 TAKING OR DEALING WITH THE SECURITY IN RELIANCE ON THE GUARANTY,
26 AND THE GUARANTOR IS LIABLE TO THE PERSON FOR LOSS RESULTING FROM
27 THEIR BREACH. AN INDORSER OR ORIGINATOR OF AN INSTRUCTION WHOSE

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1 SIGNATURE, INDORSEMENT, OR INSTRUCTION HAS BEEN GUARANTEED IS
2 LIABLE TO A GUARANTOR FOR ANY LOSS SUFFERED BY THE GUARANTOR AS A
3 RESULT OF BREACH OF THE WARRANTIES OF THE GUARANTOR.

4 Sec. 8307. ~~If a certificated security in registered form~~
5 ~~has been delivered to a purchaser without a necessary indorse-~~
6 ~~ment, the purchaser may become a bona fide purchaser only as of~~
7 ~~the time the indorsement is supplied, but against the transferor,~~
8 ~~the transfer is complete upon delivery and the purchaser has a~~
9 ~~specifically enforceable right to have any necessary indorsement~~
10 ~~supplied.~~ UNLESS OTHERWISE AGREED, THE TRANSFEROR OF A SECURITY
11 ON DUE DEMAND SHALL SUPPLY THE PURCHASER WITH PROOF OF AUTHORITY
12 TO TRANSFER OR WITH ANY OTHER REQUISITE NECESSARY TO OBTAIN REG-
13 ISTRATION OF THE TRANSFER OF THE SECURITY, BUT IF THE TRANSFER IS
14 NOT FOR VALUE, A TRANSFEROR NEED NOT COMPLY UNLESS THE PURCHASER
15 PAYS THE NECESSARY EXPENSES. IF THE TRANSFEROR FAILS WITHIN A
16 REASONABLE TIME TO COMPLY WITH THE DEMAND, THE PURCHASER MAY
17 REJECT OR RESCIND THE TRANSFER.

18 Sec. 8401. ~~(1) If a certificated security in registered~~
19 ~~form is presented to the issuer with a request to register trans-~~
20 ~~fer or an instruction is presented to the issuer with a request~~
21 ~~to register transfer, pledge, or release, the issuer shall regis-~~
22 ~~ter the transfer, pledge, or release as requested if:~~

23 ~~(a) the security is indorsed or the instruction was origi-~~
24 ~~nated by the appropriate person or persons (section 8308);~~

25 ~~(b) reasonable assurance is given that those indorsements or~~
26 ~~instructions are genuine and effective (section 8402);~~

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1 ~~(c) the issuer has no duty as to adverse claims or has~~
2 ~~discharged the duty (section 8403);~~

3 ~~(d) any applicable law relating to the collection of taxes~~
4 ~~has been complied with; and~~

5 ~~(e) the transfer, pledge, or release is in fact rightful or~~
6 ~~is to a bona fide purchaser.~~

7 ~~(2) If an issuer is under a duty to register a transfer,~~
8 ~~pledge, or release of a security, the issuer is also liable to~~
9 ~~the person presenting a certificated security or an instruction~~
10 ~~for registration or his or her principal for loss resulting from~~
11 ~~any unreasonable delay in registration or from failure or refusal~~
12 ~~to register the transfer, pledge, or release.~~

13 (1) IF A CERTIFICATED SECURITY IN REGISTERED FORM IS
14 PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OR AN
15 INSTRUCTION IS PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER
16 TRANSFER OF AN UNCERTIFICATED SECURITY, THE ISSUER SHALL REGISTER
17 THE TRANSFER AS REQUESTED IF:

18 (A) UNDER THE TERMS OF THE SECURITY THE PERSON SEEKING REG-
19 ISTRATION OF TRANSFER IS ELIGIBLE TO HAVE THE SECURITY REGISTERED
20 IN ITS NAME.

21 (B) THE INDORSEMENT OR INSTRUCTION IS MADE BY THE APPROPRI-
22 ATE PERSON OR BY AN AGENT WHO HAS ACTUAL AUTHORITY TO ACT ON
23 BEHALF OF THE APPROPRIATE PERSON.

24 (C) REASONABLE ASSURANCE IS GIVEN THAT THE INDORSEMENT OR
25 INSTRUCTION IS GENUINE AND AUTHORIZED IN ACCORDANCE WITH SECTION
26 8402.

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1 (D) ANY APPLICABLE LAW RELATING TO THE COLLECTION OF TAXES
2 HAS BEEN COMPLIED WITH.

3 (E) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON TRANS-
4 FER IMPOSED BY THE ISSUER IN ACCORDANCE WITH SECTION 8204.

5 (F) A DEMAND THAT THE ISSUER NOT REGISTER TRANSFER HAS NOT
6 BECOME EFFECTIVE UNDER SECTION 8403(2), OR THE ISSUER HAS COM-
7 PLIED WITH SECTION 8403 BUT NO LEGAL PROCESS OR INDEMNITY BOND IS
8 OBTAINED AS PROVIDED IN SECTION 8403(4).

9 (G) THE TRANSFER IS IN FACT RIGHTFUL OR IS TO A PROTECTED
10 PURCHASER.

11 (2) IF AN ISSUER IS UNDER A DUTY TO REGISTER A TRANSFER OF A
12 SECURITY, THE ISSUER IS LIABLE TO A PERSON PRESENTING A CERTIFI-
13 CATED SECURITY OR AN INSTRUCTION FOR REGISTRATION OR TO THE
14 PERSON'S PRINCIPAL FOR LOSS RESULTING FROM UNREASONABLE DELAY IN
15 REGISTRATION OR FAILURE OR REFUSAL TO REGISTER THE TRANSFER.

16 Sec. 8402. (1) The issuer may require the following assur-
17 ance that each necessary indorsement ~~of a certificated security~~
18 or each instruction ~~(section 8308)~~ is genuine and ~~effective~~
19 AUTHORIZED:

20 (a) ~~in~~ IN all cases, a guarantee of the signature
21 ~~(section 8312(1) or (2))~~ of the person ~~indorsing a certifi-~~
22 ~~cated security~~ MAKING AN INDORSEMENT or originating an instruc-
23 tion including, in the case of an instruction, ~~a warranty of the~~
24 ~~taxpayer identification number or, in the absence of the taxpayer~~
25 ~~identification number, other~~ reasonable assurance of identity.
26 ~~;~~

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1 (b) ~~if~~ IF the indorsement is made or the instruction is
2 originated by an agent, appropriate assurance of ACTUAL authority
3 to sign. ~~;~~

4 (c) ~~if~~ IF the indorsement is made or the instruction is
5 originated by a fiduciary PURSUANT TO SECTION 8107(1)(D) OR (E),
6 appropriate evidence of appointment or incumbency. ~~;~~

7 (d) ~~if~~ IF there is more than 1 fiduciary, reasonable assur-
8 ance that all who are required to sign have done so. ~~;~~ ~~and~~

9 (e) ~~if~~ IF the indorsement is made or the instruction is
10 originated by a person not covered by ~~any of the foregoing~~
11 ANOTHER PROVISION OF THIS SUBSECTION, assurance appropriate to
12 the case corresponding as nearly as may be to the ~~foregoing~~
13 PROVISIONS OF THIS SUBSECTION.

14 (2) AN ISSUER MAY ELECT TO REQUIRE REASONABLE ASSURANCE
15 BEYOND THAT SPECIFIED IN THIS SECTION.

16 (3) ~~(2)~~ A "guarantee" AS USED IN THIS SECTION:

17 (A) "GUARANTEE of the signature" ~~in subsection (1)~~ means a
18 guarantee signed by or on behalf of a person reasonably believed
19 by the issuer to be responsible. The issuer may adopt standards
20 with respect to responsibility if the standards are not mani-
21 festly unreasonable.

22 (B) ~~(3)~~ "Appropriate evidence of appointment or
23 incumbency" ~~in subsection (1)~~ means EITHER OF THE FOLLOWING:

24 (i) ~~(a) in~~ IN the case of a fiduciary appointed or quali-
25 fied by a court, a certificate issued by or under the direction
26 or supervision of that court or an officer of that court and

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1 dated within 60 days before the date of presentation for
2 transfer. ~~, pledge, or release; or~~
3 (ii) ~~(b) in~~ IN any other case, a copy of a document show-
4 ing the appointment or a certificate issued by or on behalf of a
5 person reasonably believed by the issuer to be responsible or, in
6 the absence of that document or certificate, other evidence THE
7 ISSUER reasonably ~~deemed by the issuer to be~~ CONSIDERED
8 appropriate. ~~The issuer may adopt standards with respect to the~~
9 ~~evidence if the standards are not manifestly unreasonable. The~~
10 ~~issuer is not charged with notice of the contents of any document~~
11 ~~obtained pursuant to this subdivision except to the extent that~~
12 ~~the contents relate directly to the appointment or incumbency.~~

13 (4) ~~The issuer may elect to require reasonable assurance~~
14 ~~beyond that specified in this section, but if it does so and for~~
15 ~~a purpose other than that specified in subsection (3)(b), both~~
16 ~~requires and obtains a copy of a will, trust, indenture, articles~~
17 ~~of copartnership, bylaws, or other controlling instrument, it is~~
18 ~~charged with notice of all matters contained therein affecting~~
19 ~~the transfer, pledge, or release.~~

20 Sec. 8403. ~~(1) An issuer to whom a certificated security~~
21 ~~is presented for registration shall inquire into adverse claims~~
22 ~~if:~~

23 (a) ~~a written notification of an adverse claim is received~~
24 ~~at a time and in a manner affording the issuer a reasonable~~
25 ~~opportunity to act on it prior to the issuance of a new, reis-~~
26 ~~sued, or re-registered certificated security, and the~~
27 ~~notification identifies the claimant, the registered owner, and~~

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1 ~~the issue of which the security is a part, and provides an~~
2 ~~address for communications directed to the claimant; or~~

3 ~~(b) the issuer is charged with notice of an adverse claim~~
4 ~~from a controlling instrument it has elected to require under~~
5 ~~section 8402(4).~~

6 ~~(2) The issuer may discharge any duty of inquiry by any rea-~~
7 ~~sonable means, including notifying an adverse claimant by regis-~~
8 ~~tered or certified mail at the address furnished by the claimant~~
9 ~~or, if there be no such address, at the claimant's residence or~~
10 ~~regular place of business, that the certificated security has~~
11 ~~been presented for registration of transfer by a named person,~~
12 ~~and that the transfer will be registered unless within 30 days~~
13 ~~from the date of mailing the notification, either:~~

14 ~~(a) an appropriate restraining order, injunction, or other~~
15 ~~process issues from a court of competent jurisdiction; or~~

16 ~~(b) there is filed with the issuer an indemnity bond, suffi-~~
17 ~~cient in the issuer's judgment to protect the issuer and any~~
18 ~~transfer agent, registrar, or other agent of the issuer involved~~
19 ~~from any loss it or they may suffer by complying with the adverse~~
20 ~~claim.~~

21 ~~(3) Unless an issuer is charged with notice of an adverse~~
22 ~~claim from a controlling instrument which it has elected to~~
23 ~~require under section 8402(4) or receives notification of an~~
24 ~~adverse claim under subsection (1), if a certificated security~~
25 ~~presented for registration is indorsed by the appropriate person~~
26 ~~or persons, the issuer is under no duty to inquire into adverse~~
27 ~~claims. In particular:~~

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1 ~~(a) an issuer registering a certificated security in the~~
2 ~~name of a person who is a fiduciary or who is described as a~~
3 ~~fiduciary is not bound to inquire into the existence, extent, or~~
4 ~~correct description of the fiduciary relationship; and thereafter~~
5 ~~the issuer may assume without inquiry that the newly registered~~
6 ~~owner continues to be the fiduciary until the issuer receives~~
7 ~~written notice that the fiduciary is no longer acting as such~~
8 ~~with respect to the particular security;~~

9 ~~(b) an issuer registering transfer on an indorsement by a~~
10 ~~fiduciary is not bound to inquire whether the transfer is made in~~
11 ~~compliance with a controlling instrument or with the law of the~~
12 ~~state having jurisdiction of the fiduciary relationship, includ-~~
13 ~~ing any law requiring the fiduciary to obtain court approval of~~
14 ~~the transfer; and~~

15 ~~(c) the issuer is not charged with notice of the contents of~~
16 ~~any court record or file or other recorded or unrecorded document~~
17 ~~even though the document is in its possession and even though the~~
18 ~~transfer is made on the indorsement of a fiduciary to the fidu-~~
19 ~~ciary himself or herself or to his or her nominee.~~

20 ~~(4) An issuer is under no duty as to adverse claims with~~
21 ~~respect to an uncertificated security except:~~

22 ~~(a) claims embodied in a restraining order, injunction, or~~
23 ~~other legal process served upon the issuer if the process was~~
24 ~~served at a time and in a manner affording the issuer a reason-~~
25 ~~able opportunity to act on it in accordance with the requirements~~
26 ~~of subsection (5);~~

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1 ~~(b) claims of which the issuer has received a written~~
2 ~~notification from the registered owner or the registered pledgee~~
3 ~~if the notification was received at a time and in a manner~~
4 ~~affording the issuer a reasonable opportunity to act on it in~~
5 ~~accordance with the requirements of subsection (5);~~

6 ~~(c) claims including restrictions on transfer not imposed by~~
7 ~~the issuer to which the registration of transfer to the present~~
8 ~~registered owner was subject and were so noted in the initial~~
9 ~~transaction statement sent to him or her; and~~

10 ~~(d) claims as to which an issuer is charged with notice from~~
11 ~~a controlling instrument it has elected to require under section~~
12 ~~8402(4).~~

13 ~~(5) If the issuer of an uncertificated security is under a~~
14 ~~duty as to an adverse claim, he or she discharges that duty by:~~

15 ~~(a) including a notation of the claim in any statements sent~~
16 ~~with respect to the security under section 8408(3), (6), and (7);~~
17 ~~and~~

18 ~~(b) refusing to register the transfer or pledge of the~~
19 ~~security unless the nature of the claim does not preclude trans-~~
20 ~~fer or pledge subject to the security.~~

21 ~~(6) If the transfer or pledge of the security is registered~~
22 ~~subject to an adverse claim, a notation of the claim shall be~~
23 ~~included in the initial transaction statement and all subsequent~~
24 ~~statements sent to the transferee and pledgee under section~~
25 ~~8408.~~

26 ~~(7) Notwithstanding subsections (4) and (5), if an~~
27 ~~uncertificated security was subject to a registered pledge at the~~

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1 ~~time the issuer first came under a duty as to a particular~~
2 ~~adverse claim, the issuer has no duty as to that claim if trans-~~
3 ~~fer of the security is requested by the registered pledgee or an~~
4 ~~appropriate person acting for the registered pledgee unless:~~

5 ~~(a) the claim was embodied in legal process which expressly~~
6 ~~provides otherwise;~~

7 ~~(b) the claim was asserted in a written notification from~~
8 ~~the registered pledgee;~~

9 ~~(c) the claim was one as to which the issuer was charged~~
10 ~~with notice from a controlling instrument it required under sec-~~
11 ~~tion 8402(4) in connection with the pledgee's request for trans-~~
12 ~~fer; or~~

13 ~~(d) the transfer requested is to the registered owner.~~

14 (1) A PERSON WHO IS AN APPROPRIATE PERSON TO MAKE AN
15 INDORSEMENT OR ORIGINATE AN INSTRUCTION MAY DEMAND THAT THE
16 ISSUER NOT REGISTER TRANSFER OF A SECURITY BY COMMUNICATING TO
17 THE ISSUER A NOTIFICATION THAT IDENTIFIES THE REGISTERED OWNER
18 AND THE ISSUE OF WHICH THE SECURITY IS A PART AND PROVIDES AN
19 ADDRESS FOR COMMUNICATIONS DIRECTED TO THE PERSON MAKING THE
20 DEMAND. THE DEMAND IS EFFECTIVE ONLY IF IT IS RECEIVED BY THE
21 ISSUER AT A TIME AND IN A MANNER AFFORDING THE ISSUER REASONABLE
22 OPPORTUNITY TO ACT ON IT.

23 (2) IF A CERTIFICATED SECURITY IN REGISTERED FORM IS
24 PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OR AN
25 INSTRUCTION IS PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER
26 TRANSFER OF AN UNCERTIFICATED SECURITY AFTER A DEMAND THAT THE
27 ISSUER NOT REGISTER TRANSFER HAS BECOME EFFECTIVE, THE ISSUER

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1 SHALL PROMPTLY COMMUNICATE TO THE PERSON WHO INITIATED THE DEMAND
2 AT THE ADDRESS PROVIDED IN THE DEMAND AND THE PERSON WHO
3 PRESENTED THE SECURITY FOR REGISTRATION OF TRANSFER OR INITIATED
4 THE INSTRUCTION REQUESTING REGISTRATION OF TRANSFER A NOTIFICA-
5 TION STATING ALL OF THE FOLLOWING:

6 (A) THE CERTIFICATED SECURITY HAS BEEN PRESENTED FOR REGIS-
7 TRATION OF TRANSFER OR INSTRUCTION FOR REGISTRATION OF TRANSFER
8 OF UNCERTIFICATED SECURITY HAS BEEN RECEIVED.

9 (B) A DEMAND THAT THE ISSUER NOT REGISTER TRANSFER HAD PRE-
10 VIOUSLY BEEN RECEIVED.

11 (C) THE ISSUER WILL WITHHOLD REGISTRATION OF TRANSFER FOR A
12 PERIOD OF TIME STATED IN THE NOTIFICATION IN ORDER TO PROVIDE THE
13 PERSON WHO INITIATED THE DEMAND AN OPPORTUNITY TO OBTAIN LEGAL
14 PROCESS OR AN INDEMNITY BOND.

15 (3) THE PERIOD DESCRIBED IN SUBSECTION (2)(C) MAY NOT EXCEED
16 30 DAYS AFTER THE DATE OF COMMUNICATION OF THE NOTIFICATION. A
17 SHORTER PERIOD MAY BE SPECIFIED BY THE ISSUER IF IT IS NOT MANI-
18 FESTLY UNREASONABLE.

19 (4) AN ISSUER IS NOT LIABLE TO A PERSON WHO INITIATED A
20 DEMAND THAT THE ISSUER NOT REGISTER TRANSFER FOR ANY LOSS THE
21 PERSON SUFFERS AS A RESULT OF REGISTRATION OF A TRANSFER PURSUANT
22 TO AN EFFECTIVE INDORSEMENT OR INSTRUCTION IF THE PERSON WHO INI-
23 TIATED THE DEMAND DOES NOT, WITHIN THE TIME STATED IN THE
24 ISSUER'S COMMUNICATION, DO EITHER OF THE FOLLOWING:

25 (A) OBTAIN AN APPROPRIATE RESTRAINING ORDER, INJUNCTION, OR
26 OTHER PROCESS FROM A COURT OF COMPETENT JURISDICTION ENJOINING
27 THE ISSUER FROM REGISTERING THE TRANSFER.

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1 (B) FILE WITH THE ISSUER AN INDEMNITY BOND, SUFFICIENT IN
2 THE ISSUER'S JUDGMENT TO PROTECT THE ISSUER AND ANY TRANSFER
3 AGENT, REGISTRAR, OR OTHER AGENT OF THE ISSUER INVOLVED FROM ANY
4 LOSS IT OR THEY MAY SUFFER BY REFUSING TO REGISTER THE TRANSFER.

5 (5) THIS SECTION DOES NOT RELIEVE AN ISSUER FROM LIABILITY
6 FOR REGISTERING TRANSFER PURSUANT TO AN INDORSEMENT OR INSTRUC-
7 TION THAT WAS NOT EFFECTIVE.

8 Sec. 8404. ~~(1) Except as provided in any law relating to~~
9 ~~the collection of taxes, the issuer is not liable to the owner,~~
10 ~~pledgee, or any other person suffering loss as a result of the~~
11 ~~registration of a transfer, pledge, or release of a security if:~~

12 ~~(a) there were on or with a certificated security the neces-~~
13 ~~sary indorsements or the issuer had received an instruction orig-~~
14 ~~inated by an appropriate person (section 8308); and~~

15 ~~(b) the issuer had no duty as to adverse claims or has dis-~~
16 ~~charged the duty (section 8403).~~

17 ~~(2) If an issuer has registered a transfer of a certificated~~
18 ~~security to a person not entitled to it, the issuer on demand~~
19 ~~shall deliver a like security to the true owner unless:~~

20 ~~(a) the registration was pursuant to subsection (1);~~

21 ~~(b) the owner is precluded from asserting any claim for reg-~~
22 ~~istering the transfer under section 8405(1); or~~

23 ~~(c) the delivery would result in overissue, in which case~~
24 ~~the issuer's liability is governed by section 8104.~~

25 ~~(3) If an issuer has improperly registered a transfer,~~
26 ~~pledge, or release of an uncertificated security, the issuer on~~
27 ~~demand from the injured party shall restore the records as to the~~

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1 ~~injured party to the condition that would have obtained if the~~
2 ~~improper registration had not been made unless:~~

3 ~~(a) the registration was pursuant to subsection (1); or~~

4 ~~(b) the registration would result in overissue, in which~~
5 ~~case the issuer's liability is governed by section 8104.~~

6 (1) EXCEPT AS OTHERWISE PROVIDED IN SECTION 8406, AN ISSUER
7 IS LIABLE FOR WRONGFUL REGISTRATION OF TRANSFER IF THE ISSUER HAS
8 REGISTERED A TRANSFER OF A SECURITY TO A PERSON NOT ENTITLED TO
9 IT, AND THE TRANSFER WAS REGISTERED IN 1 OR MORE OF THE FOLLOWING
10 WAYS:

11 (A) PURSUANT TO AN INEFFECTIVE INDORSEMENT OR INSTRUCTION.

12 (B) AFTER A DEMAND THAT THE ISSUER NOT REGISTER TRANSFER
13 BECAME EFFECTIVE UNDER SECTION 8403(1) AND THE ISSUER DID NOT
14 COMPLY WITH SECTION 8403(2).

15 (C) AFTER THE ISSUER HAD BEEN SERVED WITH AN INJUNCTION,
16 RESTRAINING ORDER, OR OTHER LEGAL PROCESS ENJOINING IT FROM REG-
17 ISTERING THE TRANSFER, ISSUED BY A COURT OF COMPETENT JURISDIC-
18 TION, AND THE ISSUER HAD A REASONABLE OPPORTUNITY TO ACT ON THE
19 INJUNCTION, RESTRAINING ORDER, OR OTHER LEGAL PROCESS.

20 (D) BY AN ISSUER ACTING IN COLLUSION WITH THE WRONGDOER.

21 (2) AN ISSUER THAT IS LIABLE FOR WRONGFUL REGISTRATION OF
22 TRANSFER UNDER SUBSECTION (1) ON DEMAND SHALL PROVIDE THE PERSON
23 ENTITLED TO THE SECURITY WITH A LIKE CERTIFICATED OR UNCERTIFI-
24 CATED SECURITY, AND ANY PAYMENTS OR DISTRIBUTIONS THAT THE PERSON
25 DID NOT RECEIVE AS A RESULT OF THE WRONGFUL REGISTRATION. IF AN
26 OVERISSUE WOULD RESULT, THE ISSUER'S LIABILITY TO PROVIDE THE
27 PERSON WITH A LIKE SECURITY IS GOVERNED BY SECTION 8210.

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1 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (1) OR IN A
2 LAW RELATING TO THE COLLECTION OF TAXES, AN ISSUER IS NOT LIABLE
3 TO AN OWNER OR OTHER PERSON SUFFERING LOSS AS A RESULT OF THE
4 REGISTRATION OF A TRANSFER OF A SECURITY IF REGISTRATION WAS MADE
5 PURSUANT TO AN EFFECTIVE INDORSEMENT OR INSTRUCTION.

6 Sec. 8405. ~~(1) If a certificated security has been lost,~~
7 ~~apparently destroyed, or wrongfully taken, and the owner fails to~~
8 ~~notify the issuer of that fact within a reasonable time after he~~
9 ~~or she has notice of it and the issuer registers a transfer of~~
10 ~~the security before receiving notification, the owner is pre-~~
11 ~~cluded from asserting against the issuer any claim for register-~~
12 ~~ing the transfer under section 8404 or any claim to a new secur-~~
13 ~~ity under this section.~~

14 ~~(2) If the owner of a certificated security claims that the~~
15 ~~security has been lost, destroyed, or wrongfully taken, the~~
16 ~~issuer shall issue a new certificated security or, at the option~~
17 ~~of the issuer, an equivalent uncertificated security in place of~~
18 ~~the original security if the owner:~~

19 ~~(a) so requests before the issuer has notice that the secur-~~
20 ~~ity has been acquired by a bona fide purchaser;~~

21 ~~(b) files with the issuer a sufficient indemnity bond; and~~

22 ~~(c) satisfies any other reasonable requirements imposed by~~
23 ~~the issuer.~~

24 ~~(3) If, after the issue of a new certificated or uncertifi-~~
25 ~~cated security, a bona fide purchaser of the original certifi-~~
26 ~~cated security presents it for registration of transfer, the~~
27 ~~issuer shall register the transfer unless registration would~~

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~~1 result in overissue, in which event the issuer's liability is
2 governed by section 8104. In addition to any rights on the
3 indemnity bond, the issuer may recover the new certificated
4 security from the person to whom it was issued or any person
5 taking under him or her except a bona fide purchaser or may
6 cancel the uncertificated security unless a bona fide purchaser
7 or any person taking under a bona fide purchaser is then the reg-
8 istered owner or registered pledgee of the security.~~

9 (1) IF AN OWNER OF A CERTIFICATED SECURITY, WHETHER IN REG-
10 ISTERED OR BEARER FORM, CLAIMS THAT THE CERTIFICATE HAS BEEN
11 LOST, DESTROYED, OR WRONGFULLY TAKEN, THE ISSUER SHALL ISSUE A
12 NEW CERTIFICATE IF THE OWNER DOES ALL OF THE FOLLOWING:

13 (A) REQUESTS BEFORE THE ISSUER HAS NOTICE THAT THE CERTIFI-
14 CATE HAS BEEN ACQUIRED BY A PROTECTED PURCHASER.

15 (B) FILES WITH THE ISSUER A SUFFICIENT INDEMNITY BOND.

16 (C) SATISFIES OTHER REASONABLE REQUIREMENTS IMPOSED BY THE
17 ISSUER.

18 (2) IF, AFTER THE ISSUE OF A NEW SECURITY CERTIFICATE, A
19 PROTECTED PURCHASER OF THE ORIGINAL CERTIFICATE PRESENTS IT FOR
20 REGISTRATION OF TRANSFER, THE ISSUER SHALL REGISTER THE TRANSFER
21 UNLESS AN OVERISSUE WOULD RESULT. IN THAT CASE, THE ISSUER'S
22 LIABILITY IS GOVERNED BY SECTION 8210. IN ADDITION TO ANY RIGHTS
23 ON THE INDEMNITY BOND, AN ISSUER MAY RECOVER THE NEW CERTIFICATE
24 FROM A PERSON TO WHOM IT WAS ISSUED OR ANY PERSON TAKING UNDER
25 THAT PERSON, EXCEPT A PROTECTED PURCHASER.

26 Sec. 8406. ~~(1) If a person acts as authenticating trustee,
27 transfer agent, registrar, or other agent for an issuer in the~~

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1 ~~registration of transfers of its certificated securities or in~~
2 ~~the registration of transfers, pledges, and releases of its~~
3 ~~uncertificated securities, in the issue of new securities, or in~~
4 ~~the cancellation of surrendered securities;~~

5 ~~(a) he or she is under a duty to the issuer to exercise good~~
6 ~~faith and due diligence in performing his or her functions; and~~

7 ~~(b) with regard to the particular functions he or she per-~~
8 ~~forms, he or she has the same obligation to the holder or owner~~
9 ~~of a certificated security or to the owner or pledgee of an~~
10 ~~uncertificated security and has the same rights and privileges as~~
11 ~~the issuer has in regard to those functions.~~

12 ~~(2) Notice to an authenticating trustee, transfer agent,~~
13 ~~registrar, or other agent is notice to the issuer with respect to~~
14 ~~the functions performed by the agent. IF A SECURITY CERTIFICATE~~
15 ~~HAS BEEN LOST, APPARENTLY DESTROYED, OR WRONGFULLY TAKEN, AND THE~~
16 ~~OWNER FAILS TO NOTIFY THE ISSUER OF THAT FACT WITHIN A REASONABLE~~
17 ~~TIME AFTER THE OWNER HAS NOTICE OF IT AND THE ISSUER REGISTERS A~~
18 ~~TRANSFER OF THE SECURITY BEFORE RECEIVING NOTIFICATION, THE OWNER~~
19 ~~MAY NOT ASSERT AGAINST THE ISSUER A CLAIM FOR REGISTERING THE~~
20 ~~TRANSFER UNDER SECTION 8404 OR A CLAIM TO A NEW SECURITY CERTIFI-~~
21 ~~CATE UNDER SECTION 8405.~~

22 ~~Sec. 8407. (1) An issuer is not subject to the require-~~
23 ~~ments of this section unless it regularly maintains a system for~~
24 ~~issuing the class of securities involved under which both certif-~~
25 ~~icated and uncertificated securities are regularly issued to the~~
26 ~~category of owners, which includes the person in whose name the~~
27 ~~new security is to be registered.~~

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1 ~~(2) Upon surrender of a certificated security with all~~
2 ~~necessary indorsements and presentation of a written request by~~
3 ~~the person surrendering the security, the issuer, if he or she~~
4 ~~has no duty as to adverse claims or has discharged the duty~~
5 ~~(section 8403), shall issue to the person or a person designated~~
6 ~~by him or her an equivalent uncertificated security subject to~~
7 ~~all liens, restrictions, and claims that were noted on the cer-~~
8 ~~tificated security.~~

9 ~~(3) Upon receipt of a transfer instruction originated by an~~
10 ~~appropriate person who so requests, the issuer of an uncertifi-~~
11 ~~cated security shall cancel the uncertificated security and issue~~
12 ~~an equivalent certificated security on which shall be noted con-~~
13 ~~spicuously any liens and restrictions of the issuer and any~~
14 ~~adverse claims, as to which the issuer has a duty under section~~
15 ~~8403 (4), to which the uncertificated security was subject. The~~
16 ~~certificated security shall be registered in the name of and~~
17 ~~delivered to:~~

18 ~~(a) the registered owner, if the uncertificated security was~~
19 ~~not subject to a registered pledge; or~~

20 ~~(b) the registered pledgee, if the uncertificated security~~
21 ~~was subject to a registered pledge. A PERSON ACTING AS AUTHENTI-~~
22 ~~CATING TRUSTEE, TRANSFER AGENT, REGISTRAR, OR OTHER AGENT FOR AN~~
23 ~~ISSUER IN THE REGISTRATION OF A TRANSFER OF ITS SECURITIES, IN~~
24 ~~THE ISSUE OF NEW SECURITY CERTIFICATES OR UNCERTIFICATED SECURI-~~
25 ~~TIES, OR IN THE CANCELLATION OF SURRENDERED SECURITY CERTIFICATES~~
26 ~~HAS THE SAME OBLIGATION TO THE HOLDER OR OWNER OF A CERTIFICATED~~
27 ~~OR UNCERTIFICATED SECURITY WITH REGARD TO THE PARTICULAR~~

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1 FUNCTIONS PERFORMED AS THE ISSUER HAS IN REGARD TO THOSE
2 FUNCTIONS.

3 PART 5

4 SECURITY ENTITLEMENTS

5 SEC. 8501. (1) "SECURITIES ACCOUNT" MEANS AN ACCOUNT TO
6 WHICH A FINANCIAL ASSET IS OR MAY BE CREDITED IN ACCORDANCE WITH
7 AN AGREEMENT UNDER WHICH THE PERSON MAINTAINING THE ACCOUNT
8 UNDERTAKES TO TREAT THE PERSON FOR WHOM THE ACCOUNT IS MAINTAINED
9 AS ENTITLED TO EXERCISE THE RIGHTS THAT COMPRISE THE FINANCIAL
10 ASSET.

11 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (4) AND (5),
12 A PERSON ACQUIRES A SECURITY ENTITLEMENT IF A SECURITIES INTERME-
13 DIARY DOES 1 OR MORE OF THE FOLLOWING:

14 (A) INDICATES BY BOOK ENTRY THAT A FINANCIAL ASSET HAS BEEN
15 CREDITED TO THE PERSON'S SECURITIES ACCOUNT.

16 (B) RECEIVES A FINANCIAL ASSET FROM THE PERSON OR ACQUIRES A
17 FINANCIAL ASSET FOR THE PERSON AND, IN EITHER CASE, ACCEPTS IT
18 FOR CREDIT TO THE PERSON'S SECURITIES ACCOUNT.

19 (C) BECOMES OBLIGATED UNDER OTHER LAW, REGULATION, OR RULE
20 TO CREDIT A FINANCIAL ASSET TO THE PERSON'S SECURITIES ACCOUNT.

21 (3) IF 1 OR MORE CONDITIONS DESCRIBED IN SUBSECTION (2)(A),
22 (B), OR (C) HAVE BEEN MET, A PERSON HAS A SECURITY ENTITLEMENT
23 EVEN THOUGH THE SECURITIES INTERMEDIARY DOES NOT ITSELF HOLD THE
24 FINANCIAL ASSET.

25 (4) IF A SECURITIES INTERMEDIARY HOLDS A FINANCIAL ASSET FOR
26 ANOTHER PERSON, AND THE FINANCIAL ASSET IS REGISTERED IN THE NAME
27 OF, PAYABLE TO THE ORDER OF, OR SPECIALLY INDORSED TO THE OTHER

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1 PERSON, AND HAS NOT BEEN INDORSED TO THE SECURITIES INTERMEDIARY
2 OR IN BLANK, THE OTHER PERSON IS TREATED AS HOLDING THE FINANCIAL
3 ASSET DIRECTLY RATHER THAN AS HAVING A SECURITY ENTITLEMENT WITH
4 RESPECT TO THE FINANCIAL ASSET.

5 (5) ISSUANCE OF A SECURITY IS NOT ESTABLISHMENT OF A SECUR-
6 ITY ENTITLEMENT.

7 SEC. 8502. AN ACTION BASED ON AN ADVERSE CLAIM TO A FINAN-
8 CIAL ASSET, WHETHER FRAMED IN CONVERSION, REPLEVIN, CONSTRUCTIVE
9 TRUST, EQUITABLE LIEN, OR OTHER THEORY, MAY NOT BE ASSERTED
10 AGAINST A PERSON WHO ACQUIRES A SECURITY ENTITLEMENT UNDER
11 SECTION 8501 FOR VALUE AND WITHOUT NOTICE OF THE ADVERSE CLAIM.

12 SEC. 8503. (1) TO THE EXTENT NECESSARY FOR A SECURITIES
13 INTERMEDIARY TO SATISFY ALL SECURITY ENTITLEMENTS WITH RESPECT TO
14 A PARTICULAR FINANCIAL ASSET, ALL INTERESTS IN THAT FINANCIAL
15 ASSET HELD BY THE SECURITIES INTERMEDIARY ARE HELD BY THE SECURI-
16 TIES INTERMEDIARY FOR THE ENTITLEMENT HOLDERS, ARE NOT PROPERTY
17 OF THE SECURITIES INTERMEDIARY, AND ARE NOT SUBJECT TO CLAIMS OF
18 CREDITORS OF THE SECURITIES INTERMEDIARY, EXCEPT AS OTHERWISE
19 PROVIDED IN SECTION 8511.

20 (2) AN ENTITLEMENT HOLDER'S PROPERTY INTEREST WITH RESPECT
21 TO A PARTICULAR FINANCIAL ASSET UNDER SUBSECTION (1) IS A PRO
22 RATA PROPERTY INTEREST IN ALL INTERESTS IN THAT FINANCIAL ASSET
23 HELD BY THE SECURITIES INTERMEDIARY, WITHOUT REGARD TO THE TIME
24 THE ENTITLEMENT HOLDER ACQUIRED THE SECURITY ENTITLEMENT OR THE
25 TIME THE SECURITIES INTERMEDIARY ACQUIRED THE INTEREST IN THAT
26 FINANCIAL ASSET.

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1 (3) AN ENTITLEMENT HOLDER'S PROPERTY INTEREST WITH RESPECT
2 TO A PARTICULAR FINANCIAL ASSET UNDER SUBSECTION (1) MAY BE
3 ENFORCED AGAINST THE SECURITIES INTERMEDIARY ONLY BY EXERCISE OF
4 THE ENTITLEMENT HOLDER'S RIGHTS UNDER SECTIONS 8505 THROUGH
5 8508.

6 (4) AN ENTITLEMENT HOLDER'S PROPERTY INTEREST WITH RESPECT
7 TO A PARTICULAR FINANCIAL ASSET UNDER SUBSECTION (1) MAY BE
8 ENFORCED AGAINST A PURCHASER OF THE FINANCIAL ASSET OR INTEREST
9 IN THE FINANCIAL ASSET ONLY IF ALL OF THE FOLLOWING APPLY:

10 (A) INSOLVENCY PROCEEDINGS HAVE BEEN INITIATED BY OR AGAINST
11 THE SECURITIES INTERMEDIARY.

12 (B) THE SECURITIES INTERMEDIARY DOES NOT HAVE SUFFICIENT
13 INTERESTS IN THE FINANCIAL ASSET TO SATISFY THE SECURITY ENTITL-
14 MENTS OF ALL OF ITS ENTITLEMENT HOLDERS TO THAT FINANCIAL ASSET.

15 (C) THE SECURITIES INTERMEDIARY VIOLATED ITS OBLIGATIONS
16 UNDER SECTION 8504 BY TRANSFERRING THE FINANCIAL ASSET OR INTER-
17 EST THEREIN TO THE PURCHASER.

18 (D) THE PURCHASER IS NOT PROTECTED UNDER SUBSECTION (5).
19 THE TRUSTEE OR OTHER LIQUIDATOR, ACTING ON BEHALF OF ALL ENTITL-
20 MENT HOLDERS HAVING SECURITY ENTITLEMENTS WITH RESPECT TO A PAR-
21 TICULAR FINANCIAL ASSET, MAY RECOVER THE FINANCIAL ASSET, OR
22 INTEREST IN A FINANCIAL ASSET, FROM THE PURCHASER. IF THE
23 TRUSTEE OR OTHER LIQUIDATOR ELECTS NOT TO PURSUE THAT RIGHT, AN
24 ENTITLEMENT HOLDER WHOSE SECURITY ENTITLEMENT REMAINS UNSATISFIED
25 HAS THE RIGHT TO RECOVER ITS INTEREST IN THE FINANCIAL ASSET FROM
26 THE PURCHASER.

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1 (5) AN ACTION BASED ON THE ENTITLEMENT HOLDER'S PROPERTY
2 INTEREST WITH RESPECT TO A PARTICULAR FINANCIAL ASSET UNDER
3 SUBSECTION (1), WHETHER FRAMED IN CONVERSION, REPLEVIN, CONSTRUC-
4 TIVE TRUST, EQUITABLE LIEN, OR OTHER THEORY, MAY NOT BE ASSERTED
5 AGAINST ANY PURCHASER OF A FINANCIAL ASSET OR INTEREST THEREIN
6 WHO GIVES VALUE, OBTAINS CONTROL, AND DOES NOT ACT IN COLLUSION
7 WITH THE SECURITIES INTERMEDIARY IN VIOLATING THE SECURITIES
8 INTERMEDIARY'S OBLIGATIONS UNDER SECTION 8504.

9 SEC. 8504. (1) A SECURITIES INTERMEDIARY SHALL PROMPTLY
10 OBTAIN AND THEREAFTER MAINTAIN A FINANCIAL ASSET IN A QUANTITY
11 CORRESPONDING TO THE AGGREGATE OF ALL SECURITY ENTITLEMENTS IT
12 HAS ESTABLISHED IN FAVOR OF ITS ENTITLEMENT HOLDERS WITH RESPECT
13 TO THAT FINANCIAL ASSET. THE SECURITIES INTERMEDIARY MAY MAIN-
14 TAIN THOSE FINANCIAL ASSETS DIRECTLY OR THROUGH 1 OR MORE OTHER
15 SECURITIES INTERMEDIARIES.

16 (2) EXCEPT TO THE EXTENT OTHERWISE AGREED BY ITS ENTITLEMENT
17 HOLDER, A SECURITIES INTERMEDIARY MAY NOT GRANT ANY SECURITY
18 INTERESTS IN A FINANCIAL ASSET IT IS OBLIGATED TO MAINTAIN PURSU-
19 ANT TO SUBSECTION (1).

20 (3) A SECURITIES INTERMEDIARY SATISFIES THE DUTY IN
21 SUBSECTION (1) IF THE SECURITIES INTERMEDIARY DOES EITHER OF THE
22 FOLLOWING:

23 (A) ACTS WITH RESPECT TO THE DUTY AS AGREED UPON BY THE
24 ENTITLEMENT HOLDER AND THE SECURITIES INTERMEDIARY.

25 (B) IN THE ABSENCE OF AGREEMENT, EXERCISES DUE CARE IN
26 ACCORDANCE WITH REASONABLE COMMERCIAL STANDARDS TO OBTAIN AND
27 MAINTAIN THE FINANCIAL ASSET.

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1 (4) THIS SECTION DOES NOT APPLY TO A CLEARING CORPORATION
2 THAT IS ITSELF THE OBLIGOR OF AN OPTION OR SIMILAR OBLIGATION TO
3 WHICH ITS ENTITLEMENT HOLDERS HAVE SECURITY ENTITLEMENTS.

4 SEC. 8505. (1) A SECURITIES INTERMEDIARY SHALL TAKE ACTION
5 TO OBTAIN A PAYMENT OR DISTRIBUTION MADE BY THE ISSUER OF A
6 FINANCIAL ASSET. THIS DUTY IS SATISFIED IF THE SECURITIES INTER-
7 MEDIARY DOES EITHER OF THE FOLLOWING:

8 (A) ACTS WITH RESPECT TO THE DUTY AS AGREED UPON BY THE
9 ENTITLEMENT HOLDER AND THE SECURITIES INTERMEDIARY.

10 (B) IN THE ABSENCE OF AGREEMENT, EXERCISE DUE CARE IN
11 ACCORDANCE WITH REASONABLE COMMERCIAL STANDARDS TO ATTEMPT TO
12 OBTAIN THE PAYMENT OR DISTRIBUTION.

13 (2) A SECURITIES INTERMEDIARY IS OBLIGATED TO ITS ENTITLED
14 ENTITLEMENT HOLDER FOR A PAYMENT OR DISTRIBUTION MADE BY THE ISSUER OF A
15 FINANCIAL ASSET IF THE PAYMENT OR DISTRIBUTION IS RECEIVED BY THE
16 SECURITIES INTERMEDIARY.

17 SEC. 8506. A SECURITIES INTERMEDIARY SHALL EXERCISE RIGHTS
18 WITH RESPECT TO A FINANCIAL ASSET IF DIRECTED TO DO SO BY AN
19 ENTITLEMENT HOLDER. THE DUTY IS SATISFIED IF THE SECURITIES
20 INTERMEDIARY DOES EITHER OF THE FOLLOWING:

21 (A) ACTS WITH RESPECT TO THE DUTY AS AGREED UPON BY THE
22 ENTITLEMENT HOLDER AND THE SECURITIES INTERMEDIARY.

23 (B) IN THE ABSENCE OF AGREEMENT, EITHER PLACES THE ENTITLED
24 ENTITLEMENT HOLDER IN A POSITION TO EXERCISE THE RIGHTS DIRECTLY OR
25 EXERCISES DUE CARE IN ACCORDANCE WITH REASONABLE COMMERCIAL STANDARDS
26 TO FOLLOW THE DIRECTION OF THE ENTITLEMENT HOLDER.

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1 SEC. 8507. (1) A SECURITIES INTERMEDIARY SHALL COMPLY WITH
2 AN ENTITLEMENT ORDER IF THE ENTITLEMENT ORDER IS ORIGINATED BY
3 THE APPROPRIATE PERSON, THE SECURITIES INTERMEDIARY HAS HAD REA-
4 SONABLE OPPORTUNITY TO ASSURE ITSELF THAT THE ENTITLEMENT ORDER
5 IS GENUINE AND AUTHORIZED, AND THE SECURITIES INTERMEDIARY HAS
6 HAD REASONABLE OPPORTUNITY TO COMPLY WITH THE ENTITLEMENT ORDER.
7 THE DUTY IS SATISFIED IF A SECURITIES INTERMEDIARY DOES EITHER OF
8 THE FOLLOWING:

9 (A) ACTS WITH RESPECT TO THE DUTY AS AGREED UPON BY THE
10 ENTITLEMENT HOLDER AND THE SECURITIES INTERMEDIARY.

11 (B) IN THE ABSENCE OF AGREEMENT, EXERCISES DUE CARE IN
12 ACCORDANCE WITH REASONABLE COMMERCIAL STANDARDS TO COMPLY WITH
13 THE ENTITLEMENT ORDER.

14 (2) IF A SECURITIES INTERMEDIARY TRANSFERS A FINANCIAL ASSET
15 PURSUANT TO AN INEFFECTIVE ENTITLEMENT ORDER, THE SECURITIES
16 INTERMEDIARY SHALL REESTABLISH A SECURITY ENTITLEMENT IN FAVOR OF
17 THE PERSON ENTITLED TO IT, AND PAY OR CREDIT ANY PAYMENTS OR DIS-
18 TRIBUTIONS THAT THE PERSON DID NOT RECEIVE AS A RESULT OF THE
19 WRONGFUL TRANSFER. IF THE SECURITIES INTERMEDIARY DOES NOT REES-
20 TABLISH A SECURITY ENTITLEMENT, THE SECURITIES INTERMEDIARY IS
21 LIABLE TO THE ENTITLEMENT HOLDER FOR DAMAGES.

22 SEC. 8508. A SECURITIES INTERMEDIARY SHALL ACT AT THE
23 DIRECTION OF AN ENTITLEMENT HOLDER TO CHANGE A SECURITY ENTITL-
24 EMENT INTO ANOTHER AVAILABLE FORM OF HOLDING FOR WHICH THE ENTI-
25 TLEMENT HOLDER IS ELIGIBLE, OR TO CAUSE THE FINANCIAL ASSET TO BE
26 TRANSFERRED TO A SECURITIES ACCOUNT OF THE ENTITLEMENT HOLDER

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1 WITH ANOTHER SECURITIES INTERMEDIARY. THE DUTY IS SATISFIED IF A
2 SECURITIES INTERMEDIARY DOES EITHER OF THE FOLLOWING:

3 (A) ACTS AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE
4 SECURITIES INTERMEDIARY.

5 (B) IN THE ABSENCE OF AGREEMENT, EXERCISES DUE CARE IN
6 ACCORDANCE WITH REASONABLE COMMERCIAL STANDARDS TO FOLLOW THE
7 DIRECTION OF THE ENTITLEMENT HOLDER.

8 SEC. 8509. (1) IF THE SUBSTANCE OF A DUTY IMPOSED UPON A
9 SECURITIES INTERMEDIARY BY SECTIONS 8504 THROUGH 8508 IS THE
10 SUBJECT OF OTHER STATUTE, REGULATION, OR RULE, COMPLIANCE WITH
11 THE STATUTE, REGULATION, OR RULE SATISFIES THE DUTY.

12 (2) TO THE EXTENT THAT SPECIFIC STANDARDS FOR THE PER-
13 FORMANCE OF THE DUTIES OF A SECURITIES INTERMEDIARY OR THE EXER-
14 CISE OF THE RIGHTS OF AN ENTITLEMENT HOLDER ARE NOT SPECIFIED BY
15 OTHER STATUTE, REGULATION, OR RULE OR BY AGREEMENT BETWEEN THE
16 SECURITIES INTERMEDIARY AND ENTITLEMENT HOLDER, THE SECURITIES
17 INTERMEDIARY SHALL PERFORM ITS DUTIES AND THE ENTITLEMENT HOLDER
18 SHALL EXERCISE ITS RIGHTS IN A COMMERCIALY REASONABLE MANNER.

19 (3) THE OBLIGATION OF A SECURITIES INTERMEDIARY TO PERFORM
20 THE DUTIES IMPOSED BY SECTIONS 8504 THROUGH 8508 IS SUBJECT TO
21 BOTH OF THE FOLLOWING:

22 (A) RIGHTS OF THE SECURITIES INTERMEDIARY ARISING OUT OF A
23 SECURITY INTEREST UNDER A SECURITY AGREEMENT WITH THE ENTITLEMENT
24 HOLDER OR OTHERWISE.

25 (B) RIGHTS OF THE SECURITIES INTERMEDIARY UNDER OTHER LAW,
26 REGULATION, RULE, OR AGREEMENT TO WITHHOLD PERFORMANCE OF ITS

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1 DUTIES AS A RESULT OF UNFULFILLED OBLIGATIONS OF THE ENTITLEMENT
2 HOLDER TO THE SECURITIES INTERMEDIARY.

3 (4) SECTIONS 8504 THROUGH 8508 DO NOT REQUIRE A SECURITIES
4 INTERMEDIARY TO TAKE ANY ACTION THAT IS PROHIBITED BY OTHER STAT-
5 UTE, REGULATION, OR RULE.

6 SEC. 8510. (1) AN ACTION BASED ON AN ADVERSE CLAIM TO A
7 FINANCIAL ASSET OR SECURITY ENTITLEMENT, WHETHER FRAMED IN CON-
8 VERSION, REPLEVIN, CONSTRUCTIVE TRUST, EQUITABLE LIEN, OR OTHER
9 THEORY, MAY NOT BE ASSERTED AGAINST A PERSON WHO PURCHASES A
10 SECURITY ENTITLEMENT, OR AN INTEREST IN A SECURITY ENTITLEMENT,
11 FROM AN ENTITLEMENT HOLDER IF THE PURCHASER GIVES VALUE, DOES NOT
12 HAVE NOTICE OF THE ADVERSE CLAIM, AND OBTAINS CONTROL.

13 (2) IF AN ADVERSE CLAIM COULD NOT HAVE BEEN ASSERTED AGAINST
14 AN ENTITLEMENT HOLDER UNDER SECTION 8502, THE ADVERSE CLAIM
15 CANNOT BE ASSERTED AGAINST A PERSON WHO PURCHASES A SECURITY
16 ENTITLEMENT, OR AN INTEREST IN A SECURITY ENTITLEMENT, FROM THE
17 ENTITLEMENT HOLDER.

18 (3) IN A CASE NOT COVERED BY THE PRIORITY RULES IN
19 ARTICLE 9, A PURCHASER FOR VALUE OF A SECURITY ENTITLEMENT, OR AN
20 INTEREST IN A SECURITY ENTITLEMENT, WHO OBTAINS CONTROL HAS PRI-
21 ORITY OVER A PURCHASER OF A SECURITY ENTITLEMENT, OR AN INTEREST
22 IN A SECURITY ENTITLEMENT, WHO DOES NOT OBTAIN CONTROL.
23 PURCHASERS WHO HAVE CONTROL RANK EQUALLY, EXCEPT THAT A SECURI-
24 TIES INTERMEDIARY AS PURCHASER HAS PRIORITY OVER A CONFLICTING
25 PURCHASER WHO HAS CONTROL UNLESS OTHERWISE AGREED BY THE SECURI-
26 TIES INTERMEDIARY.

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1 (2) IF A SECURITY INTEREST IN A SECURITY IS PERFECTED AT THE
2 DATE THIS AMENDATORY ACT THAT ADDED THIS SECTION TAKES EFFECT,
3 AND THE ACTION BY WHICH THE SECURITY INTEREST WAS PERFECTED WOULD
4 SUFFICE TO PERFECT A SECURITY INTEREST UNDER THIS AMENDATORY ACT
5 NO FURTHER ACTION IS REQUIRED TO CONTINUE PERFECTION. IF A
6 SECURITY INTEREST IN A SECURITY IS PERFECTED AT THE DATE THIS
7 AMENDATORY ACT THAT ADDED THIS SECTION TAKES EFFECT BUT THE
8 ACTION BY WHICH THE SECURITY INTEREST WAS PERFECTED WOULD NOT
9 SUFFICE TO PERFECT A SECURITY INTEREST UNDER THIS AMENDATORY ACT,
10 THE SECURITY INTEREST REMAINS PERFECTED FOR A PERIOD OF 4 MONTHS
11 AFTER THE EFFECTIVE DATE AND CONTINUES PERFECTED THEREAFTER IF
12 APPROPRIATE ACTION TO PERFECT UNDER THIS ACT IS TAKEN WITHIN THAT
13 PERIOD. IF A SECURITY INTEREST IS PERFECTED AT THE DATE THIS
14 AMENDATORY ACT THAT ADDED THIS SECTION TAKES EFFECT AND THE
15 SECURITY INTEREST CAN BE PERFECTED BY FILING UNDER THIS ACT, A
16 FINANCING STATEMENT SIGNED BY THE SECURED PARTY INSTEAD OF THE
17 DEBTOR MAY BE FILED WITHIN THAT PERIOD TO CONTINUE PERFECTION OR
18 THEREAFTER TO PERFECT.

19 Sec. 9103. (1) Documents, instruments, and ordinary goods.

20 (a) This subsection applies to documents and instruments and
21 to goods other than those covered by a certificate of title
22 described in subsection (2), mobile goods described in subsection
23 (3), and minerals described in subsection (5).

24 (b) Except as otherwise provided in this subsection, perfec-
25 tion and the effect of perfection or nonperfection of a security
26 interest in collateral are governed by the law of the
27 jurisdiction where the collateral is when the last event occurs

1 on which is based the assertion that the security interest is
2 perfected or unperfected.

3 (c) If the parties to a transaction creating a purchase
4 money security interest in goods in 1 jurisdiction understand at
5 the time that the security interest attaches that the goods will
6 be kept in another jurisdiction, then the law of the other juris-
7 diction governs the perfection and the effect of perfection or
8 nonperfection of the security interest from the time it attaches
9 until 30 days after the debtor receives possession of the goods
10 and thereafter if the goods are taken to the other jurisdiction
11 before the end of the 30-day period.

12 (d) When collateral is brought into and kept in this state
13 while subject to a security interest perfected under the law of
14 the jurisdiction from which the collateral was removed, the
15 security interest remains perfected, but if action is required by
16 part 3 of this article to perfect the security interest:

17 (i) If the action is not taken before the expiration of the
18 period of perfection in the other jurisdiction or the end of 4
19 months after the collateral is brought into this state, whichever
20 period first expires, the security interest becomes unperfected
21 at the end of that period and is thereafter deemed to have been
22 unperfected as against a person who became a purchaser after
23 removal.

24 (ii) If the action is taken before the expiration of the
25 period specified in subparagraph (i), the security interest con-
26 tinues perfected thereafter.

1 (iii) For the purpose of priority over a buyer of consumer
2 goods, (section 9307(14)), the period of the effectiveness of a
3 filing in the jurisdiction from which the collateral is removed
4 is governed by the rules relating to perfection in subparagraphs
5 (i) and (ii).

6 (2) Certificate of title.

7 (a) This subsection applies to goods covered by a certifi-
8 cate of title issued under a statute of this state or of another
9 jurisdiction under the law of which indication of a security
10 interest on the certificate is required as a condition of
11 perfection.

12 (b) Except as otherwise provided in this subsection, perfec-
13 tion and the effect of perfection or nonperfection of the secur-
14 ity interest are governed by the law (including the conflict of
15 laws rules) of the jurisdiction issuing the certificate until 4
16 months after the goods are removed from that jurisdiction and
17 thereafter until the goods are registered in another jurisdic-
18 tion, but in any event not beyond surrender of the certificate.
19 After the expiration of that period, the goods are not covered by
20 the certificate of title within the meaning of this section.

21 (c) Except with respect to the rights of a buyer described
22 in the next paragraph, a security interest, perfected in another
23 jurisdiction otherwise than by notation on a certificate of
24 title, in goods brought into this state and thereafter covered by
25 a certificate of title issued by this state, is subject to the
26 rules stated in paragraph (d) of subsection (1).

1 (d) If goods are brought into this state while a security
2 interest therein is perfected in any manner under the law of the
3 jurisdiction from which the goods are removed and a certificate
4 of title is issued by the state and the certificate does not show
5 that the goods are subject to the security interest or that they
6 may be subject to security interests not shown on the certifi-
7 cate, the security interest is subordinate to the rights of a
8 buyer of the goods who is not in the business of selling goods of
9 that kind to the extent that he or she gives value and receives
10 delivery of the goods after issuance of the certificate and with-
11 out knowledge of the security interest.

12 (3) Accounts, general intangibles, and mobile goods.

13 (a) This subsection applies to accounts (other than an
14 account described in subsection (5) on minerals) and general
15 intangibles (other than uncertificated securities), and to goods
16 which are mobile and which are of a type normally used in more
17 than 1 jurisdiction, such as motor vehicles, trailers, rolling
18 stock, airplanes, shipping containers, road building and con-
19 struction machinery, and commercial harvesting machinery and the
20 like, if the goods are equipment or are inventory leased or held
21 for lease by the debtor to others, and are not covered by a cer-
22 tificate of title described in subsection (2).

23 (b) The law (including the conflict of laws rules) of the
24 jurisdiction in which the debtor is located governs the perfec-
25 tion and the effect of perfection or nonperfection of the secur-
26 ity interest.

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1 (c) If, however, the debtor is located in a jurisdiction
2 which is not a part of the United States, and which does not
3 provide for perfection of the security interest by filing or
4 recording in that jurisdiction, the law of the jurisdiction in
5 the United States in which the debtor has its major executive
6 office in the United States governs the perfection and the effect
7 of perfection or nonperfection of the security interest through
8 filing. In the alternative, if the debtor is located in a juris-
9 diction which is not a part of the United States or Canada and
10 the collateral is accounts or general intangibles for money due
11 or to become due, the security interest may be perfected by noti-
12 fication to the account debtor. As used in this paragraph,
13 "United States" includes its territories and possessions and the
14 commonwealth of Puerto Rico.

15 (d) A debtor shall be deemed located at his or her place of
16 business if he or she has one, at his or her chief executive
17 office if he or she has more than 1 place of business, otherwise
18 at his or her residence. If, however, the debtor is a foreign
19 air carrier under the federal aviation act of 1958, 49
20 U.S.C. 1301, it shall be deemed located at the designated office
21 of the agent upon whom service of process may be made on behalf
22 of the foreign air carrier.

23 (e) A security interest perfected under the law of the
24 jurisdiction of the location of the debtor is perfected until the
25 expiration of 4 months after a change of the debtor's location to
26 another jurisdiction, or until perfection would have ceased by
27 the law of the first jurisdiction, whichever period first

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1 expires. Unless perfected in the new jurisdiction before the end
2 of that period, it becomes unperfected thereafter and is deemed
3 to have been unperfected as against a person who became a pur-
4 chaser after the change.

5 (4) Chattel paper.

6 The rules stated for goods in subsection (1) apply to a pos-
7 sessory security interest in chattel paper. The rules stated for
8 accounts in subsection (3) apply to a nonpossessory security
9 interest in chattel paper, but the security interest may not be
10 perfected by notification to the account debtor.

11 (5) Minerals.

12 Perfection and the effect of perfection or nonperfection of
13 a security interest which is created by a debtor who has an
14 interest in minerals or the like (including oil and gas) before
15 extraction and which attaches thereto as extracted, or which
16 attaches to an account resulting from the sale thereof at the
17 wellhead or minehead are governed by the law (including the con-
18 flict of laws rules) of the jurisdiction where the wellhead or
19 minehead is located.

20 (6) ~~Uncertificated securities~~ INVESTMENT PROPERTY.

21 ~~The law, including the conflict of laws rules, of the~~
22 ~~jurisdiction of organization of the issuer governs the perfection~~
23 ~~and the effect of perfection or nonperfection of a security~~
24 ~~interest in uncertificated securities.~~

25 (A) THIS SUBSECTION APPLIES TO INVESTMENT PROPERTY.

26 (B) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), DURING
27 THE TIME THAT A SECURITY CERTIFICATE IS LOCATED IN A

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1 JURISDICTION, PERFECTION OF A SECURITY INTEREST, THE EFFECT OF
2 PERFECTION OR NONPERFECTION, AND THE PRIORITY OF A SECURITY
3 INTEREST IN THE CERTIFICATED SECURITY REPRESENTED THEREBY ARE
4 GOVERNED BY THE LOCAL LAW OF THAT JURISDICTION.

5 (C) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFEC-
6 TION OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPER-
7 FECTION, AND THE PRIORITY OF A SECURITY INTEREST IN AN UNCERTIFI-
8 CATED SECURITY ARE GOVERNED BY THE LOCAL LAW OF THE ISSUER'S
9 JURISDICTION AS SPECIFIED IN SECTION 8-110(D).

10 (D) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFEC-
11 TION OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPER-
12 FECTION, AND THE PRIORITY OF A SECURITY INTEREST IN A SECURITY
13 ENTITLEMENT OR SECURITIES ACCOUNT ARE GOVERNED BY THE LOCAL LAW
14 OF THE SECURITIES INTERMEDIARY'S JURISDICTION AS SPECIFIED IN
15 SECTION 8-110(E).

16 (E) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFEC-
17 TION OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPER-
18 FECTION, AND THE PRIORITY OF A SECURITY INTEREST IN A COMMODITY
19 CONTRACT OR COMMODITY ACCOUNT ARE GOVERNED BY THE LOCAL LAW OF
20 THE COMMODITY INTERMEDIARY'S JURISDICTION. THE FOLLOWING RULES
21 DETERMINE A "COMMODITY INTERMEDIARY'S JURISDICTION" FOR PURPOSES
22 OF THIS PARAGRAPH:

23 (i) IF AN AGREEMENT BETWEEN THE COMMODITY INTERMEDIARY AND
24 COMMODITY CUSTOMER SPECIFIES THAT IT IS GOVERNED BY THE LAW OF A
25 PARTICULAR JURISDICTION, THAT JURISDICTION IS THE COMMODITY
26 INTERMEDIARY'S JURISDICTION.

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1 (ii) IF AN AGREEMENT BETWEEN THE COMMODITY INTERMEDIARY AND
2 COMMODITY CUSTOMER DOES NOT SPECIFY THE GOVERNING LAW AS PROVIDED
3 IN SUBPARAGRAPH (i), BUT EXPRESSLY SPECIFIES THAT THE COMMODITY
4 ACCOUNT IS MAINTAINED AT AN OFFICE IN A PARTICULAR JURISDICTION,
5 THAT JURISDICTION IS THE COMMODITY INTERMEDIARY'S JURISDICTION.

6 (iii) IF AN AGREEMENT BETWEEN THE COMMODITY INTERMEDIARY AND
7 COMMODITY CUSTOMER DOES NOT SPECIFY A JURISDICTION AS PROVIDED IN
8 SUBPARAGRAPH (i) OR (ii), THE COMMODITY INTERMEDIARY'S JURISDIC-
9 TION IS THE JURISDICTION IN WHICH IS LOCATED THE OFFICE IDENTI-
10 FIED IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING THE COMMODITY
11 CUSTOMER'S ACCOUNT.

12 (iv) IF AN AGREEMENT BETWEEN THE COMMODITY INTERMEDIARY AND
13 COMMODITY CUSTOMER DOES NOT SPECIFY A JURISDICTION AS PROVIDED IN
14 SUBPARAGRAPH (i) OR (ii) AND AN ACCOUNT STATEMENT DOES NOT IDEN-
15 TIFY AN OFFICE SERVING THE COMMODITY CUSTOMER'S ACCOUNT AS PRO-
16 VIDED IN SUBPARAGRAPH (iii), THE COMMODITY INTERMEDIARY'S JURIS-
17 DICTION IS THE JURISDICTION IN WHICH IS LOCATED THE CHIEF EXECU-
18 TIVE OFFICE OF THE COMMODITY INTERMEDIARY.

19 (F) PERFECTION OF A SECURITY INTEREST BY FILING, AUTOMATIC
20 PERFECTION OF A SECURITY INTEREST IN INVESTMENT PROPERTY GRANTED
21 BY A BROKER OR SECURITIES INTERMEDIARY, AND AUTOMATIC PERFECTION
22 OF A SECURITY INTEREST IN A COMMODITY CONTRACT OR COMMODITY
23 ACCOUNT GRANTED BY A COMMODITY INTERMEDIARY ARE GOVERNED BY THE
24 LOCAL LAW OF THE JURISDICTION IN WHICH THE DEBTOR IS LOCATED.

25 Sec. 9105. (1) As used in this article unless the context
26 otherwise requires:

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1 (a) "Account debtor" means the person who is obligated on an
2 account, chattel paper, or general intangible.

3 (b) "Chattel paper" means a writing or writings which evi-
4 dence both a monetary obligation and a security interest in or a
5 lease of specific goods, but a charter or other contract involv-
6 ing the use or hire of a vessel is not chattel paper. When a
7 transaction is evidenced both by such a security agreement or a
8 lease and by an instrument or a series of instruments, the group
9 of writings taken together constitutes chattel paper.

10 (c) "Collateral" means the property subject to a security
11 interest, and includes accounts and chattel paper which have been
12 sold.

13 (d) "Debtor" means the person who owes payment or other per-
14 formance of the obligation secured, whether or not he or she owns
15 or has rights in the collateral, and includes the seller of
16 accounts or chattel paper. Where the debtor and the owner of the
17 collateral are not the same person, the term "debtor" means the
18 owner of the collateral in any provision of the article dealing
19 with the collateral, the obligor in any provision dealing with
20 the obligation, and may include both where the context so
21 requires.

22 (e) "Deposit account" means a demand, time, savings, pass-
23 book, or like account maintained with a bank, savings and loan
24 association, credit union, or like organization, other than an
25 account evidenced by a certificate of deposit.

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1 (f) "Document" means document of title as defined in the
2 general definitions of article 1, section 1201 and a receipt of
3 the kind described in section 7201(2).

4 (g) "Encumbrance" includes real estate mortgages and other
5 liens on real estate and all other rights in real estate that are
6 not ownership interests.

7 (h) "Goods" includes all things which are movable at the
8 time the security interest attaches or which are fixtures as
9 described in section 9313, but does not include money, documents,
10 instruments, INVESTMENT PROPERTY, accounts, chattel paper, gen-
11 eral intangibles, or minerals or the like including, but not
12 limited to, oil and gas before extraction. Goods also include
13 standing timber which is to be cut and removed under a conveyance
14 or contract for sale, the unborn young of animals, and growing
15 crops.

16 (i) "Instrument" means a negotiable instrument as defined in
17 section 3104 ~~—, a certificated security as defined in section~~
18 ~~8102,~~ or any other writing which evidences a right to the pay-
19 ment of money and is not itself a security agreement or lease and
20 is of a type which is in ordinary course of business transferred
21 by delivery with any necessary indorsement or assignment. THE
22 TERM DOES NOT INCLUDE INVESTMENT PROPERTY.

23 (j) "Mortgage" means a consensual interest created by a real
24 estate mortgage, a trust deed on real estate, or the like.

25 (k) An advance is made "pursuant to commitment" if the
26 secured party has bound himself or herself to make it, whether or
27 not a subsequent event of default or other event not within his

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1 or her control has relieved or may relieve him or her from his or
2 her obligation.

3 (l) "Security agreement" means an agreement which creates or
4 provides for a security interest.

5 (m) "Secured party" means a lender, seller, or other person
6 in whose favor there is a security interest, including a person
7 to whom accounts or chattel paper have been sold. When the hold-
8 ers of obligations issued under an indenture of trust, equipment
9 trust agreement, or the like are represented by a trustee or
10 other person, the representative is the secured party.

11 (n) "Tax identification number" means a social security
12 number or federal employer tax identification number.

13 (o) "Transmitting utility" means any person primarily
14 engaged in the railroad, street railway, or trolley bus business,
15 the electric or electronics communications transmission business,
16 the transmission of goods by pipeline, or the transmission or the
17 production and transmission of electricity, steam, gas or water,
18 or the provision of sewer service.

19 (2) Other definitions applying to this article and the sec-
20 tions in which they appear are:

21	"Account".	Section 9106.
22	"Attach".	Section 9203.
23	"COMMODITY CONTRACT".	SECTION 9115.
24	"COMMODITY CUSTOMER".	SECTION 9115.
25	"COMMODITY INTERMEDIARY".	SECTION 9115.
26	"Construction mortgage".	Section 9313(1).

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1	"Consumer goods".	Section 9109(1).
2	"CONTROL".	SECTION 9115.
3	"Equipment".	Section 9109(2).
4	"Farm products".	Section 9109(3).
5	"Fixture".	Section 9313.
6	"Fixture filing".	Section 9313.
7	"General intangibles".	Section 9106.
8	"Inventory".	Section 9109(4).
9	"INVESTMENT PROPERTY".	SECTION 9115.
10	"Lien creditor".	Section 9301(3).
11	"Proceeds".	Section 9306(1).
12	"Purchase money security interest".	Section 9107.
13	"United States".	Section 9103.
14	(3) The following definitions in other articles apply to	
15	this article:	
16	"BROKER".	SECTION 8102.
17	"CERTIFICATED SECURITY".	SECTION 8102.
18	"Check".	Section 3104.
19	"CLEARING CORPORATION".	SECTION 8102.
20	"Contract for sale".	Section 2106.
21	"CONTROL".	SECTION 8102.
22	"DELIVERY".	SECTION 8102.
23	"ENTITLEMENT HOLDER".	SECTION 8102.
24	"FINANCIAL ASSET".	SECTION 8102.
25	"Holder in due course".	Section 3302.
26	"Note".	Section 3104.

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1	"Sale".	Section 2106.
2	"SECURITY INTERMEDIARY".	SECTION 8102.
3	"SECURITY".	SECTION 8102.
4	"SECURITY CERTIFICATE".	SECTION 8102.
5	"SECURITY ENTITLEMENT".	SECTION 8102.
6	"UNCERTIFICATED SECURITY".	SECTION 8102.

7 (4) In addition article 1 contains general definitions and
8 principles of construction and interpretation applicable through-
9 out this article.

10 Sec. 9106. "Account" means any right to payment for goods
11 sold or leased or for services rendered which is not evidenced by
12 an instrument or chattel paper whether or not it has been earned
13 by performance. "General intangibles" means any personal prop-
14 erty (including things in action) other than goods, accounts,
15 chattel paper, documents, instruments, INVESTMENT PROPERTY, and
16 money. All rights to payment earned or unearned under a charter
17 or other contract involving the use or hire of a vessel and all
18 rights incident to the charter or contract are accounts.

19 SEC. 9115. (1) AS USED IN THIS ARTICLE:

20 (A) "COMMODITY ACCOUNT" MEANS AN ACCOUNT MAINTAINED BY A
21 COMMODITY INTERMEDIARY IN WHICH A COMMODITY CONTRACT IS CARRIED
22 FOR A COMMODITY CUSTOMER.

23 (B) "COMMODITY CONTRACT" MEANS A COMMODITY FUTURES CONTRACT,
24 AN OPTION ON A COMMODITY FUTURES CONTRACT, A COMMODITY OPTION, OR
25 OTHER CONTRACT THAT, IN EACH CASE, IS:

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1 (i) TRADED ON OR SUBJECT TO THE RULES OF A BOARD OF TRADE
2 THAT HAS BEEN DESIGNATED AS A CONTRACT MARKET FOR SUCH A CONTRACT
3 PURSUANT TO THE FEDERAL COMMODITIES LAWS; OR

4 (ii) TRADED ON A FOREIGN COMMODITY BOARD OF TRADE, EXCHANGE,
5 OR MARKET, AND IS CARRIED ON THE BOOKS OF A COMMODITY INTERMEDI-
6 ARY FOR A COMMODITY CUSTOMER.

7 (C) "COMMODITY CUSTOMER" MEANS A PERSON FOR WHOM A COMMODITY
8 INTERMEDIARY CARRIES A COMMODITY CONTRACT ON ITS BOOKS.

9 (D) "COMMODITY INTERMEDIARY" MEANS:

10 (i) A PERSON WHO IS REGISTERED AS A FUTURES COMMISSION MER-
11 CHANT UNDER THE FEDERAL COMMODITIES LAWS; OR

12 (ii) A PERSON WHO IN THE ORDINARY COURSE OF ITS BUSINESS
13 PROVIDES CLEARANCE OR SETTLEMENT SERVICES FOR A BOARD OF TRADE
14 THAT HAS BEEN DESIGNATED AS A CONTRACT MARKET PURSUANT TO THE
15 FEDERAL COMMODITY LAWS.

16 (E) "CONTROL" WITH RESPECT TO A CERTIFICATED SECURITY,
17 UNCERTIFICATED SECURITY, OR SECURITY ENTITLEMENT HAS THE MEANING
18 SPECIFIED IN SECTION 8-106. A SECURED PARTY HAS CONTROL OVER A
19 COMMODITY CONTRACT IF BY AGREEMENT AMONG THE COMMODITY CUSTOMER,
20 THE COMMODITY INTERMEDIARY, AND THE SECURED PARTY, THE COMMODITY
21 INTERMEDIARY HAS AGREED THAT IT WILL APPLY ANY VALUE DISTRIBUTED
22 ON ACCOUNT OF THE COMMODITY CONTRACT AS DIRECTED BY THE SECURED
23 PARTY WITHOUT FURTHER CONSENT BY THE COMMODITY CUSTOMER. IF A
24 COMMODITY CUSTOMER GRANTS A SECURITY INTEREST IN A COMMODITY CON-
25 TRACT TO ITS OWN COMMODITY INTERMEDIARY, THE COMMODITY INTERMEDI-
26 ARY AS SECURED PARTY HAS CONTROL. A SECURED PARTY HAS CONTROL
27 OVER A SECURITIES ACCOUNT OR COMMODITY ACCOUNT IF THE SECURED

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1 PARTY HAS CONTROL OVER ALL SECURITY ENTITLEMENTS OR COMMODITY
2 CONTRACTS CARRIED IN THE SECURITIES ACCOUNT OR COMMODITY
3 ACCOUNT.

4 (F) "INVESTMENT PROPERTY" MEANS:

5 (i) A SECURITY, WHETHER CERTIFICATED OR UNCERTIFICATED;

6 (ii) A SECURITY ENTITLEMENT;

7 (iii) A SECURITIES ACCOUNT;

8 (iv) A COMMODITY CONTRACT; OR

9 (v) A COMMODITY ACCOUNT.

10 (2) ATTACHMENT OR PERFECTION OF A SECURITY INTEREST IN A
11 SECURITIES ACCOUNT IS ALSO ATTACHMENT OR PERFECTION OF A SECURITY
12 INTEREST IN ALL SECURITY ENTITLEMENTS CARRIED IN THE SECURITIES
13 ACCOUNT. ATTACHMENT OR PERFECTION OF A SECURITY INTEREST IN A
14 COMMODITY ACCOUNT IS ALSO ATTACHMENT OR PERFECTION OF A SECURITY
15 INTEREST IN ALL COMMODITY CONTRACTS CARRIED IN THE COMMODITY
16 ACCOUNT.

17 (3) A DESCRIPTION OF COLLATERAL IN A SECURITY AGREEMENT OR
18 FINANCING STATEMENT IS SUFFICIENT TO CREATE OR PERFECT A SECURITY
19 INTEREST IN A CERTIFICATED SECURITY, UNCERTIFICATED SECURITY,
20 SECURITY ENTITLEMENT, SECURITIES ACCOUNT, COMMODITY CONTRACT, OR
21 COMMODITY ACCOUNT WHETHER IT DESCRIBES THE COLLATERAL BY THOSE
22 TERMS, OR AS INVESTMENT PROPERTY, OR BY DESCRIPTION OF THE UNDER-
23 LYING SECURITY, FINANCIAL ASSET, OR COMMODITY CONTRACT. A
24 DESCRIPTION OF INVESTMENT PROPERTY COLLATERAL IN A SECURITY
25 AGREEMENT OR FINANCING STATEMENT IS SUFFICIENT IF IT IDENTIFIES
26 THE COLLATERAL BY SPECIFIC LISTING, BY CATEGORY, BY QUANTITY, BY
27 A COMPUTATIONAL OR ALLOCATIONAL FORMULA OR PROCEDURE, OR BY ANY

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1 OTHER METHOD, IF THE IDENTITY OF THE COLLATERAL IS OBJECTIVELY
2 DETERMINABLE.

3 (4) PERFECTION OF A SECURITY INTEREST IN INVESTMENT PROPERTY
4 IS GOVERNED BY THE FOLLOWING RULES:

5 (A) A SECURITY INTEREST IN INVESTMENT PROPERTY MAY BE PER-
6 FECTED BY CONTROL.

7 (B) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPHS (C) AND (D),
8 A SECURITY INTEREST IN INVESTMENT PROPERTY MAY BE PERFECTED BY
9 FILING.

10 (C) IF THE DEBTOR IS A BROKER OR SECURITIES INTERMEDIARY, A
11 SECURITY INTEREST IN INVESTMENT PROPERTY IS PERFECTED WHEN IT
12 ATTACHES. THE FILING OF A FINANCING STATEMENT WITH RESPECT TO A
13 SECURITY INTEREST IN INVESTMENT PROPERTY GRANTED BY A BROKER OR
14 SECURITIES INTERMEDIARY HAS NO EFFECT FOR PURPOSES OF PERFECTION
15 OR PRIORITY WITH RESPECT TO THAT SECURITY INTEREST.

16 (D) IF A DEBTOR IS A COMMODITY INTERMEDIARY, A SECURITY
17 INTEREST IN A COMMODITY CONTRACT OR A COMMODITY ACCOUNT IS PER-
18 FECTED WHEN IT ATTACHES. THE FILING OF A FINANCING STATEMENT
19 WITH RESPECT TO A SECURITY INTEREST IN A COMMODITY CONTRACT OR A
20 COMMODITY ACCOUNT GRANTED BY A COMMODITY INTERMEDIARY HAS NO
21 EFFECT FOR PURPOSES OF PERFECTION OR PRIORITY WITH RESPECT TO
22 THAT SECURITY INTEREST.

23 (5) PRIORITY BETWEEN CONFLICTING SECURITY INTERESTS IN THE
24 SAME INVESTMENT PROPERTY IS GOVERNED BY THE FOLLOWING RULES:

25 (A) A SECURITY INTEREST OF A SECURED PARTY WHO HAS CONTROL
26 OVER INVESTMENT PROPERTY HAS PRIORITY OVER A SECURITY INTEREST OF

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1 A SECURED PARTY WHO DOES NOT HAVE CONTROL OVER THE INVESTMENT
2 PROPERTY.

3 (B) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPHS (C) AND (D),
4 CONFLICTING SECURITY INTERESTS OF SECURED PARTIES EACH OF WHOM
5 HAS CONTROL RANK EQUALLY.

6 (C) EXCEPT AS OTHERWISE AGREED BY THE SECURITIES INTERMEDI-
7 ARY, A SECURITY INTEREST IN A SECURITY ENTITLEMENT OR A SECURI-
8 TIES ACCOUNT GRANTED TO THE DEBTOR'S OWN SECURITIES INTERMEDIARY
9 HAS PRIORITY OVER ANY SECURITY INTEREST GRANTED BY THE DEBTOR TO
10 ANOTHER SECURED PARTY.

11 (D) EXCEPT AS OTHERWISE AGREED BY THE COMMODITY INTERMEDI-
12 ARY, A SECURITY INTEREST IN A COMMODITY CONTRACT OR A COMMODITY
13 ACCOUNT GRANTED TO THE DEBTOR'S OWN COMMODITY INTERMEDIARY HAS
14 PRIORITY OVER ANY SECURITY INTEREST GRANTED BY THE DEBTOR TO
15 ANOTHER SECURED PARTY.

16 (E) CONFLICTING SECURITY INTERESTS GRANTED BY A BROKER, A
17 SECURITIES INTERMEDIARY, OR A COMMODITY INTERMEDIARY WHICH ARE
18 PERFECTED WITHOUT CONTROL RANK EQUALLY.

19 (F) IN ALL OTHER CASES, PRIORITY BETWEEN CONFLICTING SECUR-
20 ITY INTERESTS IN INVESTMENT PROPERTY IS GOVERNED BY
21 SECTION 9-312(5), (6), AND (7). SECTION 9-312(4) DOES NOT APPLY
22 TO INVESTMENT PROPERTY.

23 (6) IF A SECURITY CERTIFICATE IN REGISTERED FORM IS DELIV-
24 ERED TO A SECURED PARTY PURSUANT TO AGREEMENT, A WRITTEN SECURITY
25 AGREEMENT IS NOT REQUIRED FOR ATTACHMENT OR ENFORCEABILITY OF THE
26 SECURITY INTEREST, DELIVERY SUFFICES FOR PERFECTION OF THE
27 SECURITY INTEREST, AND THE SECURITY INTEREST HAS PRIORITY OVER A

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1 CONFLICTING SECURITY INTEREST PERFECTED BY MEANS OTHER THAN
2 CONTROL, EVEN IF A NECESSARY INDORSEMENT IS LACKING.

3 SEC. 9116. (1) IF A PERSON BUYS A FINANCIAL ASSET THROUGH A
4 SECURITIES INTERMEDIARY IN A TRANSACTION IN WHICH THE BUYER IS
5 OBLIGATED TO PAY THE PURCHASE PRICE TO THE SECURITIES INTERMEDI-
6 ARY AT THE TIME OF THE PURCHASE, AND THE SECURITIES INTERMEDIARY
7 CREDITS THE FINANCIAL ASSET TO THE BUYER'S SECURITIES ACCOUNT
8 BEFORE THE BUYER PAYS THE SECURITIES INTERMEDIARY, THE SECURITIES
9 INTERMEDIARY HAS A SECURITY INTEREST IN THE BUYER'S SECURITY
10 ENTITLEMENT SECURING THE BUYER'S OBLIGATION TO PAY. A SECURITY
11 AGREEMENT IS NOT REQUIRED FOR ATTACHMENT OR ENFORCEABILITY OF THE
12 SECURITY INTEREST, AND THE SECURITY INTEREST IS AUTOMATICALLY
13 PERFECTED.

14 (2) IF A CERTIFICATED SECURITY OR OTHER FINANCIAL ASSET REP-
15 RESENTED BY A WRITING WHICH IN THE ORDINARY COURSE OF BUSINESS IS
16 TRANSFERRED BY DELIVERY WITH ANY NECESSARY INDORSEMENT OR ASSIGN-
17 MENT IS DELIVERED PURSUANT TO AN AGREEMENT BETWEEN PERSONS IN THE
18 BUSINESS OF DEALING WITH SUCH SECURITIES OR FINANCIAL ASSETS AND
19 THE AGREEMENT CALLS FOR DELIVERY VERSUS PAYMENT, THE PERSON
20 DELIVERING THE CERTIFICATE OR OTHER FINANCIAL ASSET HAS A SECUR-
21 ITY INTEREST IN THE CERTIFICATED SECURITY OR OTHER FINANCIAL
22 ASSET SECURING THE SELLER'S RIGHT TO RECEIVE PAYMENT. A SECURITY
23 AGREEMENT IS NOT REQUIRED FOR ATTACHMENT OR ENFORCEABILITY OF THE
24 SECURITY INTEREST, AND THE SECURITY INTEREST IS AUTOMATICALLY
25 PERFECTED.

26 Sec. 9203. (1) Subject to the provisions of section 4208 on
27 the security interest of a collecting bank, ~~section 8321 on~~

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1 ~~security interests in securities~~ SECTIONS 9115 AND 9116 ON
2 SECURITY INTERESTS IN INVESTMENT PROPERTY, and section 9113 on a
3 security interest arising under the article on sales, a security
4 interest is not enforceable against the debtor or third parties
5 with respect to the collateral and does not attach unless:

6 (a) The collateral is in the possession of the secured party
7 pursuant to agreement, THE COLLATERAL IS INVESTMENT PROPERTY AND
8 THE SECURED PARTY HAS CONTROL PURSUANT TO AGREEMENT, or the
9 debtor has signed a security agreement which contains a descrip-
10 tion of the collateral and in addition, when the security inter-
11 est covers crops growing or to be grown or timber to be cut, a
12 description of the land concerned; and

13 (b) Value has been given; and

14 (c) The debtor has rights in the collateral.

15 (2) A security interest attaches when it becomes enforceable
16 against the debtor with respect to the collateral. Attachment
17 occurs as soon as all of the events specified in subsection (1)
18 have taken place unless explicit agreement postpones the time of
19 attaching.

20 (3) Unless otherwise agreed a security agreement gives the
21 secured party the rights to proceeds provided by section 9306.

22 (4) A transaction, although subject to this article, is also
23 subject to Act No. 21 of the Public Acts of 1939, as amended,
24 being sections 493.1 to 493.26 of the Michigan Compiled Laws, Act
25 No. 305 of the Public Acts of 1939, as amended, being sections
26 566.301 and 566.302 of the Michigan Compiled Laws, and Act No. 27
27 of the Public Acts of the Extra Session of 1950, as amended,

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1 being sections 492.101 to 492.141 of the Michigan Compiled Laws,
2 and in the case of conflict between the provisions of this arti-
3 cle and any such statute, the provisions of such statute
4 control. Failure to comply with any applicable statute has only
5 the effect which is specified therein.

6 Sec. 9301. (1) Except as otherwise provided in subsection
7 (2), an unperfected security interest is subordinate to the
8 rights of:

9 (a) Persons entitled to priority under section 9312;

10 (b) A person who becomes a lien creditor before the security
11 interest is perfected;

12 (c) In the case of goods, instruments, documents, and chat-
13 tel paper, a person who is not a secured party and who is a
14 transferee in bulk or other buyer not in ordinary course of busi-
15 ness, or is a buyer of farm products in the ordinary course of
16 business, to the extent that the person gives value and receives
17 delivery of the collateral without knowledge of the security
18 interest and before it is perfected;

19 (d) In the case of accounts, ~~and~~ general intangibles, AND
20 INVESTMENT PROPERTY, a person who is not a secured party and who
21 is a transferee to the extent that the person gives value without
22 knowledge of the security interest and before it is perfected.

23 (2) If the secured party files with respect to a purchase
24 money security interest before or within 20 days after the debtor
25 receives possession of the collateral, the secured party takes
26 priority over the rights of a transferee in bulk or of a lien

1 creditor which arise between the time the security interest
2 attaches and the time of filing.

3 (3) A "lien creditor" means a creditor who has acquired a
4 lien on the property involved by attachment, levy, or the like
5 and includes an assignee for benefit of creditors from the time
6 of assignment, and a trustee in bankruptcy from the date of the
7 filing of the petition or a receiver in equity from the time of
8 appointment.

9 (4) A person who becomes a lien creditor while a security
10 interest is perfected takes subject to the security interest only
11 to the extent that it secures advances made before the person
12 becomes a lien creditor or within 45 days thereafter or made
13 without knowledge of the lien or pursuant to a commitment entered
14 into without knowledge of the lien.

15 Sec. 9302. (1) A financing statement must be filed to per-
16 fect all security interests except the following:

17 (a) A security interest in collateral in possession of the
18 secured party under section 9305;

19 (b) A security interest temporarily perfected in
20 instruments, CERTIFICATED SECURITIES, or documents without deliv-
21 ery under section 9304 or in proceeds for a 10-day period under
22 section 9306;

23 (c) A security interest created by an assignment of a bene-
24 ficial interest in a trust or a decedent's estate;

25 (d) A purchase money security interest in consumer goods;
26 other than a vehicle, mobile home, or watercraft, for which a
27 certificate of title is required by the laws of this state, and

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1 fixture filing is required for priority over conflicting
2 interests in fixtures to the extent provided in section 9313;

3 (e) An assignment of accounts which does not alone or in
4 conjunction with other assignments to the same assignee transfer
5 a significant part of the outstanding accounts of the assignor;

6 (f) A security interest of a collecting bank (section ~~4208~~
7 4210) or ~~in securities (section 8321)~~ or arising under the
8 article on sales (see section 9113) or covered in subsection (3)
9 of this section;

10 (g) An assignment for the benefit of all the creditors of
11 the transferor, and subsequent transfers by the assignee
12 thereunder.

13 (H) A SECURITY INTEREST IN INVESTMENT PROPERTY WHICH IS PER-
14 FECTED WITHOUT FILING UNDER SECTION 9115 OR SECTION 9116.

15 (2) If a secured party assigns a perfected security inter-
16 est, no filing under this article is required in order to con-
17 tinue the perfected status of the security interest against cred-
18 itors of and transferees from the original debtor.

19 (3) The filing of a financing statement otherwise required
20 by this article is not necessary or effective to perfect a secur-
21 ity interest in property subject to:

22 (a) A statute or treaty of the United States which provides
23 for a national or international registration or a national or
24 international certificate of title or which specifies a place of
25 filing different from that specified in this article for filing
26 of the security interest; or

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1 (b) The following statutes of this state: (i) section 216
2 of the Michigan vehicle code, Act No. 300 of the Public Acts of
3 1949, being section 257.216 of the Michigan Compiled Laws; (ii)
4 section 80320 of part 803 (watercraft transfer and certificate of
5 title) of the natural resources and environmental protection act,
6 Act No. 451 of the Public Acts of 1994, being section 324.80320
7 of the Michigan Compiled Laws; and (iii) section 30 of the mobile
8 home commission act, Act No. 96 of the Public Acts of 1987, being
9 section 125.2330 of the Michigan Compiled Laws; but during any
10 period in which collateral is inventory held for sale by a person
11 who is in the business of selling goods of that kind, the filing
12 provisions of this article (part 4) apply to a security interest
13 in that collateral created by that person as debtor; or

14 (c) A certificate of title statute of another jurisdiction
15 under the law of which indication of a security interest on the
16 certificate is required as a condition of perfection as provided
17 in section 9103(2).

18 (4) Compliance with a statute or treaty described in subsec-
19 tion (3)(a) or (3)(c), or in the case of subsection (3)(b)(i),
20 compliance with section 217 or 238 of Act No. 300 of the Public
21 Acts of 1949, being sections 257.217 and 257.238 of the Michigan
22 Compiled Laws, or in the case of subsection (3)(b)(ii), compli-
23 ance with section 80320 of part 803 of Act No. 451 of the Public
24 Acts of 1994, or in the case of subsection (3)(b)(iii), compli-
25 ance with section 30a or 30d of Act No. 96 of the Public Acts of
26 1987, being sections 125.2330a and 125.2330d of the Michigan
27 Compiled Laws, is equivalent to the filing of a financing

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1 statement under this article, and a security interest in property
2 subject to the statute or treaty can be perfected only by compli-
3 ance therewith except as provided in section 9103 on multiple
4 state transactions. Duration and renewal of perfection of a
5 security interest perfected by compliance with the statute or
6 treaty are governed by the provisions of the statute or treaty.
7 In other respects the security interest is subject to this
8 article.

9 Sec. 9303. (1) A security interest is perfected when it has
10 attached and when all of the applicable steps required for per-
11 fection have been taken. Such steps are specified in sections
12 9115, 9302, 9304, 9305 and 9306. If such steps are taken before
13 the security interest attaches, it is perfected at the time when
14 it attaches.

15 (2) If a security interest is originally perfected in any
16 way permitted under this article and is subsequently perfected in
17 some other way under this article, without an intermediate period
18 when it was unperfected, the security interest shall be deemed to
19 be perfected continuously for the purposes of this article.

20 Sec. 9304. (1) A security interest in chattel paper or
21 negotiable documents may be perfected by filing. A security
22 interest in money or instruments, other than ~~certificated secur-~~
23 ~~ities or~~ instruments which constitute part of chattel paper, can
24 be perfected only by the secured party's taking possession,
25 except as provided in subsections (4) and (5) and section 9306(2)
26 and (3) on proceeds.

1 (2) During the period that goods are in the possession of
2 the issuer of a negotiable document therefor, a security interest
3 in the goods is perfected by perfecting a security interest in
4 the document, and a security interest in the goods otherwise per-
5 fected during such period is subject thereto.

6 (3) A security interest in goods in the possession of a
7 bailee other than one who has issued a negotiable document there-
8 for is perfected by issuance of a document in the name of the
9 security party or by the bailee's receipt of notification of the
10 secured party's interest or by filing as to the goods.

11 (4) A security interest in instruments, ~~other than~~ certif-
12 icated securities, or negotiable documents is perfected without
13 filing or the taking of possession for a period of 21 days from
14 the time it attaches to the extent that it arises for a new value
15 given under a written security agreement.

16 (5) A security interest remains perfected for a period of 21
17 days without filing where a secured party having a perfected
18 security interest in an instrument, ~~or other than~~ a certificated
19 security, ~~or~~ a negotiable document, ~~or~~ or goods in possession
20 of a bailee other than one who has issued a negotiable document
21 therefor:

22 (a) Makes available to the debtor the goods or documents
23 representing the goods for the purpose of ultimate sale or
24 exchange or for the purpose of loading, unloading, storing, ship-
25 ping, transshipping, manufacturing, processing, or otherwise
26 dealing with them in a manner preliminary to their sale or

1 exchange; but priority between conflicting security interests in
2 the goods is subject to section 9312(3); or

3 (b) Delivers the instrument OR CERTIFICATED SECURITY to the
4 debtor for the purpose of ultimate sale or exchange or of presen-
5 tation, collection, renewal, or registration of transfer.

6 (6) After the 21-day period in subsections (4) and (5), per-
7 fection depends upon compliance with applicable provisions of
8 this article.

9 Sec. 9305. A security interest in letters of credit and
10 advices of credit (section 5116(2)(a)), ~~+~~ goods, ~~+~~ instru-
11 ments, ~~other than certificated securities;~~ money, ~~+~~ negotia-
12 ble documents, ~~+~~ or chattel paper may be perfected by the
13 secured party's taking possession of the collateral. If such
14 collateral other than goods covered by a negotiable document is
15 held by a bailee, the secured party is deemed to have possession
16 from the time the bailee receives notification of the secured
17 party's interest. A security interest is perfected by possession
18 from the time possession is taken without relation back and con-
19 tinues only so long as possession is retained, unless otherwise
20 specified in this article. The security interest may be other-
21 wise perfected as provided in this article before or after the
22 period of possession by the secured party.

23 Sec. 9306. (1) "Proceeds" includes whatever is received
24 upon the sale, exchange, collection or other disposition of col-
25 lateral, or proceeds. Insurance payable by reason of loss or
26 damage to the collateral is proceeds, except to the extent that
27 it is payable to a person other than a party to the security

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1 agreement. ANY PAYMENTS OR DISTRIBUTIONS MADE WITH RESPECT TO
2 INVESTMENT PROPERTY COLLATERAL ARE PROCEEDS. Money, checks,
3 deposit accounts, and the like are "cash proceeds". All other
4 proceeds are "noncash proceeds".

5 (2) Except where this article otherwise provides, a security
6 interest continues in collateral notwithstanding sale, exchange
7 or other disposition thereof unless the disposition was autho-
8 rized by the secured party in the security agreement or other-
9 wise, and also continues in any identifiable proceeds including
10 collections received by the debtor.

11 (3) The security interest in proceeds is a continuously per-
12 fected security interest if the interest in the original collat-
13 eral was perfected but it ceases to be a perfected security
14 interest and becomes unperfected 10 days after receipt of the
15 proceeds by the debtor unless:

16 (a) A filed financing statement covers the original collat-
17 eral and the proceeds are collateral in which a security interest
18 may be perfected by filing in the office or offices where the
19 financing statement has been filed and, if the proceeds are
20 acquired with cash proceeds, the description of collateral in the
21 financing statement indicates the types of property constituting
22 the proceeds; or

23 (b) A filed financing statement covers the original collat-
24 eral and the proceeds are identifiable cash proceeds; or

25 (c) THE ORIGINAL COLLATERAL WAS INVESTMENT PROPERTY AND THE
26 PROCEEDS ARE IDENTIFIABLE CASH PROCEEDS; OR

1 (D) ~~(c)~~ The security interest in the proceeds is perfected
2 before the expiration of the 10-day period. Except as provided
3 in this section, a security interest in proceeds can be perfected
4 only by the methods or under the circumstances permitted in this
5 article for original collateral of the same type.

6 (4) In the event of insolvency proceedings instituted by or
7 against a debtor, a secured party with a perfected security
8 interest in proceeds has a perfected security interest only in
9 the following proceeds:

10 (a) In identifiable noncash proceeds and in separate deposit
11 accounts containing only proceeds;

12 (b) In identifiable cash proceeds in the form of money which
13 is neither commingled with other money nor deposited in a deposit
14 account prior to the insolvency proceedings;

15 (c) In identifiable cash proceeds in the form of checks and
16 the like which are not deposited in a deposit account prior to
17 the insolvency proceedings; and

18 (d) In all cash and deposit accounts of the debtor, in which
19 proceeds have been commingled with other funds, but the perfected
20 security interest under this paragraph (d) is

21 (i) Subject to any right of setoff; and

22 (ii) Limited to an amount not greater than the amount of any
23 cash proceeds received by the debtor within 10 days before the
24 institution of the insolvency proceedings less the sum of (i) the
25 payments to the secured party on account of cash proceeds
26 received by the debtor during such period and (ii) the cash
27 proceeds received by the debtor during such period to which the

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1 secured party is entitled under paragraphs (a) through (c) of
2 this subsection.

3 (5) If a sale of goods results in an account or chattel
4 paper which is transferred by the seller to a secured party, and
5 if the goods are returned to or are repossessed by the seller or
6 the secured party, the following rules determine priorities:

7 (a) If the goods were collateral at the time of sale for an
8 indebtedness of the seller which is still unpaid, the original
9 security interest attaches again to the goods and continues as a
10 perfected security interest if it was perfected at the time when
11 the goods were sold. If the security interest was originally
12 perfected by a filing which is still effective, nothing further
13 is required to continue the perfected status; in any other case,
14 the secured party must take possession of the returned or repos-
15 sessed goods or must file.

16 (b) An unpaid transferee of the chattel paper has a security
17 interest in the goods against the transferor. Such security
18 interest is prior to a security interest asserted under paragraph
19 (a) to the extent that the transferee of the chattel paper was
20 entitled to priority under section 9308.

21 (c) An unpaid transferee of the account has a security
22 interest in the goods against the transferor. Such security
23 interest is subordinate to a security interest asserted under
24 paragraph (a).

25 (d) A security interest of an unpaid transferee asserted
26 under paragraph (b) or (c) must be perfected for protection

1 against creditors of the transferor and purchasers of the
2 returned or repossessed goods.

3 Sec. 9309. Nothing in this article limits the rights of a
4 holder in due course of a negotiable instrument (section 3302) or
5 a holder to whom a negotiable document of title has been duly
6 negotiated (section 7501) or a ~~bona fide~~ PROTECTED purchaser of
7 a security (section ~~8302~~ 8303) and such holders or purchasers
8 take priority over an earlier security interest even though
9 perfected. Filing under this article does not constitute notice
10 of the security interest to such holders or purchasers.

11 Sec. 9312. (1) The rules of priority stated in other sec-
12 tions of this part and in the following sections shall govern
13 when applicable: section ~~4208~~ 4210 with respect to the secur-
14 ity interests of collecting banks in items being collected,
15 accompanying documents and proceeds; section 9103 on security
16 interests related to other jurisdictions; ~~and~~ section 9114 on
17 consignments; AND SECTION 9115 ON SECURITY INTERESTS IN INVEST-
18 MENT PROPERTY.

19 (2) A perfected security interest in crops for new value
20 given to enable the debtor to produce the crops during the pro-
21 duction season and given not more than 3 months before the crops
22 become growing crops by planting or otherwise takes priority over
23 an earlier perfected security interest to the extent that such
24 earlier interest secures obligations due more than 6 months
25 before the crops become growing crops by planting or otherwise,
26 even though the person giving new value had knowledge of the
27 earlier security interest.

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1 (3) Except as provided in subsection (4), a perfected
2 purchase money security interest in inventory has priority over a
3 conflicting security interest in the same inventory and also has
4 priority in identifiable cash proceeds received on or before the
5 delivery of the inventory to a buyer if:

6 (a) The purchase money security interest is perfected at the
7 time the debtor receives possession of the inventory; and

8 (b) The purchase money secured party gives notification in
9 writing to the holder of the conflicting security interest if the
10 holder had filed a financing statement covering the same types of
11 inventory; (i) before the date of the filing made by the purchase
12 money secured party; or, (ii) before the beginning of the 21-day
13 period where the purchase money security interest is temporarily
14 perfected without filing or possession (section 9304(5)); and

15 (c) The holder of the conflicting security interest receives
16 the notification within 5 years before the debtor receives pos-
17 session of the inventory; and

18 (d) The notification states that the person giving the
19 notice has or expects to acquire a purchase money security inter-
20 est in inventory of the debtor, describing such inventory by item
21 or type.

22 (4) A purchase money security interest in inventory collat-
23 eral which consists entirely of farm produce as defined in the
24 grain dealers act, Act No. 141 of the Public Acts of 1939, being
25 sections 285.61 to 285.82a of the Michigan Compiled Laws, and
26 which is retained by the producer of the farm produce shall have
27 priority over a conflicting security interest in the same

1 collateral, except for a security interest specified in
2 subsection (2), if the purchase money security interest is per-
3 fected at the time the debtor receives possession of the collat-
4 eral or within 20 days thereafter.

5 (5) A purchase money security interest in collateral other
6 than inventory has priority over a conflicting security interest
7 in the same collateral or its proceeds if the purchase money
8 security interest is perfected at the time the debtor receives
9 possession of the collateral or within 20 days thereafter.

10 (6) In all cases not governed by other rules stated in this
11 section, including cases of purchase money security interests
12 which do not qualify for the special priorities set forth in sub-
13 sections (3), (4), and (5) of this section, priority between con-
14 flicting security interests in the same collateral shall be
15 determined according to the following rules:

16 (a) Conflicting security interests rank according to prior-
17 ity in time of filing or perfection. Priority dates from the
18 time a filing is first made covering the collateral or the time
19 the security interest is first perfected, whichever is earlier,
20 provided that there is no period thereafter when there is neither
21 filing nor perfection.

22 (b) So long as conflicting security interests are unper-
23 fected, the first to attach has priority.

24 (7) For the purposes of subsection (6) a date of filing or
25 perfection as to collateral is also a date of filing or perfec-
26 tion as to proceeds.

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1 (8) If future advances are made while a security interest is
2 perfected by filing, the taking of possession, or under section
3 ~~8321 on securities~~ 9115 OR SECTION 9116 ON INVESTMENT PROPERTY,
4 the security interest has the same priority for the purposes of
5 subsection (6) OR SECTION 9115(5) with respect to the future
6 advances as it does with respect to the first advance. If a com-
7 mitment is made before or while the security interest is so per-
8 fected, the security interest has the same priority with respect
9 to advances made pursuant thereto. In other cases a perfected
10 security interest has priority from the date the advance is
11 made.

12 Sec. 9994. ~~(1)~~ The article on documents of title
13 (article 7) does not repeal or modify any laws prescribing the
14 form or contents of documents of title or the services or facili-
15 ties to be afforded by bailees, or otherwise regulating bailees'
16 businesses in respects not specifically dealt with herein. ~~but~~
17 ~~the~~ THE fact that such laws are violated does not affect the
18 status of a document of title which otherwise complies with the
19 definition of a document of title (section 1201).

20 ~~(2) This act does not repeal Act No. 239 of the Public~~
21 ~~Acts of 1959, being sections 441.101 to 441.112 of the Compiled~~
22 ~~Laws of 1948, known and cited as the uniform act for the simpli-~~
23 ~~fication of fiduciary security transfers, and if in any respect~~
24 ~~there is any inconsistency between that act and the article of~~
25 ~~this act on investment securities (article 8) the provisions of~~
26 ~~Act No. 239 of the Public Acts of 1959 shall control.~~

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1 Enacting section 1. Sections 8308, 8309, 8310, 8311, 8312,
2 8313, 8314, 8315, 8316, 8317, 8318, 8319, 8320, 8321, and 8408 of
3 the uniform commercial code, 1962 PA 174, MCL 440.8308, 440.8309,
4 440.8310, 440.8311, 440.8312, 440.8313, 440.8314, 440.8315,
5 440.8316, 440.8317, 440.8318, 440.8319, 440.8320, 440.8321, and
6 440.8408, are repealed.

7 Enacting section 2. This amendatory act takes effect
8 January 1, 1998.