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**By: Chairman, Judicial Proceedings Committee (Commission on Uniform State Laws)**

Requested: October 30, 1995

Introduced and read first time: January 10, 1996

Assigned to: Judicial Proceedings

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A BILL ENTITLED

1 AN ACT concerning

2 **Uniform Commercial Code - Investment Securities - Revision of Title 8**

3 FOR the purpose of revising, reorganizing, and clarifying the commercial laws of the  
4 State pertaining to investment securities; clarifying certain provisions concerning  
5 the direct holding system of investment securities; establishing rules concerning the  
6 indirect holding system of investment securities; clarifying certain provisions  
7 concerning defenses raised by issuers of securities held directly against subsequent  
8 purchasers; clarifying the process of registration of transfer by the issuer or transfer  
9 agent of a security held directly; revising the rules protecting purchasers of  
10 securities held directly against adverse claims; clarifying certain provisions  
11 concerning uncertificated securities; establishing the rights and property interest of  
12 a person who holds a security through an intermediary; establishing certain financial  
13 requirements for securities intermediaries; establishing rules for the creation and  
14 perfection of security interests in directly and indirectly held investment securities;  
15 repealing, amending, and adding certain definitions; and generally relating to  
16 investment securities under the Uniform Commercial Code.

17 BY repealing

18 Article - Commercial Law  
19 Section 8-101 through 8-408, inclusive, and the title "Title 8. Investment  
20 Securities"  
21 Annotated Code of Maryland  
22 (1992 Replacement Volume and 1995 Supplement)

23 BY adding to

24 Article - Commercial Law  
25 Section 8-101 through 8-511, inclusive, to be under the new title "Title 8.  
26 Investment Securities"; 9-115 and 9-116  
27 Annotated Code of Maryland  
28 (1992 Replacement Volume and 1995 Supplement)

29 BY repealing and reenacting, with amendments,

30 Article - Commercial Law  
31 Section 1-105(2), 1-206, 5-114(2), 9-103(6), 9-105(1)(h) and (i), (2), and (3),

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1 9-106, 9-203(1), 9-301(1), 9-302(1), 9-304, 9-305, 9-306(1) through (3),  
2 9-309, 9-312(1) and (7), and 10-104  
3 Annotated Code of Maryland  
4 (1992 Replacement Volume and 1995 Supplement)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
6 MARYLAND, That Section(s) 8-101 through 8-408, inclusive, and the title "Title 8.  
7 Investment Securities" of Article - Commercial Law of the Annotated Code of Maryland  
8 be repealed.

9 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
10 read as follows:

11 **Article - Commercial Law**

12 1-105.

13 (2) Where one of the following provisions of Titles 1 through 10 of this article  
14 specifies the applicable law, that provision governs and a contrary agreement is effective  
15 only to the extent permitted by the law (including the conflict of laws rules) so specified:

16 Rights of creditors against sold goods. § 2-402.

17 Applicability of the title on leases. §§ 2A-105 and 2A-106.

18 Applicability of the title on bank deposits and collections. § 4-102.

19 Governing law in the title on funds transfers. § 4A-507.

20 Bulk transfers subject to the title on bulk transfers. § 6-102.

21 Applicability of the title on investment securities. [§ 8-106] § 8-110.

22 Perfection provisions of the title on secured transactions. § 9-103.

23 1-206.

24 (1) Except in the cases described in subsection (2) of this section a contract for  
25 the sale of personal property is not enforceable by way of action or defense beyond [five  
26 thousand dollars (\$5000)] \$5,000 in amount or value of remedy unless there is some  
27 writing which indicates that a contract for sale has been made between the parties at a  
28 defined or stated price, reasonably identifies the subject matter, and is signed by the party  
29 against whom enforcement is sought or by his authorized agent.

30 (2) Subsection (1) of this section does not apply to contracts for the sale of goods  
31 (§ 2-201) nor of securities [(§ 8-319)] (§ 8-113) nor to security agreements (§ 9-203).

32 5-114.

33 (2) Unless otherwise agreed when documents appear on their face to comply with  
34 the terms of a credit but a required document does not in fact conform to the warranties  
35 made on negotiation or transfer of a document of title (§ 7-507) or of a certificated  
36 security [(§ 8-306)] (§ 8-108) or is forged or fraudulent or there is fraud in the  
37 transaction:

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1 (a) The issuer must honor the draft or demand for payment if honor is  
2 demanded by a negotiating bank or other holder of the draft or demand which has taken  
3 the draft or demand under the credit and under circumstances which would make it a  
4 holder in due course (§ 3-302) and in an appropriate case would make it a person to  
5 whom a document of title has been duly negotiated (§ 7-502) or a bona fide purchaser of  
6 a certificated security (§ 8-302); and

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

11 TITLE 8. INVESTMENT SECURITIES.

12 SUBTITLE 1. SHORT TITLE AND GENERAL MATTERS.

13 8-101.

14 THIS TITLE SHALL BE KNOWN AND MAY BE CITED AS MARYLAND UNIFORM  
15 COMMERCIAL CODE - INVESTMENT SECURITIES.

16 8-102.

17 (A) IN THIS TITLE:

18 (1) "ADVERSE CLAIM" MEANS A CLAIM THAT A CLAIMANT HAS A  
19 PROPERTY INTEREST IN A FINANCIAL ASSET AND THAT IT IS A VIOLATION OF THE  
20 RIGHTS OF THE CLAIMANT FOR ANOTHER PERSON TO HOLD, TRANSFER, OR DEAL  
21 WITH THE FINANCIAL ASSET.

22 (2) "BEARER FORM", AS APPLIED TO A CERTIFICATED SECURITY,  
23 MEANS A FORM IN WHICH THE SECURITY IS PAYABLE TO THE BEARER OF THE  
24 SECURITY CERTIFICATE ACCORDING TO ITS TERMS BUT NOT BY REASON OF AN  
25 INDORSEMENT.

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

29 (4) "CERTIFICATED SECURITY" MEANS A SECURITY THAT IS  
30 REPRESENTED BY A CERTIFICATE.

31 (5) "CLEARING CORPORATION" MEANS:

32 (I) A PERSON THAT IS REGISTERED AS A "CLEARING AGENCY"  
33 UNDER THE FEDERAL SECURITIES LAWS;

34 (II) A FEDERAL RESERVE BANK; OR

35 (III) ANY OTHER PERSON THAT PROVIDES CLEARANCE OR  
36 SETTLEMENT SERVICES WITH RESPECT TO FINANCIAL ASSETS THAT WOULD  
37 REQUIRE IT TO REGISTER AS A CLEARING AGENCY UNDER THE FEDERAL  
38 SECURITIES LAWS BUT FOR AN EXCLUSION OR EXEMPTION FROM THE

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1 REGISTRATION REQUIREMENT, IF ITS ACTIVITIES AS A CLEARING CORPORATION,  
2 INCLUDING PROMULGATION OF RULES, ARE SUBJECT TO REGULATION BY A  
3 FEDERAL OR STATE GOVERNMENTAL AUTHORITY.

4 (6) "COMMUNICATE" MEANS TO:

5 (I) SEND A SIGNED WRITING; OR

6 (II) TRANSMIT INFORMATION BY ANY MECHANISM AGREED UPON  
7 BY THE PERSONS TRANSMITTING AND RECEIVING THE INFORMATION.

8 (7) "ENTITLEMENT HOLDER" MEANS A PERSON IDENTIFIED IN THE  
9 RECORDS OF A SECURITIES INTERMEDIARY AS THE PERSON HAVING A SECURITY  
10 ENTITLEMENT AGAINST THE SECURITIES INTERMEDIARY. IF A PERSON ACQUIRES A  
11 SECURITY ENTITLEMENT BY VIRTUE OF § 8-501(B)(2) OR (3) OF THIS TITLE, THAT  
12 PERSON IS THE ENTITLEMENT HOLDER.

13 (8) "ENTITLEMENT ORDER" MEANS A NOTIFICATION COMMUNICATED  
14 TO A SECURITIES INTERMEDIARY DIRECTING TRANSFER OR REDEMPTION OF A  
15 FINANCIAL ASSET TO WHICH THE ENTITLEMENT HOLDER HAS A SECURITY  
16 ENTITLEMENT.

17 (9) (I) "FINANCIAL ASSET", EXCEPT AS OTHERWISE PROVIDED IN §  
18 8-103 OF THIS SUBTITLE, MEANS:

19 1. A SECURITY;

20 2. AN OBLIGATION OF A PERSON OR A SHARE,  
21 PARTICIPATION, OR OTHER INTEREST IN A PERSON OR IN PROPERTY OR AN  
22 ENTERPRISE OF A PERSON, WHICH IS, OR IS OF A TYPE, DEALT IN OR TRADED ON  
23 FINANCIAL MARKETS, OR WHICH IS RECOGNIZED IN ANY AREA IN WHICH IT IS  
24 ISSUED OR DEALT IN AS A MEDIUM FOR INVESTMENT; OR

25 3. ANY PROPERTY THAT IS HELD BY A SECURITIES  
26 INTERMEDIARY FOR ANOTHER PERSON IN A SECURITIES ACCOUNT IF THE  
27 SECURITIES INTERMEDIARY HAS EXPRESSLY AGREED WITH THE OTHER PERSON  
28 THAT THE PROPERTY IS TO BE TREATED AS A FINANCIAL ASSET UNDER THIS TITLE.

29 (II) AS CONTEXT REQUIRES, THE TERM MEANS EITHER THE  
30 INTEREST ITSELF OR THE MEANS BY WHICH A PERSON'S CLAIM TO IT IS EVIDENCED,  
31 INCLUDING A CERTIFICATED OR UNCERTIFICATED SECURITY, A SECURITY  
32 CERTIFICATE, OR A SECURITY ENTITLEMENT.

33 (10) "GOOD FAITH", FOR PURPOSES OF THE OBLIGATION OF GOOD  
34 FAITH IN THE PERFORMANCE OR ENFORCEMENT OF CONTRACTS OR DUTIES  
35 WITHIN THIS TITLE, MEANS HONESTY IN FACT AND THE OBSERVANCE OF  
36 REASONABLE COMMERCIAL STANDARDS OF FAIR DEALING.

37 (11) "INDORSEMENT" MEANS A SIGNATURE THAT ALONE OR  
38 ACCOMPANIED BY OTHER WORDS IS MADE ON A SECURITY CERTIFICATE IN  
39 REGISTERED FORM OR ON A SEPARATE DOCUMENT FOR THE PURPOSE OF  
40 ASSIGNING, TRANSFERRING, OR REDEEMING THE SECURITY OR GRANTING A  
41 POWER TO ASSIGN, TRANSFER, OR REDEEM IT.

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1 (12) "INSTRUCTION" MEANS A NOTIFICATION COMMUNICATED TO THE  
2 ISSUER OF AN UNCERTIFICATED SECURITY WHICH DIRECTS THAT THE TRANSFER  
3 OF THE SECURITY BE REGISTERED OR THAT THE SECURITY BE REDEEMED.

4 (13) "REGISTERED FORM", AS APPLIED TO A CERTIFICATED SECURITY,  
5 MEANS A FORM IN WHICH:

6 (I) THE SECURITY CERTIFICATE SPECIFIES A PERSON ENTITLED  
7 TO THE SECURITY; AND

8 (II) A TRANSFER OF THE SECURITY MAY BE REGISTERED UPON  
9 BOOKS MAINTAINED FOR THAT PURPOSE BY OR ON BEHALF OF THE ISSUER, OR THE  
10 SECURITY CERTIFICATE SO STATES.

11 (14) "SECURITIES INTERMEDIARY" MEANS:

12 (I) A CLEARING CORPORATION; OR

13 (II) A PERSON, INCLUDING A BANK OR BROKER, THAT IN THE  
14 ORDINARY COURSE OF ITS BUSINESS MAINTAINS SECURITIES ACCOUNTS FOR  
15 OTHERS AND IS ACTING IN THAT CAPACITY.

16 (15) "SECURITY", EXCEPT AS OTHERWISE PROVIDED IN § 8-103 OF THIS  
17 SUBTITLE, MEANS AN OBLIGATION OF AN ISSUER OR A SHARE, PARTICIPATION, OR  
18 OTHER INTEREST IN AN ISSUER OR IN PROPERTY OR AN ENTERPRISE OF AN ISSUER:

19 (I) WHICH IS REPRESENTED BY A SECURITY CERTIFICATE IN  
20 BEARER OR REGISTERED FORM, OR THE TRANSFER OF WHICH MAY BE REGISTERED  
21 UPON BOOKS MAINTAINED FOR THAT PURPOSE BY OR ON BEHALF OF THE ISSUER;

22 (II) WHICH IS ONE OF A CLASS OR SERIES OR BY ITS TERMS IS  
23 DIVISIBLE INTO A CLASS OR SERIES OF SHARES, PARTICIPATIONS, INTERESTS, OR  
24 OBLIGATIONS; AND

25 (III) WHICH:

26 1. IS, OR IS OF A TYPE, DEALT IN OR TRADED ON  
27 SECURITIES EXCHANGES OR SECURITIES MARKETS; OR

28 2. IS A MEDIUM FOR INVESTMENT AND BY ITS TERMS  
29 EXPRESSLY PROVIDES THAT IT IS A SECURITY GOVERNED BY THIS TITLE.

30 (16) "SECURITY CERTIFICATE" MEANS A CERTIFICATE REPRESENTING A  
31 SECURITY.

32 (17) "SECURITY ENTITLEMENT" MEANS THE RIGHTS AND PROPERTY  
33 INTEREST OF AN ENTITLEMENT HOLDER WITH RESPECT TO A FINANCIAL ASSET  
34 SPECIFIED IN SUBTITLE 5 OF THIS TITLE.

35 (18) "UNCERTIFICATED SECURITY" MEANS A SECURITY THAT IS NOT  
36 REPRESENTED BY A CERTIFICATE.

37 (B) OTHER DEFINITIONS APPLYING TO THIS TITLE AND THE SECTIONS IN  
38 THIS TITLE IN WHICH THEY APPEAR ARE:

1	APPROPRIATE PERSON	§ 8-107
2	CONTROL	§ 8-106
3	DELIVERY	§ 8-301
4	INVESTMENT COMPANY SECURITY	§ 8-103
5	ISSUER	§ 8-201
6	OVERISSUE	§ 8-210
7	PROTECTED PURCHASER	§ 8-303
8	SECURITIES ACCOUNT	§ 8-501

9 (C) IN ADDITION, TITLE 1 CONTAINS GENERAL DEFINITIONS AND PRINCIPLES  
10 OF CONSTRUCTION AND INTERPRETATION APPLICABLE THROUGHOUT THIS TITLE.

11 (D) THE CHARACTERIZATION OF A PERSON, BUSINESS, OR TRANSACTION  
12 FOR PURPOSES OF THIS TITLE DOES NOT DETERMINE THE CHARACTERIZATION OF  
13 THE PERSON, BUSINESS, OR TRANSACTION FOR PURPOSES OF ANY OTHER LAW,  
14 REGULATION, OR RULE.

15 8-103.

16 (A) A SHARE OR SIMILAR EQUITY INTEREST ISSUED BY A CORPORATION,  
17 BUSINESS TRUST, JOINT STOCK COMPANY, OR SIMILAR ENTITY IS A SECURITY.

18 (B) AN "INVESTMENT COMPANY SECURITY" IS A SECURITY. "INVESTMENT  
19 COMPANY SECURITY" MEANS A SHARE OR SIMILAR EQUITY INTEREST ISSUED BY  
20 AN ENTITY THAT IS REGISTERED AS AN INVESTMENT COMPANY UNDER THE  
21 FEDERAL INVESTMENT COMPANY LAWS, AN INTEREST IN A UNIT INVESTMENT  
22 TRUST THAT IS SO REGISTERED, OR A FACE-AMOUNT CERTIFICATE ISSUED BY A  
23 FACE-AMOUNT CERTIFICATE COMPANY THAT IS SO REGISTERED. INVESTMENT  
24 COMPANY SECURITY DOES NOT INCLUDE AN INSURANCE POLICY OR ENDOWMENT  
25 POLICY OR ANNUITY CONTRACT ISSUED BY AN INSURANCE COMPANY.

26 (C) AN INTEREST IN A PARTNERSHIP OR LIMITED LIABILITY COMPANY IS NOT  
27 A SECURITY UNLESS IT IS DEALT IN OR TRADED ON SECURITIES EXCHANGES OR IN  
28 SECURITIES MARKETS, ITS TERMS EXPRESSLY PROVIDE THAT IT IS A SECURITY  
29 GOVERNED BY THIS TITLE, OR IT IS AN INVESTMENT COMPANY SECURITY.  
30 HOWEVER, AN INTEREST IN A PARTNERSHIP OR LIMITED LIABILITY COMPANY IS A  
31 FINANCIAL ASSET IF IT IS HELD IN A SECURITIES ACCOUNT.

32 (D) A WRITING THAT IS A SECURITY CERTIFICATE IS GOVERNED BY THIS  
33 TITLE AND NOT BY TITLE 3 OF THIS ARTICLE, EVEN THOUGH IT ALSO MEETS THE  
34 REQUIREMENTS OF THAT TITLE. HOWEVER, A NEGOTIABLE INSTRUMENT  
35 GOVERNED BY TITLE 3 OF THIS ARTICLE IS A FINANCIAL ASSET IF IT IS HELD IN A  
36 SECURITIES ACCOUNT.

37 (E) AN OPTION OR SIMILAR OBLIGATION ISSUED BY A CLEARING  
38 CORPORATION TO ITS PARTICIPANTS IS NOT A SECURITY, BUT IS A FINANCIAL  
39 ASSET.

40 (F) A COMMODITY CONTRACT, AS DEFINED IN § 9-115 OF THIS ARTICLE, IS  
41 NOT A SECURITY OR A FINANCIAL ASSET.

42 8-104.

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1 (A) A PERSON ACQUIRES A SECURITY OR AN INTEREST IN A SECURITY,  
2 UNDER THIS TITLE, IF:

3 (1) THE PERSON IS A PURCHASER TO WHOM A SECURITY IS DELIVERED  
4 IN ACCORDANCE WITH § 8-301 OF THIS TITLE; OR

5 (2) THE PERSON ACQUIRES A SECURITY ENTITLEMENT TO THE  
6 SECURITY IN ACCORDANCE WITH § 8-501 OF THIS TITLE.

7 (B) A PERSON ACQUIRES A FINANCIAL ASSET, OTHER THAN A SECURITY, OR  
8 AN INTEREST IN A FINANCIAL ASSET, UNDER THIS TITLE, IF THE PERSON ACQUIRES  
9 A SECURITY ENTITLEMENT TO THE FINANCIAL ASSET.

10 (C) A PERSON WHO ACQUIRES A SECURITY ENTITLEMENT TO A SECURITY OR  
11 OTHER FINANCIAL ASSET HAS THE RIGHTS SPECIFIED IN SUBTITLE 5 OF THIS TITLE,  
12 BUT IS A PURCHASER OF ANY SECURITY, SECURITY ENTITLEMENT, OR OTHER  
13 FINANCIAL ASSET HELD BY THE SECURITIES INTERMEDIARY ONLY TO THE EXTENT  
14 PROVIDED IN § 8-503 OF THIS TITLE.

15 (D) UNLESS THE CONTEXT SHOWS THAT A DIFFERENT MEANING IS  
16 INTENDED, A PERSON WHO IS REQUIRED BY OTHER LAW, REGULATION, RULE, OR  
17 AGREEMENT TO TRANSFER, DELIVER, PRESENT, SURRENDER, EXCHANGE, OR  
18 OTHERWISE PUT IN THE POSSESSION OF ANOTHER PERSON A SECURITY OR  
19 FINANCIAL ASSET SATISFIES THAT REQUIREMENT BY CAUSING THE OTHER PERSON  
20 TO ACQUIRE AN INTEREST IN THE SECURITY OR FINANCIAL ASSET IN ACCORDANCE  
21 WITH SUBSECTION (A) OR (B) OF THIS SECTION.

22 8-105.

23 (A) A PERSON HAS NOTICE OF AN ADVERSE CLAIM IF:

24 (1) THE PERSON KNOWS OF THE ADVERSE CLAIM;

25 (2) THE PERSON IS AWARE OF FACTS SUFFICIENT TO INDICATE THAT  
26 THERE IS A SIGNIFICANT PROBABILITY THAT THE ADVERSE CLAIM EXISTS AND  
27 DELIBERATELY AVOIDS INFORMATION THAT WOULD ESTABLISH THE EXISTENCE  
28 OF THE ADVERSE CLAIM; OR

29 (3) THE PERSON HAS A DUTY, IMPOSED BY STATUTE OR REGULATION,  
30 TO INVESTIGATE WHETHER AN ADVERSE CLAIM EXISTS, AND THE INVESTIGATION  
31 SO REQUIRED WOULD ESTABLISH THE EXISTENCE OF THE ADVERSE CLAIM.

32 (B) HAVING KNOWLEDGE THAT A FINANCIAL ASSET OR INTEREST IN A  
33 FINANCIAL ASSET IS OR HAS BEEN TRANSFERRED BY A REPRESENTATIVE IMPOSES  
34 NO DUTY OF INQUIRY INTO THE RIGHTFULNESS OF A TRANSACTION AND IS NOT  
35 NOTICE OF AN ADVERSE CLAIM. HOWEVER, A PERSON WHO KNOWS THAT A  
36 REPRESENTATIVE HAS TRANSFERRED A FINANCIAL ASSET OR INTEREST IN A  
37 FINANCIAL ASSET IN A TRANSACTION THAT IS, OR WHOSE PROCEEDS ARE BEING  
38 USED, FOR THE INDIVIDUAL BENEFIT OF THE REPRESENTATIVE OR OTHERWISE IN  
39 BREACH OF DUTY HAS NOTICE OF AN ADVERSE CLAIM.

40 (C) AN ACT OR EVENT THAT CREATES A RIGHT TO IMMEDIATE  
41 PERFORMANCE OF THE PRINCIPAL OBLIGATION REPRESENTED BY A SECURITY

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1 CERTIFICATE OR SETS A DATE ON OR AFTER WHICH THE CERTIFICATE IS TO BE  
2 PRESENTED OR SURRENDERED FOR REDEMPTION OR EXCHANGE DOES NOT ITSELF  
3 CONSTITUTE NOTICE OF AN ADVERSE CLAIM EXCEPT IN THE CASE OF A TRANSFER  
4 MORE THAN:

5 (1) 1 YEAR AFTER A DATE SET FOR PRESENTMENT OR SURRENDER FOR  
6 REDEMPTION OR EXCHANGE; OR

7 (2) 6 MONTHS AFTER A DATE SET FOR PAYMENT OF MONEY AGAINST  
8 PRESENTATION OR SURRENDER OF THE CERTIFICATE, IF MONEY WAS AVAILABLE  
9 FOR PAYMENT ON THAT DATE.

10 (D) A PURCHASER OF A CERTIFICATED SECURITY HAS NOTICE OF AN  
11 ADVERSE CLAIM IF THE SECURITY CERTIFICATE:

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

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

18 (E) FILING OF A FINANCING STATEMENT UNDER TITLE 9 OF THIS ARTICLE IS  
19 NOT NOTICE OF AN ADVERSE CLAIM TO A FINANCIAL ASSET.

20 8-106.

21 (A) A PURCHASER HAS "CONTROL" OF A CERTIFICATED SECURITY IN  
22 BEARER FORM IF THE CERTIFICATED SECURITY IS DELIVERED TO THE PURCHASER.

23 (B) A PURCHASER HAS "CONTROL" OF A CERTIFICATED SECURITY IN  
24 REGISTERED FORM IF THE CERTIFICATED SECURITY IS DELIVERED TO THE  
25 PURCHASER, AND:

26 (1) THE CERTIFICATE IS INDORSED TO THE PURCHASER OR IN BLANK  
27 BY AN EFFECTIVE INDORSEMENT; OR

28 (2) THE CERTIFICATE IS REGISTERED IN THE NAME OF THE  
29 PURCHASER, UPON ORIGINAL ISSUE OR REGISTRATION OF TRANSFER BY THE  
30 ISSUER.

31 (C) A PURCHASER HAS "CONTROL" OF AN UNCERTIFICATED SECURITY IF:

32 (1) THE UNCERTIFICATED SECURITY IS DELIVERED TO THE  
33 PURCHASER; OR

34 (2) THE ISSUER HAS AGREED THAT IT WILL COMPLY WITH  
35 INSTRUCTIONS ORIGINATED BY THE PURCHASER WITHOUT FURTHER CONSENT BY  
36 THE REGISTERED OWNER.

37 (D) A PURCHASER HAS "CONTROL" OF A SECURITY ENTITLEMENT IF:

38 (1) THE PURCHASER BECOMES THE ENTITLEMENT HOLDER; OR



1 (2) THE SECURITIES INTERMEDIARY HAS AGREED THAT IT WILL  
2 COMPLY WITH ENTITLEMENT ORDERS ORIGINATED BY THE PURCHASER WITHOUT  
3 FURTHER CONSENT BY THE ENTITLEMENT HOLDER.

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

7 (F) A PURCHASER WHO HAS SATISFIED THE REQUIREMENTS OF SUBSECTION  
8 (C)(2) OR (D)(2) OF THIS SECTION HAS CONTROL EVEN IF THE REGISTERED OWNER  
9 IN THE CASE OF SUBSECTION (C)(2) OF THIS SECTION OR THE ENTITLEMENT HOLDER  
10 IN THE CASE OF SUBSECTION (D)(2) OF THIS SECTION RETAINS THE RIGHT TO MAKE  
11 SUBSTITUTIONS FOR THE UNCERTIFICATED SECURITY OR SECURITY ENTITLEMENT,  
12 TO ORIGINATE INSTRUCTIONS OR ENTITLEMENT ORDERS TO THE ISSUER OR  
13 SECURITIES INTERMEDIARY, OR OTHERWISE TO DEAL WITH THE UNCERTIFICATED  
14 SECURITY OR SECURITY ENTITLEMENT.

15 (G) (1) AN ISSUER OR A SECURITIES INTERMEDIARY MAY NOT ENTER INTO  
16 AN AGREEMENT OF THE KIND DESCRIBED IN SUBSECTION (C)(2) OR (D)(2) OF THIS  
17 SECTION WITHOUT THE CONSENT OF THE REGISTERED OWNER OR ENTITLEMENT  
18 HOLDER, BUT AN ISSUER OR A SECURITIES INTERMEDIARY IS NOT REQUIRED TO  
19 ENTER INTO SUCH AN AGREEMENT EVEN THOUGH THE REGISTERED OWNER OR  
20 ENTITLEMENT HOLDER SO DIRECTS.

21 (2) AN ISSUER OR SECURITIES INTERMEDIARY THAT HAS ENTERED  
22 INTO SUCH AN AGREEMENT IS NOT REQUIRED TO CONFIRM THE EXISTENCE OF THE  
23 AGREEMENT TO ANOTHER PARTY UNLESS REQUESTED TO DO SO BY THE  
24 REGISTERED OWNER OR ENTITLEMENT HOLDER.

25 8-107.

26 (A) "APPROPRIATE PERSON" MEANS:

27 (1) WITH RESPECT TO AN INDORSEMENT, THE PERSON SPECIFIED BY A  
28 SECURITY CERTIFICATE OR BY AN EFFECTIVE SPECIAL INDORSEMENT TO BE  
29 ENTITLED TO THE SECURITY;

30 (2) WITH RESPECT TO AN INSTRUCTION, THE REGISTERED OWNER OF  
31 AN UNCERTIFICATED SECURITY;

32 (3) WITH RESPECT TO AN ENTITLEMENT ORDER, THE ENTITLEMENT  
33 HOLDER;

34 (4) IF THE PERSON DESIGNATED IN PARAGRAPH (1), (2), OR (3) OF THIS  
35 SUBSECTION IS DECEASED, THE DESIGNATED PERSON'S SUCCESSOR TAKING UNDER  
36 OTHER LAW OR THE DESIGNATED PERSON'S PERSONAL REPRESENTATIVE ACTING  
37 FOR THE ESTATE OF THE DECEDENT; OR

38 (5) IF THE PERSON DESIGNATED IN PARAGRAPH (1), (2), OR (3) OF THIS  
39 SUBSECTION LACKS CAPACITY, THE DESIGNATED PERSON'S GUARDIAN,  
40 CONSERVATOR, OR OTHER SIMILAR REPRESENTATIVE WHO HAS POWER UNDER  
41 OTHER LAW TO TRANSFER THE SECURITY OR FINANCIAL ASSET.

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1 (B) AN INDORSEMENT, INSTRUCTION, OR ENTITLEMENT ORDER IS  
2 EFFECTIVE IF:

3 (1) IT IS MADE BY THE APPROPRIATE PERSON;

4 (2) 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 THE  
6 APPROPRIATE PERSON, INCLUDING, IN THE CASE OF AN INSTRUCTION OR  
7 ENTITLEMENT ORDER, A PERSON WHO HAS CONTROL UNDER § 8-106(C)(2) OR (D)(2)  
8 OF THIS SUBTITLE; OR

9 (3) THE APPROPRIATE PERSON HAS RATIFIED IT OR IS OTHERWISE  
10 PRECLUDED FROM ASSERTING ITS INEFFECTIVENESS.

11 (C) AN INDORSEMENT, INSTRUCTION, OR ENTITLEMENT ORDER MADE BY A  
12 REPRESENTATIVE IS EFFECTIVE EVEN IF:

13 (1) THE REPRESENTATIVE HAS FAILED TO COMPLY WITH A  
14 CONTROLLING INSTRUMENT OR WITH THE LAW OF THE STATE HAVING  
15 JURISDICTION OF THE REPRESENTATIVE RELATIONSHIP, INCLUDING ANY LAW  
16 REQUIRING THE REPRESENTATIVE TO OBTAIN COURT APPROVAL OF THE  
17 TRANSACTION; OR

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

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

27 (E) EFFECTIVENESS OF AN INDORSEMENT, INSTRUCTION, OR ENTITLEMENT  
28 ORDER IS DETERMINED AS OF THE DATE THE INDORSEMENT, INSTRUCTION, OR  
29 ENTITLEMENT ORDER IS MADE, AND AN INDORSEMENT, INSTRUCTION, OR  
30 ENTITLEMENT ORDER DOES NOT BECOME INEFFECTIVE BY REASON OF ANY LATER  
31 CHANGE OF CIRCUMSTANCES.

32 8-108.

33 (A) A PERSON WHO TRANSFERS A CERTIFICATED SECURITY TO A  
34 PURCHASER FOR VALUE WARRANTS TO THE PURCHASER, AND AN INDORSER, IF  
35 THE TRANSFER IS BY INDORSEMENT, WARRANTS TO ANY SUBSEQUENT PURCHASER,  
36 THAT:

37 (1) THE CERTIFICATE IS GENUINE AND HAS NOT BEEN MATERIALLY  
38 ALTERED;

39 (2) THE TRANSFEROR OR INDORSER DOES NOT KNOW OF ANY FACT  
40 THAT MIGHT IMPAIR THE VALIDITY OF THE SECURITY;

11

1 (3) THERE IS NO ADVERSE CLAIM TO THE SECURITY;

2 (4) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON  
3 TRANSFER;

4 (5) IF THE TRANSFER IS BY INDORSEMENT, THE INDORSEMENT IS MADE  
5 BY AN APPROPRIATE PERSON, OR IF THE INDORSEMENT IS BY AN AGENT, THE  
6 AGENT HAS ACTUAL AUTHORITY TO ACT ON BEHALF OF THE APPROPRIATE  
7 PERSON; AND

8 (6) THE TRANSFER IS OTHERWISE EFFECTIVE AND RIGHTFUL.

9 (B) A PERSON WHO ORIGINATES AN INSTRUCTION FOR REGISTRATION OF  
10 TRANSFER OF AN UNCERTIFICATED SECURITY TO A PURCHASER FOR VALUE  
11 WARRANTS TO THE PURCHASER THAT:

12 (1) THE INSTRUCTION IS MADE BY AN APPROPRIATE PERSON, OR IF THE  
13 INSTRUCTION IS BY AN AGENT, THE AGENT HAS ACTUAL AUTHORITY TO ACT ON  
14 BEHALF OF THE APPROPRIATE PERSON;

15 (2) THE SECURITY IS VALID;

16 (3) THERE IS NO ADVERSE CLAIM TO THE SECURITY; AND

17 (4) AT THE TIME THE INSTRUCTION IS PRESENTED TO THE ISSUER:

18 (I) THE PURCHASER WILL BE ENTITLED TO THE REGISTRATION  
19 OF TRANSFER;

20 (II) THE TRANSFER WILL BE REGISTERED BY THE ISSUER FREE  
21 FROM ALL LIENS, SECURITY INTERESTS, RESTRICTIONS, AND CLAIMS OTHER THAN  
22 THOSE SPECIFIED IN THE INSTRUCTION;

23 (III) THE TRANSFER WILL NOT VIOLATE ANY RESTRICTION ON  
24 TRANSFER; AND

25 (IV) THE REQUESTED TRANSFER WILL OTHERWISE BE EFFECTIVE  
26 AND RIGHTFUL.

27 (C) A PERSON WHO TRANSFERS AN UNCERTIFICATED SECURITY TO A  
28 PURCHASER FOR VALUE AND DOES NOT ORIGINATE AN INSTRUCTION IN  
29 CONNECTION WITH THE TRANSFER WARRANTS THAT:

30 (1) THE UNCERTIFICATED SECURITY IS VALID;

31 (2) THERE IS NO ADVERSE CLAIM TO THE SECURITY;

32 (3) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON  
33 TRANSFER; AND

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

35 (D) A PERSON WHO INDORSES A SECURITY CERTIFICATE WARRANTS TO THE  
36 ISSUER THAT:

12

1 (1) THERE IS NO ADVERSE CLAIM TO THE SECURITY; AND

2 (2) THE INDORSEMENT IS EFFECTIVE.

3 (E) A PERSON WHO ORIGINATES AN INSTRUCTION FOR REGISTRATION OF  
4 TRANSFER OF AN UNCERTIFICATED SECURITY WARRANTS TO THE ISSUER THAT:

5 (1) THE INSTRUCTION IS EFFECTIVE; AND

6 (2) AT THE TIME THE INSTRUCTION IS PRESENTED TO THE ISSUER THE  
7 PURCHASER WILL BE ENTITLED TO THE REGISTRATION OF TRANSFER.

8 (F) A PERSON WHO PRESENTS A CERTIFICATED SECURITY FOR  
9 REGISTRATION OF TRANSFER OR FOR PAYMENT OR EXCHANGE WARRANTS TO THE  
10 ISSUER THAT THE PERSON IS ENTITLED TO THE REGISTRATION, PAYMENT, OR  
11 EXCHANGE, BUT A PURCHASER FOR VALUE AND WITHOUT NOTICE OF ADVERSE  
12 CLAIMS TO WHOM TRANSFER IS REGISTERED WARRANTS ONLY THAT THE PERSON  
13 HAS NO KNOWLEDGE OF ANY UNAUTHORIZED SIGNATURE IN A NECESSARY  
14 INDORSEMENT.

15 (G) IF A PERSON ACTS AS AGENT OF ANOTHER IN DELIVERING A  
16 CERTIFICATED SECURITY TO A PURCHASER, THE IDENTITY OF THE PRINCIPAL WAS  
17 KNOWN TO THE PERSON TO WHOM THE CERTIFICATE WAS DELIVERED, AND THE  
18 CERTIFICATE DELIVERED BY THE AGENT WAS RECEIVED BY THE AGENT FROM THE  
19 PRINCIPAL OR RECEIVED BY THE AGENT FROM ANOTHER PERSON AT THE  
20 DIRECTION OF THE PRINCIPAL, THE PERSON DELIVERING THE SECURITY  
21 CERTIFICATE WARRANTS ONLY THAT THE DELIVERING PERSON HAS AUTHORITY  
22 TO ACT FOR THE PRINCIPAL AND DOES NOT KNOW OF ANY ADVERSE CLAIM TO THE  
23 CERTIFICATED SECURITY.

24 (H) A SECURED PARTY WHO REDELIVERS A SECURITY CERTIFICATE  
25 RECEIVED, OR AFTER PAYMENT AND ON ORDER OF THE DEBTOR DELIVERS THE  
26 SECURITY CERTIFICATE TO ANOTHER PERSON, MAKES ONLY THE WARRANTIES OF  
27 AN AGENT UNDER SUBSECTION (G) OF THIS SECTION.

28 (I) (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (G) OF THIS  
29 SECTION, A BROKER ACTING FOR A CUSTOMER MAKES TO THE ISSUER AND A  
30 PURCHASER THE WARRANTIES PROVIDED IN SUBSECTIONS (A) THROUGH (F) OF  
31 THIS SECTION.

32 (2) A BROKER THAT DELIVERS A SECURITY CERTIFICATE TO ITS  
33 CUSTOMER, OR CAUSES ITS CUSTOMER TO BE REGISTERED AS THE OWNER OF AN  
34 UNCERTIFICATED SECURITY, MAKES TO THE CUSTOMER THE WARRANTIES  
35 PROVIDED IN SUBSECTION (A) OR (B) OF THIS SECTION, AND HAS THE RIGHTS AND  
36 PRIVILEGES OF A PURCHASER UNDER THIS SECTION.

37 (3) THE WARRANTIES OF AND IN FAVOR OF THE BROKER ACTING AS AN  
38 AGENT ARE IN ADDITION TO APPLICABLE WARRANTIES GIVEN BY AND IN FAVOR OF  
39 THE CUSTOMER.

40 8-109.

13

1 (A) A PERSON WHO ORIGINATES AN ENTITLEMENT ORDER TO A SECURITIES  
2 INTERMEDIARY WARRANTS TO THE SECURITIES INTERMEDIARY THAT:

3 (1) THE ENTITLEMENT ORDER IS MADE BY AN APPROPRIATE PERSON,  
4 OR IF THE ENTITLEMENT ORDER IS BY AN AGENT, THE AGENT HAS ACTUAL  
5 AUTHORITY TO ACT ON BEHALF OF THE APPROPRIATE PERSON; AND

6 (2) THERE IS NO ADVERSE CLAIM TO THE SECURITY ENTITLEMENT.

7 (B) A PERSON WHO DELIVERS A SECURITY CERTIFICATE TO A SECURITIES  
8 INTERMEDIARY FOR CREDIT TO A SECURITIES ACCOUNT OR ORIGINATES AN  
9 INSTRUCTION WITH RESPECT TO AN UNCERTIFICATED SECURITY DIRECTING THAT  
10 THE UNCERTIFICATED SECURITY BE CREDITED TO A SECURITIES ACCOUNT MAKES  
11 TO THE SECURITIES INTERMEDIARY THE WARRANTIES SPECIFIED IN § 8-108(A) OR  
12 (B) OF THIS SUBTITLE.

13 (C) IF A SECURITIES INTERMEDIARY DELIVERS A SECURITY CERTIFICATE TO  
14 ITS ENTITLEMENT HOLDER OR CAUSES ITS ENTITLEMENT HOLDER TO BE  
15 REGISTERED AS THE OWNER OF AN UNCERTIFICATED SECURITY, THE SECURITIES  
16 INTERMEDIARY MAKES TO THE ENTITLEMENT HOLDER THE WARRANTIES  
17 SPECIFIED IN § 8-108(A) OR (B) OF THIS SUBTITLE.

18 8-110.

19 (A) THE LOCAL LAW OF THE ISSUER'S JURISDICTION, AS SPECIFIED IN  
20 SUBSECTION (D) OF THIS SECTION, GOVERNS:

21 (1) THE VALIDITY OF A SECURITY;

22 (2) THE RIGHTS AND DUTIES OF THE ISSUER WITH RESPECT TO  
23 REGISTRATION OF TRANSFER;

24 (3) THE EFFECTIVENESS OF REGISTRATION OF TRANSFER BY THE  
25 ISSUER;

26 (4) WHETHER THE ISSUER OWES ANY DUTIES TO AN ADVERSE  
27 CLAIMANT TO A SECURITY; AND

28 (5) WHETHER AN ADVERSE CLAIM CAN BE ASSERTED AGAINST A  
29 PERSON TO WHOM TRANSFER OF A CERTIFICATED OR UNCERTIFICATED SECURITY  
30 IS REGISTERED OR A PERSON WHO OBTAINS CONTROL OF AN UNCERTIFICATED  
31 SECURITY.

32 (B) THE LOCAL LAW OF THE SECURITIES INTERMEDIARY'S JURISDICTION, AS  
33 SPECIFIED IN SUBSECTION (E) OF THIS SECTION, GOVERNS:

34 (1) ACQUISITION OF A SECURITY ENTITLEMENT FROM THE SECURITIES  
35 INTERMEDIARY;

36 (2) THE RIGHTS AND DUTIES OF THE SECURITIES INTERMEDIARY AND  
37 ENTITLEMENT HOLDER ARISING OUT OF A SECURITY ENTITLEMENT;

38 (3) WHETHER THE SECURITIES INTERMEDIARY OWES ANY DUTIES TO  
39 AN ADVERSE CLAIMANT TO A SECURITY ENTITLEMENT; AND

14

1 (4) WHETHER AN ADVERSE CLAIM CAN BE ASSERTED AGAINST A  
2 PERSON WHO ACQUIRES A SECURITY ENTITLEMENT FROM THE SECURITIES  
3 INTERMEDIARY OR A PERSON WHO PURCHASES A SECURITY ENTITLEMENT OR  
4 INTEREST IN A SECURITY ENTITLEMENT FROM AN ENTITLEMENT HOLDER.

5 (C) THE LOCAL LAW OF THE JURISDICTION IN WHICH A SECURITY  
6 CERTIFICATE IS LOCATED AT THE TIME OF DELIVERY GOVERNS WHETHER AN  
7 ADVERSE CLAIM CAN BE ASSERTED AGAINST A PERSON TO WHOM THE SECURITY  
8 CERTIFICATE IS DELIVERED.

9 (D) (1) "ISSUER'S JURISDICTION" MEANS THE JURISDICTION UNDER WHICH  
10 THE ISSUER OF THE SECURITY IS ORGANIZED OR, IF PERMITTED BY THE LAW OF  
11 THAT JURISDICTION, THE LAW OF ANOTHER JURISDICTION SPECIFIED BY THE  
12 ISSUER.

13 (2) AN ISSUER ORGANIZED UNDER THE LAW OF THIS STATE MAY  
14 SPECIFY THE LAW OF ANOTHER JURISDICTION AS THE LAW GOVERNING THE  
15 MATTERS SPECIFIED IN SUBSECTION (A)(2) THROUGH (5) OF THIS SECTION.

16 (E) THE FOLLOWING RULES DETERMINE A "SECURITIES INTERMEDIARY'S  
17 JURISDICTION" FOR PURPOSES OF THIS SECTION:

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

22 (2) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
23 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY THE GOVERNING LAW AS PROVIDED  
24 IN PARAGRAPH (1) OF THIS SUBSECTION, BUT EXPRESSLY SPECIFIES THAT THE  
25 SECURITIES ACCOUNT IS MAINTAINED AT AN OFFICE IN A PARTICULAR  
26 JURISDICTION, THAT JURISDICTION IS THE SECURITIES INTERMEDIARY'S  
27 JURISDICTION.

28 (3) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
29 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY A JURISDICTION AS PROVIDED IN  
30 PARAGRAPH (1) OR (2) OF THIS SUBSECTION, THE SECURITIES INTERMEDIARY'S  
31 JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE OFFICE IDENTIFIED  
32 IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING THE ENTITLEMENT HOLDER'S  
33 ACCOUNT.

34 (4) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
35 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY A JURISDICTION AS PROVIDED IN  
36 PARAGRAPH (1) OR (2) OF THIS SUBSECTION AND AN ACCOUNT STATEMENT DOES  
37 NOT IDENTIFY AN OFFICE SERVING THE ENTITLEMENT HOLDER'S ACCOUNT AS  
38 PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE SECURITIES  
39 INTERMEDIARY'S JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE  
40 CHIEF EXECUTIVE OFFICE OF THE SECURITIES INTERMEDIARY.

41 (F) A SECURITIES INTERMEDIARY'S JURISDICTION IS NOT DETERMINED BY  
42 THE PHYSICAL LOCATION OF CERTIFICATES REPRESENTING FINANCIAL ASSETS, OR  
43 BY THE JURISDICTION IN WHICH IS ORGANIZED THE ISSUER OF THE FINANCIAL

15

1 ASSET WITH RESPECT TO WHICH AN ENTITLEMENT HOLDER HAS A SECURITY  
2 ENTITLEMENT, OR BY THE LOCATION OF FACILITIES FOR DATA PROCESSING OR  
3 OTHER RECORD KEEPING CONCERNING THE ACCOUNT.

4 8-111.

5 A RULE ADOPTED BY A CLEARING CORPORATION GOVERNING RIGHTS AND  
6 OBLIGATIONS AMONG THE CLEARING CORPORATION AND ITS PARTICIPANTS IN THE  
7 CLEARING CORPORATION IS EFFECTIVE EVEN IF THE RULE CONFLICTS WITH THIS  
8 TITLE AND AFFECTS ANOTHER PARTY WHO DOES NOT CONSENT TO THE RULE.

9 8-112.

10 (A) THE INTEREST OF A DEBTOR IN A CERTIFICATED SECURITY MAY BE  
11 REACHED BY A CREDITOR ONLY BY ACTUAL SEIZURE OF THE SECURITY  
12 CERTIFICATE BY THE OFFICER MAKING THE ATTACHMENT OR LEVY, EXCEPT AS  
13 OTHERWISE PROVIDED IN SUBSECTION (D) OF THIS SECTION. HOWEVER, A  
14 CERTIFICATED SECURITY FOR WHICH THE CERTIFICATE HAS BEEN SURRENDERED  
15 TO THE ISSUER MAY BE REACHED BY A CREDITOR BY LEGAL PROCESS UPON THE  
16 ISSUER.

17 (B) THE INTEREST OF A DEBTOR IN AN UNCERTIFICATED SECURITY MAY BE  
18 REACHED BY A CREDITOR ONLY BY LEGAL PROCESS UPON THE ISSUER AT THE  
19 ISSUER'S CHIEF EXECUTIVE OFFICE IN THE UNITED STATES, EXCEPT AS OTHERWISE  
20 PROVIDED IN SUBSECTION (D) OF THIS SECTION.

21 (C) THE INTEREST OF A DEBTOR IN A SECURITY ENTITLEMENT MAY BE  
22 REACHED BY A CREDITOR ONLY BY LEGAL PROCESS UPON THE SECURITIES  
23 INTERMEDIARY WITH WHOM THE DEBTOR'S SECURITIES ACCOUNT IS MAINTAINED,  
24 EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (D) OF THIS SECTION.

25 (D) THE INTEREST OF A DEBTOR IN A CERTIFICATED SECURITY FOR WHICH  
26 THE CERTIFICATE IS IN THE POSSESSION OF A SECURED PARTY, OR IN AN  
27 UNCERTIFICATED SECURITY REGISTERED IN THE NAME OF A SECURED PARTY, OR  
28 A SECURITY ENTITLEMENT MAINTAINED IN THE NAME OF A SECURED PARTY, MAY  
29 BE REACHED BY A CREDITOR BY LEGAL PROCESS UPON THE SECURED PARTY.

30 (E) A CREDITOR WHOSE DEBTOR IS THE OWNER OF A CERTIFICATED  
31 SECURITY, UNCERTIFICATED SECURITY, OR SECURITY ENTITLEMENT IS ENTITLED  
32 TO AID FROM A COURT OF COMPETENT JURISDICTION, BY INJUNCTION OR  
33 OTHERWISE, IN REACHING THE CERTIFICATED SECURITY, UNCERTIFICATED  
34 SECURITY, OR SECURITY ENTITLEMENT OR IN SATISFYING THE CLAIM BY MEANS  
35 ALLOWED AT LAW OR IN EQUITY IN REGARD TO PROPERTY THAT CANNOT READILY  
36 BE REACHED BY OTHER LEGAL PROCESS.

37 8-113.

38 A CONTRACT OR MODIFICATION OF A CONTRACT FOR THE SALE OR PURCHASE  
39 OF A SECURITY IS ENFORCEABLE WHETHER OR NOT THERE IS A WRITING SIGNED  
40 OR RECORD AUTHENTICATED BY A PARTY AGAINST WHOM ENFORCEMENT IS  
41 SOUGHT, EVEN IF THE CONTRACT OR MODIFICATION IS NOT CAPABLE OF  
42 PERFORMANCE WITHIN 1 YEAR OF ITS MAKING.

16

1 8-114.

2 THE FOLLOWING RULES APPLY IN AN ACTION ON A CERTIFICATED SECURITY  
3 AGAINST THE ISSUER:

4 (1) UNLESS SPECIFICALLY DENIED IN THE PLEADINGS, EACH  
5 SIGNATURE ON A SECURITY CERTIFICATE OR IN A NECESSARY INDORSEMENT IS  
6 ADMITTED.

7 (2) IF THE EFFECTIVENESS OF A SIGNATURE IS PUT IN ISSUE, THE  
8 BURDEN OF ESTABLISHING EFFECTIVENESS IS ON THE PARTY CLAIMING UNDER  
9 THE SIGNATURE, BUT THE SIGNATURE IS PRESUMED TO BE GENUINE OR  
10 AUTHORIZED.

11 (3) IF SIGNATURES ON A SECURITY CERTIFICATE ARE ADMITTED OR  
12 ESTABLISHED, PRODUCTION OF THE CERTIFICATE ENTITLES A HOLDER TO  
13 RECOVER ON IT UNLESS THE DEFENDANT ESTABLISHES A DEFENSE OR A DEFECT  
14 GOING TO THE VALIDITY OF THE SECURITY.

15 (4) IF IT IS SHOWN THAT A DEFENSE OR DEFECT EXISTS, THE PLAINTIFF  
16 HAS THE BURDEN OF ESTABLISHING THAT THE PLAINTIFF OR SOME PERSON UNDER  
17 WHOM THE PLAINTIFF CLAIMS IS A PERSON AGAINST WHOM THE DEFENSE OR  
18 DEFECT CANNOT BE ASSERTED.

19 8-115.

20 A SECURITIES INTERMEDIARY THAT HAS TRANSFERRED A FINANCIAL ASSET  
21 IN ACCORDANCE WITH AN EFFECTIVE ENTITLEMENT ORDER, OR A BROKER OR  
22 OTHER AGENT OR BAILEE THAT HAS DEALT WITH A FINANCIAL ASSET AT THE  
23 DIRECTION OF ITS CUSTOMER OR PRINCIPAL, IS NOT LIABLE TO A PERSON HAVING  
24 AN ADVERSE CLAIM TO THE FINANCIAL ASSET, UNLESS THE SECURITIES  
25 INTERMEDIARY, OR BROKER OR OTHER AGENT OR BAILEE:

26 (1) TOOK THE ACTION AFTER IT HAD BEEN SERVED WITH AN  
27 INJUNCTION, RESTRAINING ORDER, OR OTHER LEGAL PROCESS ENJOINING IT FROM  
28 DOING SO, ISSUED BY A COURT OF COMPETENT JURISDICTION, AND HAD A  
29 REASONABLE OPPORTUNITY TO ACT ON THE INJUNCTION, RESTRAINING ORDER,  
30 OR OTHER LEGAL PROCESS; OR

31 (2) ACTED IN COLLUSION WITH THE WRONGDOER IN VIOLATING THE  
32 RIGHTS OF THE ADVERSE CLAIMANT; OR

33 (3) IN THE CASE OF A SECURITY CERTIFICATE THAT HAS BEEN STOLEN,  
34 ACTED WITH NOTICE OF THE ADVERSE CLAIM.

35 8-116.

36 (A) A SECURITIES INTERMEDIARY THAT RECEIVES A FINANCIAL ASSET AND  
37 ESTABLISHES A SECURITY ENTITLEMENT TO THE FINANCIAL ASSET IN FAVOR OF AN  
38 ENTITLEMENT HOLDER IS A PURCHASER FOR VALUE OF THE FINANCIAL ASSET.

39 (B) A SECURITIES INTERMEDIARY THAT ACQUIRES A SECURITY  
40 ENTITLEMENT TO A FINANCIAL ASSET FROM ANOTHER SECURITIES INTERMEDIARY



17

1 ACQUIRES THE SECURITY ENTITLEMENT FOR VALUE IF THE SECURITIES  
2 INTERMEDIARY ACQUIRING THE SECURITY ENTITLEMENT ESTABLISHES A  
3 SECURITY ENTITLEMENT TO THE FINANCIAL ASSET IN FAVOR OF AN ENTITLEMENT  
4 HOLDER.

5           SUBTITLE 2. ISSUE AND ISSUER.

6 8-201.

7           (A) WITH RESPECT TO AN OBLIGATION ON OR A DEFENSE TO A SECURITY, AN  
8 "ISSUER" INCLUDES A PERSON THAT:

9                   (1) PLACES OR AUTHORIZES THE PLACING OF ITS NAME ON A SECURITY  
10 CERTIFICATE, OTHER THAN AS AUTHENTICATING TRUSTEE, REGISTRAR, TRANSFER  
11 AGENT, OR THE LIKE, TO EVIDENCE A SHARE, PARTICIPATION, OR OTHER INTEREST  
12 IN ITS PROPERTY OR IN AN ENTERPRISE, OR TO EVIDENCE ITS DUTY TO PERFORM  
13 AN OBLIGATION REPRESENTED BY THE CERTIFICATE;

14                   (2) CREATES A SHARE, PARTICIPATION, OR OTHER INTEREST IN ITS  
15 PROPERTY OR IN AN ENTERPRISE, OR UNDERTAKES AN OBLIGATION, THAT IS AN  
16 UNCERTIFICATED SECURITY;

17                   (3) DIRECTLY OR INDIRECTLY CREATES A FRACTIONAL INTEREST IN  
18 ITS RIGHTS OR PROPERTY, IF THE FRACTIONAL INTEREST IS REPRESENTED BY A  
19 SECURITY CERTIFICATE; OR

20                   (4) BECOMES RESPONSIBLE FOR, OR IN PLACE OF, ANOTHER PERSON  
21 DESCRIBED AS AN ISSUER IN THIS SECTION.

22           (B) WITH RESPECT TO AN OBLIGATION ON OR DEFENSE TO A SECURITY, A  
23 GUARANTOR IS AN ISSUER TO THE EXTENT OF ITS GUARANTY, WHETHER OR NOT  
24 ITS OBLIGATION IS NOTED ON A SECURITY CERTIFICATE.

25           (C) WITH RESPECT TO A REGISTRATION OF A TRANSFER, ISSUER MEANS A  
26 PERSON ON WHOSE BEHALF TRANSFER BOOKS ARE MAINTAINED.

27 8-202.

28           (A) (1) EVEN AGAINST A PURCHASER FOR VALUE AND WITHOUT NOTICE,  
29 THE TERMS OF A CERTIFICATED SECURITY INCLUDE TERMS STATED ON THE  
30 CERTIFICATE AND TERMS MADE PART OF THE SECURITY BY REFERENCE ON THE  
31 CERTIFICATE TO ANOTHER INSTRUMENT, INDENTURE, OR DOCUMENT OR TO A  
32 CONSTITUTION, STATUTE, ORDINANCE, RULE, REGULATION, ORDER, OR THE LIKE,  
33 TO THE EXTENT THE TERMS REFERRED TO DO NOT CONFLICT WITH TERMS STATED  
34 ON THE CERTIFICATE.

35                   (2) A REFERENCE UNDER THIS SUBSECTION DOES NOT OF ITSELF  
36 CHARGE A PURCHASER FOR VALUE WITH NOTICE OF A DEFECT GOING TO THE  
37 VALIDITY OF THE SECURITY, EVEN IF THE CERTIFICATE EXPRESSLY STATES THAT A  
38 PERSON ACCEPTING IT ADMITS NOTICE.

39                   (3) THE TERMS OF AN UNCERTIFICATED SECURITY INCLUDE THOSE  
40 STATED IN ANY INSTRUMENT, INDENTURE, OR DOCUMENT OR IN A CONSTITUTION,

18

1 STATUTE, ORDINANCE, RULE, REGULATION, ORDER, OR THE LIKE, IN ACCORDANCE  
2 WITH WHICH THE SECURITY IS ISSUED.

3 (B) THE FOLLOWING RULES APPLY IF AN ISSUER ASSERTS THAT A SECURITY  
4 IS NOT VALID:

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

13 (2) PARAGRAPH (1) OF THIS SUBSECTION APPLIES TO AN ISSUER THAT  
14 IS A GOVERNMENT OR GOVERNMENTAL SUBDIVISION, AGENCY, OR  
15 INSTRUMENTALITY ONLY IF THERE HAS BEEN SUBSTANTIAL COMPLIANCE WITH  
16 THE LEGAL REQUIREMENTS GOVERNING THE ISSUE OR THE ISSUER HAS RECEIVED  
17 A SUBSTANTIAL CONSIDERATION FOR THE ISSUE AS A WHOLE OR FOR THE  
18 PARTICULAR SECURITY AND A STATED PURPOSE OF THE ISSUE IS ONE FOR WHICH  
19 THE ISSUER HAS POWER TO BORROW MONEY OR ISSUE THE SECURITY.

20 (C) EXCEPT AS OTHERWISE PROVIDED IN § 8-205 OF THIS SUBTITLE, LACK OF  
21 GENUINENESS OF A CERTIFICATED SECURITY IS A COMPLETE DEFENSE, EVEN  
22 AGAINST A PURCHASER FOR VALUE AND WITHOUT NOTICE.

23 (D) ALL OTHER DEFENSES OF THE ISSUER OF A SECURITY, INCLUDING  
24 NONDELIVERY AND CONDITIONAL DELIVERY OF A CERTIFICATED SECURITY, ARE  
25 INEFFECTIVE AGAINST A PURCHASER FOR VALUE WHO HAS TAKEN THE  
26 CERTIFICATED SECURITY WITHOUT NOTICE OF THE PARTICULAR DEFENSE.

27 (E) THIS SECTION DOES NOT AFFECT THE RIGHT OF A PARTY TO CANCEL A  
28 CONTRACT FOR A SECURITY "WHEN, AS AND IF ISSUED" OR "WHEN DISTRIBUTED"  
29 IN THE EVENT OF A MATERIAL CHANGE IN THE CHARACTER OF THE SECURITY  
30 THAT IS THE SUBJECT OF THE CONTRACT OR IN THE PLAN OR ARRANGEMENT IN  
31 ACCORDANCE WITH WHICH THE SECURITY IS TO BE ISSUED OR DISTRIBUTED.

32 (F) IF A SECURITY IS HELD BY A SECURITIES INTERMEDIARY AGAINST  
33 WHOM AN ENTITLEMENT HOLDER HAS A SECURITY ENTITLEMENT WITH RESPECT  
34 TO THE SECURITY, THE ISSUER MAY NOT ASSERT ANY DEFENSE THAT THE ISSUER  
35 COULD NOT ASSERT IF THE ENTITLEMENT HOLDER HELD THE SECURITY DIRECTLY.

36 8-203.

37 AFTER AN ACT OR EVENT, OTHER THAN A CALL THAT HAS BEEN REVOKED,  
38 CREATING A RIGHT TO IMMEDIATE PERFORMANCE OF THE PRINCIPAL OBLIGATION  
39 REPRESENTED BY A CERTIFICATED SECURITY OR SETTING A DATE ON OR AFTER  
40 WHICH THE SECURITY IS TO BE PRESENTED OR SURRENDERED FOR REDEMPTION  
41 OR EXCHANGE, A PURCHASER IS CHARGED WITH NOTICE OF ANY DEFECT IN ITS  
42 ISSUE OR DEFENSE OF THE ISSUER, IF THE ACT OR EVENT:

19

1 (1) REQUIRES THE PAYMENT OF MONEY, THE DELIVERY OF A  
2 CERTIFICATED SECURITY, THE REGISTRATION OF TRANSFER OF AN  
3 UNCERTIFICATED SECURITY, OR ANY OF THEM ON PRESENTATION OR SURRENDER  
4 OF THE SECURITY CERTIFICATE, THE MONEY OR SECURITY IS AVAILABLE ON THE  
5 DATE SET FOR PAYMENT OR EXCHANGE, AND THE PURCHASER TAKES THE  
6 SECURITY MORE THAN 1 YEAR AFTER THAT DATE; OR

7 (2) IS NOT COVERED BY PARAGRAPH (1) OF THIS SECTION AND THE  
8 PURCHASER TAKES THE SECURITY MORE THAN 2 YEARS AFTER THE DATE SET FOR  
9 SURRENDER OR PRESENTATION OR THE DATE ON WHICH PERFORMANCE BECAME  
10 DUE.

11 8-204.

12 A RESTRICTION ON TRANSFER OF A SECURITY IMPOSED BY THE ISSUER, EVEN  
13 IF OTHERWISE LAWFUL, IS INEFFECTIVE AGAINST A PERSON WITHOUT KNOWLEDGE  
14 OF THE RESTRICTION UNLESS:

15 (1) THE SECURITY IS CERTIFICATED AND THE RESTRICTION IS NOTED  
16 CONSPICUOUSLY ON THE SECURITY CERTIFICATE; OR

17 (2) THE SECURITY IS UNCERTIFICATED AND THE REGISTERED OWNER  
18 HAS BEEN NOTIFIED OF THE RESTRICTION.

19 8-205.

20 AN UNAUTHORIZED SIGNATURE PLACED ON A SECURITY CERTIFICATE  
21 BEFORE OR IN THE COURSE OF ISSUE IS INEFFECTIVE, BUT THE SIGNATURE IS  
22 EFFECTIVE IN FAVOR OF A PURCHASER FOR VALUE OF THE CERTIFICATED  
23 SECURITY IF THE PURCHASER IS WITHOUT NOTICE OF THE LACK OF AUTHORITY  
24 AND THE SIGNING HAS BEEN DONE BY:

25 (1) AN AUTHENTICATING TRUSTEE, REGISTRAR, TRANSFER AGENT, OR  
26 OTHER PERSON ENTRUSTED BY THE ISSUER WITH THE SIGNING OF THE SECURITY  
27 CERTIFICATE OR OF SIMILAR SECURITY CERTIFICATES, OR THE IMMEDIATE  
28 PREPARATION FOR SIGNING OF ANY OF THEM; OR

29 (2) AN EMPLOYEE OF THE ISSUER, OR OF ANY OF THE PERSONS LISTED  
30 IN PARAGRAPH (1) OF THIS SECTION, ENTRUSTED WITH RESPONSIBLE HANDLING OF  
31 THE SECURITY CERTIFICATE.

32 8-206.

33 (A) IF A SECURITY CERTIFICATE CONTAINS THE SIGNATURES NECESSARY TO  
34 ITS ISSUE OR TRANSFER BUT IS INCOMPLETE IN ANY OTHER RESPECT:

35 (1) ANY PERSON MAY COMPLETE IT BY FILLING IN THE BLANKS AS  
36 AUTHORIZED; AND

37 (2) EVEN IF THE BLANKS ARE INCORRECTLY FILLED IN, THE SECURITY  
38 CERTIFICATE AS COMPLETED IS ENFORCEABLE BY A PURCHASER WHO TOOK IT FOR  
39 VALUE AND WITHOUT NOTICE OF THE INCORRECTNESS.

20

1 (B) A COMPLETE SECURITY CERTIFICATE THAT HAS BEEN IMPROPERLY  
2 ALTERED, EVEN IF FRAUDULENTLY, REMAINS ENFORCEABLE, BUT ONLY  
3 ACCORDING TO ITS ORIGINAL TERMS.

4 8-207.

5 (A) BEFORE DUE PRESENTMENT FOR REGISTRATION OF TRANSFER OF A  
6 CERTIFICATED SECURITY IN REGISTERED FORM OR OF AN INSTRUCTION  
7 REQUESTING REGISTRATION OF TRANSFER OF AN UNCERTIFICATED SECURITY,  
8 THE ISSUER OR INDENTURE TRUSTEE MAY TREAT THE REGISTERED OWNER AS THE  
9 PERSON EXCLUSIVELY ENTITLED TO VOTE, RECEIVE NOTIFICATIONS, AND  
10 OTHERWISE EXERCISE ALL THE RIGHTS AND POWERS OF AN OWNER.

11 (B) THIS TITLE DOES NOT AFFECT THE LIABILITY OF THE REGISTERED  
12 OWNER OF A SECURITY FOR A CALL, ASSESSMENT, OR THE LIKE.

13 8-208.

14 (A) A PERSON SIGNING A SECURITY CERTIFICATE AS AUTHENTICATING  
15 TRUSTEE, REGISTRAR, TRANSFER AGENT, OR THE LIKE, WARRANTS TO A  
16 PURCHASER FOR VALUE OF THE CERTIFICATED SECURITY, IF THE PURCHASER IS  
17 WITHOUT NOTICE OF A PARTICULAR DEFECT, THAT:

18 (1) THE CERTIFICATE IS GENUINE;

19 (2) THE PERSON'S OWN PARTICIPATION IN THE ISSUE OF THE SECURITY  
20 IS WITHIN THE PERSON'S CAPACITY AND WITHIN THE SCOPE OF THE AUTHORITY  
21 RECEIVED BY THE PERSON FROM THE ISSUER; AND

22 (3) THE PERSON HAS REASONABLE GROUNDS TO BELIEVE THAT THE  
23 CERTIFICATED SECURITY IS IN THE FORM AND WITHIN THE AMOUNT THE ISSUER IS  
24 AUTHORIZED TO ISSUE.

25 (B) UNLESS OTHERWISE AGREED, A PERSON SIGNING UNDER SUBSECTION  
26 (A) OF THIS SECTION DOES NOT ASSUME RESPONSIBILITY FOR THE VALIDITY OF  
27 THE SECURITY IN OTHER RESPECTS.

28 8-209.

29 A LIEN IN FAVOR OF AN ISSUER UPON A CERTIFICATED SECURITY IS VALID  
30 AGAINST A PURCHASER ONLY IF THE RIGHT OF THE ISSUER TO THE LIEN IS NOTED  
31 CONSPICUOUSLY ON THE SECURITY CERTIFICATE.

32 8-210.

33 (A) IN THIS SECTION, "OVERISSUE" MEANS THE ISSUE OF SECURITIES IN  
34 EXCESS OF THE AMOUNT THE ISSUER HAS CORPORATE POWER TO ISSUE, BUT AN  
35 OVERISSUE DOES NOT OCCUR IF APPROPRIATE ACTION HAS CURED THE  
36 OVERISSUE.

37 (B) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (C) AND (D) OF THIS  
38 SECTION, THE PROVISIONS OF THIS TITLE WHICH VALIDATE A SECURITY OR  
39 COMPEL ITS ISSUE OR REISSUE DO NOT APPLY TO THE EXTENT THAT VALIDATION,  
40 ISSUE, OR REISSUE WOULD RESULT IN OVERISSUE.

21

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

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

10 SUBTITLE 3. TRANSFER OF CERTIFICATED AND UNCERTIFICATED SECURITIES.

11 8-301.

12 (A) DELIVERY OF A CERTIFICATED SECURITY TO A PURCHASER OCCURS  
13 WHEN:

14 (1) THE PURCHASER ACQUIRES POSSESSION OF THE SECURITY  
15 CERTIFICATE;

16 (2) ANOTHER PERSON, OTHER THAN A SECURITIES INTERMEDIARY,  
17 EITHER ACQUIRES POSSESSION OF THE SECURITY CERTIFICATE ON BEHALF OF THE  
18 PURCHASER OR, HAVING PREVIOUSLY ACQUIRED POSSESSION OF THE  
19 CERTIFICATE, ACKNOWLEDGES THAT IT HOLDS FOR THE PURCHASER; OR

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

24 (B) DELIVERY OF AN UNCERTIFICATED SECURITY TO A PURCHASER OCCURS  
25 WHEN:

26 (1) THE ISSUER REGISTERS THE PURCHASER AS THE REGISTERED  
27 OWNER, UPON ORIGINAL ISSUE OR REGISTRATION OF TRANSFER; OR

28 (2) ANOTHER PERSON, OTHER THAN A SECURITIES INTERMEDIARY,  
29 EITHER BECOMES THE REGISTERED OWNER OF THE UNCERTIFICATED SECURITY  
30 ON BEHALF OF THE PURCHASER OR, HAVING PREVIOUSLY BECOME THE  
31 REGISTERED OWNER, ACKNOWLEDGES THAT IT HOLDS FOR THE PURCHASER.

32 8-302.

33 (A) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (B) AND (C) OF THIS  
34 SECTION, UPON DELIVERY OF A CERTIFICATED OR UNCERTIFICATED SECURITY TO  
35 A PURCHASER, THE PURCHASER ACQUIRES ALL RIGHTS IN THE SECURITY THAT  
36 THE TRANSFEROR HAD OR HAD POWER TO TRANSFER.

37 (B) A PURCHASER OF A LIMITED INTEREST ACQUIRES RIGHTS ONLY TO THE  
38 EXTENT OF THE INTEREST PURCHASED.

22

1 (C) A PURCHASER OF A CERTIFICATED SECURITY WHO AS A PREVIOUS  
2 HOLDER HAD NOTICE OF AN ADVERSE CLAIM DOES NOT IMPROVE ITS POSITION BY  
3 TAKING FROM A PROTECTED PURCHASER.

4 8-303.

5 (A) "PROTECTED PURCHASER" MEANS A PURCHASER OF A CERTIFICATED  
6 OR UNCERTIFICATED SECURITY, OR OF AN INTEREST IN A CERTIFICATED OR  
7 UNCERTIFICATED SECURITY, WHO:

8 (1) GIVES VALUE;

9 (2) DOES NOT HAVE NOTICE OF ANY ADVERSE CLAIM TO THE  
10 SECURITY; AND

11 (3) OBTAINS CONTROL OF THE CERTIFICATED OR UNCERTIFICATED  
12 SECURITY.

13 (B) IN ADDITION TO ACQUIRING THE RIGHTS OF A PURCHASER, A  
14 PROTECTED PURCHASER ALSO ACQUIRES ITS INTEREST IN THE SECURITY FREE OF  
15 ANY ADVERSE CLAIM.

16 8-304.

17 (A) AN INDORSEMENT MAY BE IN BLANK OR SPECIAL. AN INDORSEMENT IN  
18 BLANK INCLUDES AN INDORSEMENT TO BEARER. A SPECIAL INDORSEMENT  
19 SPECIFIES TO WHOM A SECURITY IS TO BE TRANSFERRED OR WHO HAS POWER TO  
20 TRANSFER IT. A HOLDER MAY CONVERT A BLANK INDORSEMENT TO A SPECIAL  
21 INDORSEMENT.

22 (B) AN INDORSEMENT PURPORTING TO BE ONLY OF PART OF A SECURITY  
23 CERTIFICATE REPRESENTING UNITS INTENDED BY THE ISSUER TO BE SEPARATELY  
24 TRANSFERABLE IS EFFECTIVE TO THE EXTENT OF THE INDORSEMENT.

25 (C) AN INDORSEMENT, WHETHER SPECIAL OR IN BLANK, DOES NOT  
26 CONSTITUTE A TRANSFER UNTIL DELIVERY OF THE CERTIFICATE ON WHICH IT  
27 APPEARS OR, IF THE INDORSEMENT IS ON A SEPARATE DOCUMENT, UNTIL  
28 DELIVERY OF BOTH THE DOCUMENT AND THE CERTIFICATE.

29 (D) IF A SECURITY CERTIFICATE IN REGISTERED FORM HAS BEEN  
30 DELIVERED TO A PURCHASER WITHOUT A NECESSARY INDORSEMENT, THE  
31 PURCHASER MAY BECOME A PROTECTED PURCHASER ONLY WHEN THE  
32 INDORSEMENT IS SUPPLIED. HOWEVER, AGAINST A TRANSFEROR, A TRANSFER IS  
33 COMPLETE UPON DELIVERY AND THE PURCHASER HAS A SPECIFICALLY  
34 ENFORCEABLE RIGHT TO HAVE ANY NECESSARY INDORSEMENT SUPPLIED.

35 (E) AN INDORSEMENT OF A SECURITY CERTIFICATE IN BEARER FORM MAY  
36 GIVE NOTICE OF AN ADVERSE CLAIM TO THE CERTIFICATE, BUT IT DOES NOT  
37 OTHERWISE AFFECT A RIGHT TO REGISTRATION THAT THE HOLDER POSSESSES.

38 (F) UNLESS OTHERWISE AGREED, A PERSON MAKING AN INDORSEMENT  
39 ASSUMES ONLY THE OBLIGATIONS PROVIDED IN § 8-108 OF THIS TITLE AND NOT AN  
40 OBLIGATION THAT THE SECURITY WILL BE HONORED BY THE ISSUER.

23

1 8-305.

2 (A) IF AN INSTRUCTION HAS BEEN ORIGINATED BY AN APPROPRIATE  
3 PERSON BUT IS INCOMPLETE IN ANY OTHER RESPECT, ANY PERSON MAY COMPLETE  
4 IT AS AUTHORIZED AND THE ISSUER MAY RELY ON IT AS COMPLETED, EVEN  
5 THOUGH IT HAS BEEN COMPLETED INCORRECTLY.

6 (B) UNLESS OTHERWISE AGREED, A PERSON INITIATING AN INSTRUCTION  
7 ASSUMES ONLY THE OBLIGATIONS IMPOSED BY § 8-108 OF THIS TITLE AND NOT AN  
8 OBLIGATION THAT THE SECURITY WILL BE HONORED BY THE ISSUER.

9 8-306.

10 (A) A PERSON WHO GUARANTEES A SIGNATURE OF AN INDORSER OF A  
11 SECURITY CERTIFICATE WARRANTS THAT AT THE TIME OF SIGNING:

12 (1) THE SIGNATURE WAS GENUINE;

13 (2) THE SIGNER WAS AN APPROPRIATE PERSON TO INDORSE, OR IF THE  
14 SIGNATURE IS BY AN AGENT, THE AGENT HAD ACTUAL AUTHORITY TO ACT ON  
15 BEHALF OF THE APPROPRIATE PERSON; AND

16 (3) THE SIGNER HAD LEGAL CAPACITY TO SIGN.

17 (B) A PERSON WHO GUARANTEES A SIGNATURE OF THE ORIGINATOR OF AN  
18 INSTRUCTION WARRANTS THAT AT THE TIME OF SIGNING:

19 (1) THE SIGNATURE WAS GENUINE;

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

26 (3) THE SIGNER HAD LEGAL CAPACITY TO SIGN.

27 (C) A PERSON WHO SPECIALLY GUARANTEES THE SIGNATURE OF AN  
28 ORIGINATOR OF AN INSTRUCTION MAKES THE WARRANTIES OF A SIGNATURE  
29 GUARANTOR UNDER SUBSECTION (B) OF THIS SECTION AND ALSO WARRANTS THAT  
30 AT THE TIME THE INSTRUCTION IS PRESENTED TO THE ISSUER:

31 (1) THE PERSON SPECIFIED IN THE INSTRUCTION AS THE REGISTERED  
32 OWNER OF THE UNCERTIFICATED SECURITY WILL BE THE REGISTERED OWNER;  
33 AND

34 (2) THE TRANSFER OF THE UNCERTIFICATED SECURITY REQUESTED IN  
35 THE INSTRUCTION WILL BE REGISTERED BY THE ISSUER FREE FROM ALL LIENS,  
36 SECURITY INTERESTS, RESTRICTIONS, AND CLAIMS OTHER THAN THOSE SPECIFIED  
37 IN THE INSTRUCTION.

24

1 (D) A GUARANTOR UNDER SUBSECTIONS (A) AND (B) OF THIS SECTION OR A  
2 SPECIAL GUARANTOR UNDER SUBSECTION (C) OF THIS SECTION DOES NOT  
3 OTHERWISE WARRANT THE RIGHTFULNESS OF THE TRANSFER.

4 (E) A PERSON WHO GUARANTEES AN INDORSEMENT OF A SECURITY  
5 CERTIFICATE MAKES THE WARRANTIES OF A SIGNATURE GUARANTOR UNDER  
6 SUBSECTION (A) OF THIS SECTION AND ALSO WARRANTS THE RIGHTFULNESS OF  
7 THE TRANSFER IN ALL RESPECTS.

8 (F) A PERSON WHO GUARANTEES AN INSTRUCTION REQUESTING THE  
9 TRANSFER OF AN UNCERTIFICATED SECURITY MAKES THE WARRANTIES OF A  
10 SPECIAL SIGNATURE GUARANTOR UNDER SUBSECTION (C) OF THIS SECTION AND  
11 ALSO WARRANTS THE RIGHTFULNESS OF THE TRANSFER IN ALL RESPECTS.

12 (G) AN ISSUER MAY NOT REQUIRE A SPECIAL GUARANTY OF SIGNATURE, A  
13 GUARANTY OF INDORSEMENT, OR A GUARANTY OF INSTRUCTION AS A CONDITION  
14 TO REGISTRATION OF TRANSFER.

15 (H) (1) THE WARRANTIES UNDER THIS SECTION ARE MADE TO A PERSON  
16 TAKING OR DEALING WITH THE SECURITY IN RELIANCE ON THE GUARANTY, AND  
17 THE GUARANTOR IS LIABLE TO THE PERSON FOR LOSS RESULTING FROM THEIR  
18 BREACH.

19 (2) AN INDORSER OR ORIGINATOR OF AN INSTRUCTION WHOSE  
20 SIGNATURE, INDORSEMENT, OR INSTRUCTION HAS BEEN GUARANTEED IS LIABLE  
21 TO A GUARANTOR FOR ANY LOSS SUFFERED BY THE GUARANTOR AS A RESULT OF  
22 BREACH OF THE WARRANTIES OF THE GUARANTOR.

23 8-307.

24 UNLESS OTHERWISE AGREED, THE TRANSFEROR OF A SECURITY ON DUE  
25 DEMAND SHALL SUPPLY THE PURCHASER WITH PROOF OF AUTHORITY TO  
26 TRANSFER OR WITH ANY OTHER REQUISITE NECESSARY TO OBTAIN REGISTRATION  
27 OF THE TRANSFER OF THE SECURITY, BUT IF THE TRANSFER IS NOT FOR VALUE, A  
28 TRANSFEROR NEED NOT COMPLY UNLESS THE PURCHASER PAYS THE NECESSARY  
29 EXPENSES. IF THE TRANSFEROR FAILS WITHIN A REASONABLE TIME TO COMPLY  
30 WITH THE DEMAND, THE PURCHASER MAY REJECT OR RESCIND THE TRANSFER.

31 SUBTITLE 4. REGISTRATION.

32 8-401.

33 (A) IF A CERTIFICATED SECURITY IN REGISTERED FORM IS PRESENTED TO  
34 AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OR AN INSTRUCTION IS  
35 PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OF AN  
36 UNCERTIFICATED SECURITY, THE ISSUER SHALL REGISTER THE TRANSFER AS  
37 REQUESTED IF:

38 (1) UNDER THE TERMS OF THE SECURITY THE PERSON SEEKING  
39 REGISTRATION OF TRANSFER IS ELIGIBLE TO HAVE THE SECURITY REGISTERED IN  
40 ITS NAME;



25

1 (2) THE INDORSEMENT OR INSTRUCTION IS MADE BY THE  
2 APPROPRIATE PERSON OR BY AN AGENT WHO HAS ACTUAL AUTHORITY TO ACT ON  
3 BEHALF OF THE APPROPRIATE PERSON;

4 (3) REASONABLE ASSURANCE IS GIVEN THAT THE INDORSEMENT OR  
5 INSTRUCTION IS GENUINE AND AUTHORIZED (§ 8-402 OF THIS SUBTITLE);

6 (4) ANY APPLICABLE LAW RELATING TO THE COLLECTION OF TAXES  
7 HAS BEEN COMPLIED WITH;

8 (5) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON  
9 TRANSFER IMPOSED BY THE ISSUER IN ACCORDANCE WITH § 8-204 OF THIS TITLE;

10 (6) A DEMAND THAT THE ISSUER NOT REGISTER TRANSFER HAS NOT  
11 BECOME EFFECTIVE UNDER § 8-403 OF THIS SUBTITLE, OR THE ISSUER HAS  
12 COMPLIED WITH § 8-403(B) OF THIS SUBTITLE BUT NO LEGAL PROCESS OR  
13 INDEMNITY BOND IS OBTAINED AS PROVIDED IN § 8-403(D) OF THIS SUBTITLE; AND

14 (7) THE TRANSFER IS IN FACT RIGHTFUL OR IS TO A PROTECTED  
15 PURCHASER.

16 (B) IF AN ISSUER IS UNDER A DUTY TO REGISTER A TRANSFER OF A  
17 SECURITY, THE ISSUER IS LIABLE TO A PERSON PRESENTING A CERTIFICATED  
18 SECURITY OR AN INSTRUCTION FOR REGISTRATION OR TO THE PERSON'S  
19 PRINCIPAL FOR LOSS RESULTING FROM UNREASONABLE DELAY IN REGISTRATION  
20 OR FAILURE OR REFUSAL TO REGISTER THE TRANSFER.

21 8-402.

22 (A) AN ISSUER MAY REQUIRE THE FOLLOWING ASSURANCE THAT EACH  
23 NECESSARY INDORSEMENT OR EACH INSTRUCTION IS GENUINE AND AUTHORIZED:

24 (1) IN ALL CASES, A GUARANTY OF THE SIGNATURE OF THE PERSON  
25 MAKING AN INDORSEMENT OR ORIGINATING AN INSTRUCTION INCLUDING, IN THE  
26 CASE OF AN INSTRUCTION, REASONABLE ASSURANCE OF IDENTITY;

27 (2) IF THE INDORSEMENT IS MADE OR THE INSTRUCTION IS  
28 ORIGINATED BY AN AGENT, APPROPRIATE ASSURANCE OF ACTUAL AUTHORITY TO  
29 SIGN;

30 (3) IF THE INDORSEMENT IS MADE OR THE INSTRUCTION IS  
31 ORIGINATED BY A FIDUCIARY IN ACCORDANCE WITH § 8-107(A)(4) OR (5) OF THIS  
32 TITLE, APPROPRIATE EVIDENCE OF APPOINTMENT OR INCUMBENCY;

33 (4) IF THERE IS MORE THAN ONE FIDUCIARY, REASONABLE  
34 ASSURANCE THAT ALL WHO ARE REQUIRED TO SIGN HAVE DONE SO; AND

35 (5) IF THE INDORSEMENT IS MADE OR THE INSTRUCTION IS  
36 ORIGINATED BY A PERSON NOT COVERED BY ANOTHER PROVISION OF THIS  
37 SUBSECTION, ASSURANCE APPROPRIATE TO THE CASE CORRESPONDING AS NEARLY  
38 AS MAY BE TO THE PROVISIONS OF THIS SUBSECTION.

39 (B) AN ISSUER MAY ELECT TO REQUIRE REASONABLE ASSURANCE BEYOND  
40 THAT SPECIFIED IN THIS SECTION.

26

1 (C) IN THIS SECTION:

2 (1) "GUARANTY OF THE SIGNATURE" MEANS A GUARANTY SIGNED BY  
3 OR ON BEHALF OF A PERSON REASONABLY BELIEVED BY THE ISSUER TO BE  
4 RESPONSIBLE. AN ISSUER MAY ADOPT STANDARDS WITH RESPECT TO  
5 RESPONSIBILITY IF THEY ARE NOT MANIFESTLY UNREASONABLE.

6 (2) "APPROPRIATE EVIDENCE OF APPOINTMENT OR INCUMBENCY"  
7 MEANS:

8 (I) IN THE CASE OF A FIDUCIARY APPOINTED OR QUALIFIED BY A  
9 COURT, A CERTIFICATE ISSUED BY OR UNDER THE DIRECTION OR SUPERVISION OF  
10 THE COURT OR AN OFFICER THEREOF AND DATED WITHIN 60 DAYS BEFORE THE  
11 DATE OF PRESENTATION FOR TRANSFER; OR

12 (II) IN ANY OTHER CASE, A COPY OF A DOCUMENT SHOWING THE  
13 APPOINTMENT OR A CERTIFICATE ISSUED BY OR ON BEHALF OF A PERSON  
14 REASONABLY BELIEVED BY AN ISSUER TO BE RESPONSIBLE OR, IN THE ABSENCE OF  
15 THAT DOCUMENT OR CERTIFICATE, OTHER EVIDENCE THE ISSUER REASONABLY  
16 CONSIDERED APPROPRIATE.

17 8-403.

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

26 (B) IF A CERTIFICATED SECURITY IN REGISTERED FORM IS PRESENTED TO  
27 AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OR AN INSTRUCTION IS  
28 PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OF AN  
29 UNCERTIFICATED SECURITY AFTER A DEMAND THAT THE ISSUER NOT REGISTER  
30 TRANSFER HAS BECOME EFFECTIVE, THE ISSUER SHALL PROMPTLY COMMUNICATE  
31 TO (I) THE PERSON WHO INITIATED THE DEMAND AT THE ADDRESS PROVIDED IN  
32 THE DEMAND AND (II) THE PERSON WHO PRESENTED THE SECURITY FOR  
33 REGISTRATION OF TRANSFER OR INITIATED THE INSTRUCTION REQUESTING  
34 REGISTRATION OF TRANSFER A NOTIFICATION STATING THAT:

35 (1) THE CERTIFICATED SECURITY HAS BEEN PRESENTED FOR  
36 REGISTRATION OF TRANSFER OR INSTRUCTION FOR REGISTRATION OF TRANSFER  
37 OF UNCERTIFICATED SECURITY HAS BEEN RECEIVED;

38 (2) A DEMAND THAT THE ISSUER NOT REGISTER TRANSFER HAD  
39 PREVIOUSLY BEEN RECEIVED; AND

40 (3) THE ISSUER WILL WITHHOLD REGISTRATION OF TRANSFER FOR A  
41 PERIOD OF TIME STATED IN THE NOTIFICATION IN ORDER TO PROVIDE THE PERSON

27

1 WHO INITIATED THE DEMAND AN OPPORTUNITY TO OBTAIN LEGAL PROCESS OR AN  
2 INDEMNITY BOND.

3 (C) THE PERIOD DESCRIBED IN SUBSECTION (B)(3) OF THIS SECTION MAY NOT  
4 EXCEED 30 DAYS AFTER THE DATE OF COMMUNICATION OF THE NOTIFICATION. A  
5 SHORTER PERIOD MAY BE SPECIFIED BY THE ISSUER IF IT IS NOT MANIFESTLY  
6 UNREASONABLE.

7 (D) AN ISSUER IS NOT LIABLE TO A PERSON WHO INITIATED A DEMAND THAT  
8 THE ISSUER NOT REGISTER TRANSFER FOR ANY LOSS THE PERSON SUFFERS AS A  
9 RESULT OF REGISTRATION OF A TRANSFER IN ACCORDANCE WITH AN EFFECTIVE  
10 INDORSEMENT OR INSTRUCTION IF THE PERSON WHO INITIATED THE DEMAND  
11 DOES NOT, WITHIN THE TIME STATED IN THE ISSUER'S COMMUNICATION, EITHER:

12 (1) OBTAIN AN APPROPRIATE RESTRAINING ORDER, INJUNCTION, OR  
13 OTHER PROCESS FROM A COURT OF COMPETENT JURISDICTION ENJOINING THE  
14 ISSUER FROM REGISTERING THE TRANSFER; OR

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

19 (E) THIS SECTION DOES NOT RELIEVE AN ISSUER FROM LIABILITY FOR  
20 REGISTERING TRANSFER PURSUANT TO AN INDORSEMENT OR INSTRUCTION THAT  
21 WAS NOT EFFECTIVE.

22 8-404.

23 (A) EXCEPT AS OTHERWISE PROVIDED IN § 8-406 OF THIS SUBTITLE, AN  
24 ISSUER IS LIABLE FOR WRONGFUL REGISTRATION OF TRANSFER IF THE ISSUER HAS  
25 REGISTERED A TRANSFER OF A SECURITY TO A PERSON NOT ENTITLED TO IT, AND  
26 THE TRANSFER WAS REGISTERED:

27 (1) IN ACCORDANCE WITH AN INEFFECTIVE INDORSEMENT OR  
28 INSTRUCTION;

29 (2) AFTER A DEMAND THAT THE ISSUER NOT REGISTER TRANSFER  
30 BECAME EFFECTIVE UNDER § 8-403(A) OF THIS SUBTITLE AND THE ISSUER DID NOT  
31 COMPLY WITH § 8-403(B) OF THIS SUBTITLE;

32 (3) AFTER THE ISSUER HAD BEEN SERVED WITH AN INJUNCTION,  
33 RESTRAINING ORDER, OR OTHER LEGAL PROCESS ENJOINING IT FROM  
34 REGISTERING THE TRANSFER, ISSUED BY A COURT OF COMPETENT JURISDICTION,  
35 AND THE ISSUER HAD A REASONABLE OPPORTUNITY TO ACT ON THE INJUNCTION,  
36 RESTRAINING ORDER, OR OTHER LEGAL PROCESS; OR

37 (4) BY AN ISSUER ACTING IN COLLUSION WITH THE WRONGDOER.

38 (B) AN ISSUER THAT IS LIABLE FOR WRONGFUL REGISTRATION OF  
39 TRANSFER UNDER SUBSECTION (A) OF THIS SECTION ON DEMAND SHALL PROVIDE  
40 THE PERSON ENTITLED TO THE SECURITY WITH A LIKE CERTIFICATED OR  
41 UNCERTIFICATED SECURITY, AND ANY PAYMENTS OR DISTRIBUTIONS THAT THE

28

1 PERSON DID NOT RECEIVE AS A RESULT OF THE WRONGFUL REGISTRATION. IF AN  
2 OVERISSUE WOULD RESULT, THE ISSUER'S LIABILITY TO PROVIDE THE PERSON  
3 WITH A LIKE SECURITY IS GOVERNED BY § 8-210 OF THIS TITLE.

4 (C) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (A) OF THIS SECTION  
5 OR IN A LAW RELATING TO THE COLLECTION OF TAXES, AN ISSUER IS NOT LIABLE  
6 TO AN OWNER OR OTHER PERSON SUFFERING LOSS AS A RESULT OF THE  
7 REGISTRATION OF A TRANSFER OF A SECURITY IF REGISTRATION WAS MADE IN  
8 ACCORDANCE WITH AN EFFECTIVE INDORSEMENT OR INSTRUCTION.

9 8-405.

10 (A) IF AN OWNER OF A CERTIFICATED SECURITY, WHETHER IN REGISTERED  
11 OR BEARER FORM, CLAIMS THAT THE CERTIFICATE HAS BEEN LOST, DESTROYED,  
12 OR WRONGFULLY TAKEN, THE ISSUER SHALL ISSUE A NEW CERTIFICATE IF THE  
13 OWNER:

14 (1) SO REQUESTS BEFORE THE ISSUER HAS NOTICE THAT THE  
15 CERTIFICATE HAS BEEN ACQUIRED BY A PROTECTED PURCHASER;

16 (2) FILES WITH THE ISSUER A SUFFICIENT INDEMNITY BOND; AND

17 (3) SATISFIES OTHER REASONABLE REQUIREMENTS IMPOSED BY THE  
18 ISSUER.

19 (B) (1) IF, AFTER THE ISSUE OF A NEW SECURITY CERTIFICATE, A  
20 PROTECTED PURCHASER OF THE ORIGINAL CERTIFICATE PRESENTS IT FOR  
21 REGISTRATION OF TRANSFER, THE ISSUER SHALL REGISTER THE TRANSFER UNLESS  
22 AN OVERISSUE WOULD RESULT. IN THAT CASE, THE ISSUER'S LIABILITY IS  
23 GOVERNED BY § 8-210 OF THIS TITLE.

24 (2) IN ADDITION TO ANY RIGHTS ON THE INDEMNITY BOND, AN ISSUER  
25 MAY RECOVER THE NEW CERTIFICATE FROM A PERSON TO WHOM IT WAS ISSUED  
26 OR ANY PERSON TAKING UNDER THAT PERSON, EXCEPT A PROTECTED PURCHASER.

27 8-406.

28 IF A SECURITY CERTIFICATE HAS BEEN LOST, APPARENTLY DESTROYED, OR  
29 WRONGFULLY TAKEN, AND THE OWNER FAILS TO NOTIFY THE ISSUER OF THAT  
30 FACT WITHIN A REASONABLE TIME AFTER THE OWNER HAS NOTICE OF IT AND THE  
31 ISSUER REGISTERS A TRANSFER OF THE SECURITY BEFORE RECEIVING  
32 NOTIFICATION, THE OWNER MAY NOT ASSERT AGAINST THE ISSUER A CLAIM FOR  
33 REGISTERING THE TRANSFER UNDER § 8-404 OF THIS SUBTITLE OR A CLAIM TO A  
34 NEW SECURITY CERTIFICATE UNDER § 8-405 OF THIS SUBTITLE.

35 8-407.

36 A PERSON ACTING AS AUTHENTICATING TRUSTEE, TRANSFER AGENT,  
37 REGISTRAR, OR OTHER AGENT FOR AN ISSUER IN THE REGISTRATION OF A  
38 TRANSFER OF ITS SECURITIES, IN THE ISSUE OF NEW SECURITY CERTIFICATES OR  
39 UNCERTIFICATED SECURITIES, OR IN THE CANCELLATION OF SURRENDERED  
40 SECURITY CERTIFICATES HAS THE SAME OBLIGATION TO THE HOLDER OR OWNER  
41 OF A CERTIFICATED OR UNCERTIFICATED SECURITY WITH REGARD TO THE

29

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

3           SUBTITLE 5. SECURITY ENTITLEMENTS.

4 8-501.

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

10           (B) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (D) AND (E) OF THIS  
11 SECTION, A PERSON ACQUIRES A SECURITY ENTITLEMENT IF A SECURITIES  
12 INTERMEDIARY:

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

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

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

20           (C) IF A CONDITION OF SUBSECTION (B) OF THIS SECTION HAS BEEN MET, A  
21 PERSON HAS A SECURITY ENTITLEMENT EVEN THOUGH THE SECURITIES  
22 INTERMEDIARY DOES NOT ITSELF HOLD THE FINANCIAL ASSET.

23           (D) IF A SECURITIES INTERMEDIARY HOLDS A FINANCIAL ASSET FOR  
24 ANOTHER PERSON, AND THE FINANCIAL ASSET IS REGISTERED IN THE NAME OF,  
25 PAYABLE TO THE ORDER OF, OR SPECIALLY INDORSED TO THE OTHER PERSON,  
26 AND HAS NOT BEEN INDORSED TO THE SECURITIES INTERMEDIARY OR IN BLANK,  
27 THE OTHER PERSON IS TREATED AS HOLDING THE FINANCIAL ASSET DIRECTLY  
28 RATHER THAN AS HAVING A SECURITY ENTITLEMENT WITH RESPECT TO THE  
29 FINANCIAL ASSET.

30           (E) ISSUANCE OF A SECURITY IS NOT ESTABLISHMENT OF A SECURITY  
31 ENTITLEMENT.

32 8-502.

33           AN ACTION BASED ON AN ADVERSE CLAIM TO A FINANCIAL ASSET, WHETHER  
34 FRAMED IN CONVERSION, REPLEVIN, CONSTRUCTIVE TRUST, EQUITABLE LIEN, OR  
35 OTHER THEORY, MAY NOT BE ASSERTED AGAINST A PERSON WHO ACQUIRES A  
36 SECURITY ENTITLEMENT UNDER § 8-501 OF THIS SUBTITLE FOR VALUE AND  
37 WITHOUT NOTICE OF THE ADVERSE CLAIM.

38 8-503.

1 (A) TO THE EXTENT NECESSARY FOR A SECURITIES INTERMEDIARY TO  
2 SATISFY ALL SECURITY ENTITLEMENTS WITH RESPECT TO A PARTICULAR  
3 FINANCIAL ASSET, ALL INTERESTS IN THAT FINANCIAL ASSET HELD BY THE  
4 SECURITIES INTERMEDIARY ARE HELD BY THE SECURITIES INTERMEDIARY FOR  
5 THE ENTITLEMENT HOLDERS, ARE NOT PROPERTY OF THE SECURITIES  
6 INTERMEDIARY, AND ARE NOT SUBJECT TO CLAIMS OF CREDITORS OF THE  
7 SECURITIES INTERMEDIARY, EXCEPT AS OTHERWISE PROVIDED IN § 8-511 OF THIS  
8 SUBTITLE.

9 (B) AN ENTITLEMENT HOLDER'S PROPERTY INTEREST WITH RESPECT TO A  
10 PARTICULAR FINANCIAL ASSET UNDER SUBSECTION (A) OF THIS SECTION IS A PRO  
11 RATA PROPERTY INTEREST IN ALL INTERESTS IN THAT FINANCIAL ASSET HELD BY  
12 THE SECURITIES INTERMEDIARY, WITHOUT REGARD TO THE TIME THE  
13 ENTITLEMENT HOLDER ACQUIRED THE SECURITY ENTITLEMENT OR THE TIME THE  
14 SECURITIES INTERMEDIARY ACQUIRED THE INTEREST IN THAT FINANCIAL ASSET.

15 (C) AN ENTITLEMENT HOLDER'S PROPERTY INTEREST WITH RESPECT TO A  
16 PARTICULAR FINANCIAL ASSET UNDER SUBSECTION (A) OF THIS SECTION MAY BE  
17 ENFORCED AGAINST THE SECURITIES INTERMEDIARY ONLY BY EXERCISE OF THE  
18 ENTITLEMENT HOLDER'S RIGHTS UNDER §§ 8-505 THROUGH 8-508 OF THIS SUBTITLE.

19 (D) (1) AN ENTITLEMENT HOLDER'S PROPERTY INTEREST WITH RESPECT  
20 TO A PARTICULAR FINANCIAL ASSET UNDER SUBSECTION (A) OF THIS SECTION MAY  
21 BE ENFORCED AGAINST A PURCHASER OF THE FINANCIAL ASSET OR INTEREST IN  
22 THE FINANCIAL ASSET ONLY IF:

23 (I) INSOLVENCY PROCEEDINGS HAVE BEEN INITIATED BY OR  
24 AGAINST THE SECURITIES INTERMEDIARY;

25 (II) THE SECURITIES INTERMEDIARY DOES NOT HAVE SUFFICIENT  
26 INTERESTS IN THE FINANCIAL ASSET TO SATISFY THE SECURITY ENTITLEMENTS OF  
27 ALL OF ITS ENTITLEMENT HOLDERS TO THAT FINANCIAL ASSET;

28 (III) THE SECURITIES INTERMEDIARY VIOLATED ITS OBLIGATIONS  
29 UNDER § 8-504 OF THIS SUBTITLE BY TRANSFERRING THE FINANCIAL ASSET OR  
30 INTEREST IN THE FINANCIAL ASSET TO THE PURCHASER; AND

31 (IV) THE PURCHASER IS NOT PROTECTED UNDER SUBSECTION (E)  
32 OF THIS SECTION.

33 (2) THE TRUSTEE OR OTHER LIQUIDATOR, ACTING ON BEHALF OF ALL  
34 ENTITLEMENT HOLDERS HAVING SECURITY ENTITLEMENTS WITH RESPECT TO A  
35 PARTICULAR FINANCIAL ASSET, MAY RECOVER THE FINANCIAL ASSET, OR  
36 INTEREST IN THE FINANCIAL ASSET, FROM THE PURCHASER. IF THE TRUSTEE OR  
37 OTHER LIQUIDATOR ELECTS NOT TO PURSUE THAT RIGHT, AN ENTITLEMENT  
38 HOLDER WHOSE SECURITY ENTITLEMENT REMAINS UNSATISFIED HAS THE RIGHT  
39 TO RECOVER ITS INTEREST IN THE FINANCIAL ASSET FROM THE PURCHASER.

40 (E) AN ACTION BASED ON THE ENTITLEMENT HOLDER'S PROPERTY  
41 INTEREST WITH RESPECT TO A PARTICULAR FINANCIAL ASSET UNDER SUBSECTION  
42 (A) OF THIS SECTION, WHETHER FRAMED IN CONVERSION, REPLEVIN,  
43 CONSTRUCTIVE TRUST, EQUITABLE LIEN, OR OTHER THEORY, MAY NOT BE

31

1 ASSERTED AGAINST ANY PURCHASER OF A FINANCIAL ASSET OR INTEREST IN A  
2 FINANCIAL ASSET WHO GIVES VALUE, OBTAINS CONTROL, AND DOES NOT ACT IN  
3 COLLUSION WITH THE SECURITIES INTERMEDIARY IN VIOLATING THE SECURITIES  
4 INTERMEDIARY'S OBLIGATIONS UNDER § 8-504 OF THIS SUBTITLE.

5 8-504.

6 (A) A SECURITIES INTERMEDIARY SHALL PROMPTLY OBTAIN AND  
7 THEREAFTER MAINTAIN A FINANCIAL ASSET IN A QUANTITY CORRESPONDING TO  
8 THE AGGREGATE OF ALL SECURITY ENTITLEMENTS THE SECURITIES  
9 INTERMEDIARY HAS ESTABLISHED IN FAVOR OF ITS ENTITLEMENT HOLDERS WITH  
10 RESPECT TO THAT FINANCIAL ASSET. THE SECURITIES INTERMEDIARY MAY  
11 MAINTAIN THOSE FINANCIAL ASSETS DIRECTLY OR THROUGH ONE OR MORE  
12 OTHER SECURITIES INTERMEDIARIES.

13 (B) EXCEPT TO THE EXTENT OTHERWISE AGREED BY ITS ENTITLEMENT  
14 HOLDER, A SECURITIES INTERMEDIARY MAY NOT GRANT ANY SECURITY  
15 INTERESTS IN A FINANCIAL ASSET IT IS OBLIGATED TO MAINTAIN IN ACCORDANCE  
16 WITH SUBSECTION (A) OF THIS SECTION.

17 (C) A SECURITIES INTERMEDIARY SATISFIES THE DUTY IN SUBSECTION (A)  
18 OF THIS SECTION IF:

19 (1) THE SECURITIES INTERMEDIARY ACTS WITH RESPECT TO THE DUTY  
20 AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE SECURITIES  
21 INTERMEDIARY; OR

22 (2) IN THE ABSENCE OF AGREEMENT, THE SECURITIES INTERMEDIARY  
23 EXERCISES DUE CARE IN ACCORDANCE WITH REASONABLE COMMERCIAL  
24 STANDARDS TO OBTAIN AND MAINTAIN THE FINANCIAL ASSET.

25 (D) THIS SECTION DOES NOT APPLY TO A CLEARING CORPORATION THAT IS  
26 ITSELF THE OBLIGOR OF AN OPTION OR SIMILAR OBLIGATION TO WHICH ITS  
27 ENTITLEMENT HOLDERS HAVE SECURITY ENTITLEMENTS.

28 8-505.

29 (A) A SECURITIES INTERMEDIARY SHALL TAKE ACTION TO OBTAIN A  
30 PAYMENT OR DISTRIBUTION MADE BY THE ISSUER OF A FINANCIAL ASSET. A  
31 SECURITIES INTERMEDIARY SATISFIES THE DUTY IF:

32 (1) THE SECURITIES INTERMEDIARY ACTS WITH RESPECT TO THE DUTY  
33 AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE SECURITIES  
34 INTERMEDIARY; OR

35 (2) IN THE ABSENCE OF AGREEMENT, THE SECURITIES INTERMEDIARY  
36 EXERCISES DUE CARE IN ACCORDANCE WITH REASONABLE COMMERCIAL  
37 STANDARDS TO ATTEMPT TO OBTAIN THE PAYMENT OR DISTRIBUTION.

38 (B) A SECURITIES INTERMEDIARY IS OBLIGATED TO ITS ENTITLEMENT  
39 HOLDER FOR A PAYMENT OR DISTRIBUTION MADE BY THE ISSUER OF A FINANCIAL  
40 ASSET IF THE PAYMENT OR DISTRIBUTION IS RECEIVED BY THE SECURITIES  
41 INTERMEDIARY.

32

1 8-506.

2 A SECURITIES INTERMEDIARY SHALL EXERCISE RIGHTS WITH RESPECT TO A  
3 FINANCIAL ASSET IF DIRECTED TO DO SO BY AN ENTITLEMENT HOLDER. A  
4 SECURITIES INTERMEDIARY SATISFIES THE DUTY IF:

5 (1) THE SECURITIES INTERMEDIARY ACTS WITH RESPECT TO THE DUTY  
6 AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE SECURITIES  
7 INTERMEDIARY; OR

8 (2) IN THE ABSENCE OF AGREEMENT, THE SECURITIES INTERMEDIARY  
9 EITHER PLACES THE ENTITLEMENT HOLDER IN A POSITION TO EXERCISE THE  
10 RIGHTS DIRECTLY OR EXERCISES DUE CARE IN ACCORDANCE WITH REASONABLE  
11 COMMERCIAL STANDARDS TO FOLLOW THE DIRECTION OF THE ENTITLEMENT  
12 HOLDER.

13 8-507.

14 (A) A SECURITIES INTERMEDIARY SHALL COMPLY WITH AN ENTITLEMENT  
15 ORDER IF THE ENTITLEMENT ORDER IS ORIGINATED BY THE APPROPRIATE  
16 PERSON, THE SECURITIES INTERMEDIARY HAS HAD REASONABLE OPPORTUNITY TO  
17 ASSURE ITSELF THAT THE ENTITLEMENT ORDER IS GENUINE AND AUTHORIZED,  
18 AND THE SECURITIES INTERMEDIARY HAS HAD REASONABLE OPPORTUNITY TO  
19 COMPLY WITH THE ENTITLEMENT ORDER. A SECURITIES INTERMEDIARY SATISFIES  
20 THE DUTY IF:

21 (1) THE SECURITIES INTERMEDIARY ACTS WITH RESPECT TO THE DUTY  
22 AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE SECURITIES  
23 INTERMEDIARY; OR

24 (2) IN THE ABSENCE OF AGREEMENT, THE SECURITIES INTERMEDIARY  
25 EXERCISES DUE CARE IN ACCORDANCE WITH REASONABLE COMMERCIAL  
26 STANDARDS TO COMPLY WITH THE ENTITLEMENT ORDER.

27 (B) IF A SECURITIES INTERMEDIARY TRANSFERS A FINANCIAL ASSET IN  
28 ACCORDANCE WITH AN INEFFECTIVE ENTITLEMENT ORDER, THE SECURITIES  
29 INTERMEDIARY SHALL REESTABLISH A SECURITY ENTITLEMENT IN FAVOR OF THE  
30 PERSON ENTITLED TO IT, AND PAY OR CREDIT ANY PAYMENTS OR DISTRIBUTIONS  
31 THAT THE PERSON DID NOT RECEIVE AS A RESULT OF THE WRONGFUL TRANSFER.  
32 IF THE SECURITIES INTERMEDIARY DOES NOT REESTABLISH A SECURITY  
33 ENTITLEMENT, THE SECURITIES INTERMEDIARY IS LIABLE TO THE ENTITLEMENT  
34 HOLDER FOR DAMAGES.

35 8-508.

36 A SECURITIES INTERMEDIARY SHALL ACT AT THE DIRECTION OF AN  
37 ENTITLEMENT HOLDER TO CHANGE A SECURITY ENTITLEMENT INTO ANOTHER  
38 AVAILABLE FORM OF HOLDING FOR WHICH THE ENTITLEMENT HOLDER IS  
39 ELIGIBLE, OR TO CAUSE THE FINANCIAL ASSET TO BE TRANSFERRED TO A  
40 SECURITIES ACCOUNT OF THE ENTITLEMENT HOLDER WITH ANOTHER SECURITIES  
41 INTERMEDIARY. A SECURITIES INTERMEDIARY SATISFIES THE DUTY IF:



33

1 (1) THE SECURITIES INTERMEDIARY ACTS AS AGREED UPON BY THE  
2 ENTITLEMENT HOLDER AND THE SECURITIES INTERMEDIARY; OR

3 (2) IN THE ABSENCE OF AGREEMENT, THE SECURITIES INTERMEDIARY  
4 EXERCISES DUE CARE IN ACCORDANCE WITH REASONABLE COMMERCIAL  
5 STANDARDS TO FOLLOW THE DIRECTION OF THE ENTITLEMENT HOLDER.

6 8-509.

7 (A) IF THE SUBSTANCE OF A DUTY IMPOSED UPON A SECURITIES  
8 INTERMEDIARY BY §§ 8-504 THROUGH 8-508 OF THIS SUBTITLE IS THE SUBJECT OF  
9 OTHER STATUTE, REGULATION, OR RULE, COMPLIANCE WITH THAT STATUTE,  
10 REGULATION, OR RULE SATISFIES THE DUTY.

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

18 (C) THE OBLIGATION OF A SECURITIES INTERMEDIARY TO PERFORM THE  
19 DUTIES IMPOSED BY §§ 8-504 THROUGH 8-508 OF THIS SUBTITLE IS SUBJECT TO:

20 (1) RIGHTS OF THE SECURITIES INTERMEDIARY ARISING OUT OF A  
21 SECURITY INTEREST UNDER A SECURITY AGREEMENT WITH THE ENTITLEMENT  
22 HOLDER OR OTHERWISE; AND

23 (2) RIGHTS OF THE SECURITIES INTERMEDIARY UNDER OTHER LAW,  
24 REGULATION, RULE, OR AGREEMENT TO WITHHOLD PERFORMANCE OF ITS DUTIES  
25 AS A RESULT OF UNFULFILLED OBLIGATIONS OF THE ENTITLEMENT HOLDER TO  
26 THE SECURITIES INTERMEDIARY.

27 (D) SECTIONS 8-504 THROUGH 8-508 OF THIS SUBTITLE DO NOT REQUIRE A  
28 SECURITIES INTERMEDIARY TO TAKE ANY ACTION THAT IS PROHIBITED BY OTHER  
29 STATUTE, REGULATION, OR RULE.

30 8-510.

31 (A) AN ACTION BASED ON AN ADVERSE CLAIM TO A FINANCIAL ASSET OR  
32 SECURITY ENTITLEMENT, WHETHER FRAMED IN CONVERSION, REPLEVIN,  
33 CONSTRUCTIVE TRUST, EQUITABLE LIEN, OR OTHER THEORY, MAY NOT BE  
34 ASSERTED AGAINST A PERSON WHO PURCHASES A SECURITY ENTITLEMENT, OR AN  
35 INTEREST IN A SECURITY ENTITLEMENT, FROM AN ENTITLEMENT HOLDER IF THE  
36 PURCHASER GIVES VALUE, DOES NOT HAVE NOTICE OF THE ADVERSE CLAIM, AND  
37 OBTAINS CONTROL.

38 (B) IF AN ADVERSE CLAIM COULD NOT HAVE BEEN ASSERTED AGAINST AN  
39 ENTITLEMENT HOLDER UNDER § 8-502 OF THIS SUBTITLE, THE ADVERSE CLAIM  
40 CANNOT BE ASSERTED AGAINST A PERSON WHO PURCHASES A SECURITY  
41 ENTITLEMENT, OR AN INTEREST IN A SECURITY ENTITLEMENT, FROM THE  
42 ENTITLEMENT HOLDER.

34

1 (C) (1) IN A CASE NOT COVERED BY THE PRIORITY RULES IN TITLE 9 OF  
2 THIS ARTICLE, A PURCHASER FOR VALUE OF A SECURITY ENTITLEMENT, OR AN  
3 INTEREST IN A SECURITY ENTITLEMENT, WHO OBTAINS CONTROL HAS PRIORITY  
4 OVER A PURCHASER OF A SECURITY ENTITLEMENT, OR AN INTEREST IN A  
5 SECURITY ENTITLEMENT, WHO DOES NOT OBTAIN CONTROL.

6 (2) PURCHASERS WHO HAVE CONTROL RANK EQUALLY, EXCEPT THAT  
7 A SECURITIES INTERMEDIARY AS PURCHASER HAS PRIORITY OVER A CONFLICTING  
8 PURCHASER WHO HAS CONTROL UNLESS OTHERWISE AGREED BY THE SECURITIES  
9 INTERMEDIARY.

10 8-511.

11 (A) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (B) AND (C) OF THIS  
12 SECTION, IF A SECURITIES INTERMEDIARY DOES NOT HAVE SUFFICIENT INTERESTS  
13 IN A PARTICULAR FINANCIAL ASSET TO SATISFY BOTH ITS OBLIGATIONS TO  
14 ENTITLEMENT HOLDERS WHO HAVE SECURITY ENTITLEMENTS TO THAT FINANCIAL  
15 ASSET AND ITS OBLIGATION TO A CREDITOR OF THE SECURITIES INTERMEDIARY  
16 WHO HAS A SECURITY INTEREST IN THAT FINANCIAL ASSET, THE CLAIMS OF  
17 ENTITLEMENT HOLDERS, OTHER THAN THE CREDITOR, HAVE PRIORITY OVER THE  
18 CLAIM OF THE CREDITOR.

19 (B) A CLAIM OF A CREDITOR OF A SECURITIES INTERMEDIARY WHO HAS A  
20 SECURITY INTEREST IN A FINANCIAL ASSET HELD BY A SECURITIES INTERMEDIARY  
21 HAS PRIORITY OVER CLAIMS OF THE SECURITIES INTERMEDIARY'S ENTITLEMENT  
22 HOLDERS WHO HAVE SECURITY ENTITLEMENTS WITH RESPECT TO THAT FINANCIAL  
23 ASSET IF THE CREDITOR HAS CONTROL OVER THE FINANCIAL ASSET.

24 (C) IF A CLEARING CORPORATION DOES NOT HAVE SUFFICIENT FINANCIAL  
25 ASSETS TO SATISFY BOTH ITS OBLIGATIONS TO ENTITLEMENT HOLDERS WHO HAVE  
26 SECURITY ENTITLEMENTS WITH RESPECT TO A FINANCIAL ASSET AND ITS  
27 OBLIGATION TO A CREDITOR OF THE CLEARING CORPORATION WHO HAS A  
28 SECURITY INTEREST IN THAT FINANCIAL ASSET, THE CLAIM OF THE CREDITOR HAS  
29 PRIORITY OVER THE CLAIMS OF ENTITLEMENT HOLDERS.

30 9-103.

31 (6) [The law (including the conflict of laws rules) of the jurisdiction of  
32 organization of the issuer governs the perfection and the effect of perfection or  
33 nonperfection of a security interest in uncertificated securities.]

34 (A) THIS SUBSECTION APPLIES TO INVESTMENT PROPERTY.

35 (B) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), DURING THE  
36 TIME THAT A SECURITY CERTIFICATE IS LOCATED IN A JURISDICTION, PERFECTION  
37 OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPERFECTION, AND  
38 THE PRIORITY OF A SECURITY INTEREST IN THE CERTIFICATED SECURITY  
39 REPRESENTED THEREBY ARE GOVERNED BY THE LOCAL LAW OF THAT  
40 JURISDICTION.

41 (C) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFECTION  
42 OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPERFECTION, AND

35

1 THE PRIORITY OF A SECURITY INTEREST IN AN UNCERTIFICATED SECURITY ARE  
2 GOVERNED BY THE LOCAL LAW OF THE ISSUER'S JURISDICTION AS SPECIFIED IN §  
3 8-110(D).

4 (D) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFECTION  
5 OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPERFECTION, AND  
6 THE PRIORITY OF A SECURITY INTEREST IN A SECURITY ENTITLEMENT OR  
7 SECURITIES ACCOUNT ARE GOVERNED BY THE LOCAL LAW OF THE SECURITIES  
8 INTERMEDIARY'S JURISDICTION AS SPECIFIED IN § 8-110(E).

9 (E) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFECTION  
10 OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPERFECTION, AND  
11 THE PRIORITY OF A SECURITY INTEREST IN A COMMODITY CONTRACT OR  
12 COMMODITY ACCOUNT ARE GOVERNED BY THE LOCAL LAW OF THE COMMODITY  
13 INTERMEDIARY'S JURISDICTION. THE FOLLOWING RULES DETERMINE A  
14 "COMMODITY INTERMEDIARY'S JURISDICTION" FOR PURPOSES OF THIS  
15 PARAGRAPH:

16 (1) IF AN AGREEMENT BETWEEN THE COMMODITY  
17 INTERMEDIARY AND COMMODITY CUSTOMER SPECIFIES THAT IT IS GOVERNED BY  
18 THE LAW OF A PARTICULAR JURISDICTION, THAT JURISDICTION IS THE  
19 COMMODITY INTERMEDIARY'S JURISDICTION.

20 (2) IF AN AGREEMENT BETWEEN THE COMMODITY  
21 INTERMEDIARY AND COMMODITY CUSTOMER DOES NOT SPECIFY THE GOVERNING  
22 LAW AS PROVIDED IN SUBPARAGRAPH (1), BUT EXPRESSLY SPECIFIES THAT THE  
23 COMMODITY ACCOUNT IS MAINTAINED AT AN OFFICE IN A PARTICULAR  
24 JURISDICTION, THAT JURISDICTION IS THE COMMODITY INTERMEDIARY'S  
25 JURISDICTION.

26 (3) IF AN AGREEMENT BETWEEN THE COMMODITY  
27 INTERMEDIARY AND COMMODITY CUSTOMER DOES NOT SPECIFY A JURISDICTION  
28 AS PROVIDED IN SUBPARAGRAPH (1) OR (2), THE COMMODITY INTERMEDIARY'S  
29 JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE OFFICE IDENTIFIED  
30 IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING THE COMMODITY  
31 CUSTOMER'S ACCOUNT.

32 (4) IF AN AGREEMENT BETWEEN THE COMMODITY  
33 INTERMEDIARY AND COMMODITY CUSTOMER DOES NOT SPECIFY A JURISDICTION  
34 AS PROVIDED IN SUBPARAGRAPH (1) OR (2) AND AN ACCOUNT STATEMENT DOES  
35 NOT IDENTIFY AN OFFICE SERVING THE COMMODITY CUSTOMER'S ACCOUNT AS  
36 PROVIDED IN SUBPARAGRAPH (3), THE COMMODITY INTERMEDIARY'S  
37 JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE CHIEF EXECUTIVE  
38 OFFICE OF THE COMMODITY INTERMEDIARY.

39 (F) PERFECTION OF A SECURITY INTEREST BY FILING, AUTOMATIC  
40 PERFECTION OF A SECURITY INTEREST IN INVESTMENT PROPERTY GRANTED BY A  
41 BROKER OR SECURITIES INTERMEDIARY, AND AUTOMATIC PERFECTION OF A  
42 SECURITY INTEREST IN A COMMODITY CONTRACT OR COMMODITY ACCOUNT  
43 GRANTED BY A COMMODITY INTERMEDIARY ARE GOVERNED BY THE LOCAL LAW  
44 OF THE JURISDICTION IN WHICH THE DEBTOR IS LOCATED.

36

1 9-105.

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

3 (h) "Goods" includes all things which are movable at the time the security  
4 interest attaches or which are fixtures (§ 9-313), but does not include money, documents,  
5 instruments, INVESTMENT PROPERTY, COMMODITY CONTRACTS, accounts, chattel  
6 paper, general intangibles or minerals or the like (including oil and gas) before extraction.  
7 "Goods" also includes standing timber which is to be cut and removed under a  
8 conveyance or contract for sale, the unborn young of animals and growing crops;

9 (i) "Instrument" means a negotiable instrument (defined in § 3-104), [or a  
10 certificated security (defined in § 8-102)] or any other writing which evidences a right to  
11 the payment of money and is not itself a security agreement or lease and is of a type which  
12 is in ordinary course of business transferred by delivery with any necessary indorsement  
13 or [assignment] ASSIGNMENT. THE TERM DOES NOT INCLUDE INVESTMENT  
14 PROPERTY;

15 (2) Other definitions applying to this title and the sections in which they appear  
16 are:

17 "Account." § 9-106.

18 "Attach." § 9-203.

19 "COMMODITY CONTRACT." § 9-115.

20 "COMMODITY CUSTOMER." § 9-115.

21 "COMMODITY INTERMEDIARY." § 9-115.

22 "Consumer goods." § 9-109(1).

23 "CONTROL." § 9-115.

24 "Equipment." § 9-109(2).

25 "Farm products." § 9-109(3).

26 "General intangibles." § 9-106.

27 "Inventory." § 9-109(4).

28 "INVESTMENT PROPERTY." § 9-115.

29 "Lien creditor." § 9-301(3).

30 "Proceeds." § 9-306(1).

31 "Purchase money security interest." § 9-107.

32 "United States." § 9-103.

33 (3) The following definitions in other titles apply to this title.

34 "BROKER." § 8-102.

37

- 1 "CERTIFICATED SECURITY." § 8-102.
- 2 "Check." § 3-104.
- 3 "CLEARING CORPORATION." § 8-102.
- 4 "Contract for sale." § 2-106.
- 5 "CONTROL." § 8-106.
- 6 "DELIVERY." § 8-301.
- 7 "ENTITLEMENT HOLDER." § 8-102.
- 8 "FINANCIAL ASSET." § 8-102.
- 9 "Holder in due course." § 3-302.
- 10 "Note." § 3-104.
- 11 "Sale." § 2-106.
- 12 "SECURITIES INTERMEDIARY." § 8-102.
- 13 "SECURITY." § 8-102.
- 14 "SECURITY CERTIFICATE." § 8-102.
- 15 "SECURITY ENTITLEMENT." § 8-102.
- 16 "UNCERTIFICATED SECURITY." § 8-102.

17 9-106.

18 "Account" means any right to payment for goods sold or leased or for services  
19 rendered which is not evidenced by an instrument or chattel paper, whether or not it has  
20 been earned by performance. "General intangibles" means any personal property  
21 (including things in action and uncertificated general and limited partnership interests),  
22 other than goods, accounts, chattel paper, documents, instruments, INVESTMENT  
23 PROPERTY, and money. All rights to payment earned or unearned under a charter or  
24 other contract involving the use or hire of a vessel and all rights incident to the charter or  
25 contract are accounts.

26 9-115.

27 (1) IN THIS TITLE:

28 (A) "COMMODITY ACCOUNT" MEANS AN ACCOUNT MAINTAINED BY A  
29 COMMODITY INTERMEDIARY IN WHICH A COMMODITY CONTRACT IS CARRIED FOR  
30 A COMMODITY CUSTOMER.

31 (B) "COMMODITY CONTRACT" MEANS A COMMODITY FUTURES  
32 CONTRACT, AN OPTION ON A COMMODITY FUTURES CONTRACT, A COMMODITY  
33 OPTION, OR OTHER CONTRACT THAT, IN EACH CASE, IS:

38

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

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

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

9 (D) "COMMODITY INTERMEDIARY" MEANS:

10 (I) A PERSON WHO IS REGISTERED AS A FUTURES COMMISSION  
11 MERCHANT 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 THAT  
14 HAS BEEN DESIGNATED AS A CONTRACT MARKET PURSUANT TO THE FEDERAL  
15 COMMODITIES LAWS.

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

30 (F) "INVESTMENT PROPERTY" MEANS:

31 (I) A SECURITY, WHETHER CERTIFICATED OR UNCERTIFICATED;

32 (II) A SECURITY ENTITLEMENT;

33 (III) A SECURITIES ACCOUNT;

34 (IV) A COMMODITY CONTRACT; OR

35 (V) A COMMODITY ACCOUNT.

36 (2) ATTACHMENT OR PERFECTION OF A SECURITY INTEREST IN A  
37 SECURITIES ACCOUNT IS ALSO ATTACHMENT OR PERFECTION OF A SECURITY  
38 INTEREST IN ALL SECURITY ENTITLEMENTS CARRIED IN THE SECURITIES ACCOUNT.  
39 ATTACHMENT OR PERFECTION OF A SECURITY INTEREST IN A COMMODITY

39

1 ACCOUNT IS ALSO ATTACHMENT OR PERFECTION OF A SECURITY INTEREST IN ALL  
2 COMMODITY CONTRACTS CARRIED IN THE COMMODITY ACCOUNT.

3 (3) A DESCRIPTION OF COLLATERAL IN A SECURITY AGREEMENT OR  
4 FINANCING STATEMENT IS SUFFICIENT TO CREATE OR PERFECT A SECURITY  
5 INTEREST IN A CERTIFICATED SECURITY, UNCERTIFICATED SECURITY, SECURITY  
6 ENTITLEMENT, SECURITIES ACCOUNT, COMMODITY CONTRACT, OR COMMODITY  
7 ACCOUNT WHETHER IT DESCRIBES THE COLLATERAL BY THOSE TERMS, OR AS  
8 INVESTMENT PROPERTY, OR BY DESCRIPTION OF THE UNDERLYING SECURITY,  
9 FINANCIAL ASSET, OR COMMODITY CONTRACT. A DESCRIPTION OF INVESTMENT  
10 PROPERTY COLLATERAL IN A SECURITY AGREEMENT OR FINANCING STATEMENT IS  
11 SUFFICIENT IF IT IDENTIFIES THE COLLATERAL BY SPECIFIC LISTING, BY  
12 CATEGORY, BY QUANTITY, BY A COMPUTATIONAL OR ALLOCATIONAL FORMULA  
13 OR PROCEDURE, OR BY ANY OTHER METHOD, IF THE IDENTITY OF THE  
14 COLLATERAL IS OBJECTIVELY DETERMINABLE.

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

17 (A) A SECURITY INTEREST IN INVESTMENT PROPERTY MAY BE  
18 PERFECTED BY CONTROL.

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

21 (C) IF THE DEBTOR IS A BROKER OR SECURITIES INTERMEDIARY A  
22 SECURITY INTEREST IN INVESTMENT PROPERTY IS PERFECTED WHEN IT ATTACHES.  
23 THE FILING OF A FINANCING STATEMENT WITH RESPECT TO A SECURITY INTEREST  
24 IN INVESTMENT PROPERTY GRANTED BY A BROKER OR SECURITIES INTERMEDIARY  
25 HAS NO EFFECT FOR PURPOSES OF PERFECTION OR PRIORITY WITH RESPECT TO  
26 THAT SECURITY INTEREST.

27 (D) IF A DEBTOR IS A COMMODITY INTERMEDIARY, A SECURITY  
28 INTEREST IN A COMMODITY CONTRACT OR A COMMODITY ACCOUNT IS PERFECTED  
29 WHEN IT ATTACHES. THE FILING OF A FINANCING STATEMENT WITH RESPECT TO A  
30 SECURITY INTEREST IN A COMMODITY CONTRACT OR A COMMODITY ACCOUNT  
31 GRANTED BY A COMMODITY INTERMEDIARY HAS NO EFFECT FOR PURPOSES OF  
32 PERFECTION OR PRIORITY WITH RESPECT TO THAT SECURITY INTEREST.

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

35 (A) A SECURITY INTEREST OF A SECURED PARTY WHO HAS CONTROL  
36 OVER INVESTMENT PROPERTY HAS PRIORITY OVER A SECURITY INTEREST OF A  
37 SECURED PARTY WHO DOES NOT HAVE CONTROL OVER THE INVESTMENT  
38 PROPERTY.

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

40

1 (C) EXCEPT AS OTHERWISE AGREED BY THE SECURITIES  
2 INTERMEDIARY, A SECURITY INTEREST IN A SECURITY ENTITLEMENT OR A  
3 SECURITIES ACCOUNT GRANTED TO THE DEBTOR'S OWN SECURITIES  
4 INTERMEDIARY HAS PRIORITY OVER ANY SECURITY INTEREST GRANTED BY THE  
5 DEBTOR TO ANOTHER SECURED PARTY.

6 (D) EXCEPT AS OTHERWISE AGREED BY THE COMMODITY  
7 INTERMEDIARY, A SECURITY INTEREST IN A COMMODITY CONTRACT OR A  
8 COMMODITY ACCOUNT GRANTED TO THE DEBTOR'S OWN COMMODITY  
9 INTERMEDIARY HAS PRIORITY OVER ANY SECURITY INTEREST GRANTED BY THE  
10 DEBTOR TO ANOTHER SECURED PARTY.

11 (E) CONFLICTING SECURITY INTERESTS GRANTED BY A BROKER, A  
12 SECURITIES INTERMEDIARY, OR A COMMODITY INTERMEDIARY WHICH ARE  
13 PERFECTED WITHOUT CONTROL RANK EQUALLY.

14 (F) IN ALL OTHER CASES, PRIORITY BETWEEN CONFLICTING SECURITY  
15 INTERESTS IN INVESTMENT PROPERTY IS GOVERNED BY § 9-312(5), (6), AND (7).  
16 SECTION 9-312(4) DOES NOT APPLY TO INVESTMENT PROPERTY.

17 (6) IF A SECURITY CERTIFICATE IN REGISTERED FORM IS DELIVERED TO A  
18 SECURED PARTY PURSUANT TO AGREEMENT, A WRITTEN SECURITY AGREEMENT IS  
19 NOT REQUIRED FOR ATTACHMENT OR ENFORCEABILITY OF THE SECURITY  
20 INTEREST, DELIVERY SUFFICES FOR PERFECTION OF THE SECURITY INTEREST, AND  
21 THE SECURITY INTEREST HAS PRIORITY OVER A CONFLICTING SECURITY INTEREST  
22 PERFECTED BY MEANS OTHER THAN CONTROL, EVEN IF A NECESSARY  
23 INDORSEMENT IS LACKING.

24 9-116.

25 (1) IF A PERSON BUYS A FINANCIAL ASSET THROUGH A SECURITIES  
26 INTERMEDIARY IN A TRANSACTION IN WHICH THE BUYER IS OBLIGATED TO PAY  
27 THE PURCHASE PRICE TO THE SECURITIES INTERMEDIARY AT THE TIME OF THE  
28 PURCHASE, AND THE SECURITIES INTERMEDIARY CREDITS THE FINANCIAL ASSET  
29 TO THE BUYER'S SECURITIES ACCOUNT BEFORE THE BUYER PAYS THE SECURITIES  
30 INTERMEDIARY, THE SECURITIES INTERMEDIARY HAS A SECURITY INTEREST IN  
31 THE BUYER'S SECURITY ENTITLEMENT SECURING THE BUYER'S OBLIGATION TO  
32 PAY. A SECURITY AGREEMENT IS NOT REQUIRED FOR ATTACHMENT OR  
33 ENFORCEABILITY OF THE SECURITY INTEREST, AND THE SECURITY INTEREST IS  
34 AUTOMATICALLY PERFECTED.

35 (2) IF A CERTIFICATED SECURITY, OR OTHER FINANCIAL ASSET  
36 REPRESENTED BY A WRITING WHICH IN THE ORDINARY COURSE OF BUSINESS IS  
37 TRANSFERRED BY DELIVERY WITH ANY NECESSARY INDORSEMENT OR  
38 ASSIGNMENT IS DELIVERED PURSUANT TO AN AGREEMENT BETWEEN PERSONS IN  
39 THE BUSINESS OF DEALING WITH SUCH SECURITIES OR FINANCIAL ASSETS AND THE  
40 AGREEMENT CALLS FOR DELIVERY VERSUS PAYMENT, THE PERSON DELIVERING  
41 THE CERTIFICATE OR OTHER FINANCIAL ASSET HAS A SECURITY INTEREST IN THE  
42 CERTIFICATED SECURITY OR OTHER FINANCIAL ASSET SECURING THE SELLER'S  
43 RIGHT TO RECEIVE PAYMENT. A SECURITY AGREEMENT IS NOT REQUIRED FOR



41

1 ATTACHMENT OR ENFORCEABILITY OF THE SECURITY INTEREST, AND THE  
2 SECURITY INTEREST IS AUTOMATICALLY PERFECTED.

3 9-203.

4 (1) Subject to the provisions of § 4-208 on the security interest of a collecting  
5 bank, [§ 8-321 on security interests in securities] §§ 9-115 AND 9-116 ON SECURITY  
6 INTERESTS IN INVESTMENT PROPERTY, and § 9-113 on a security interest arising under  
7 the title on sales, a security interest is not enforceable against the debtor or third parties  
8 with respect to the collateral and does not attach unless:

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

15 (b) Value has been given; and

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

17 9-301.

18 (1) Except as otherwise provided in subsection (2) an unperfected security  
19 interest is subordinate to the rights of

20 (a) Persons entitled to priority under § 9-312;

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

23 (c) In the case of goods, instruments, documents, and chattel paper, a  
24 person who is not a secured party and who is a transferee in bulk or other buyer not in  
25 ordinary course of business, or is a buyer of farm products in ordinary course of business,  
26 to the extent that he gives value and receives delivery of the collateral without knowledge  
27 of the security interest and before it is perfected;

28 (d) In the case of [accounts and] ACCOUNTS, general intangibles, AND  
29 INVESTMENT PROPERTY, a person who is not a secured party and who is a transferee to  
30 the extent that he gives value without knowledge of the security interest and before it is  
31 perfected.

32 9-302.

33 (1) A financing statement must be filed to perfect all security interests except the  
34 following:

35 (a) A security interest in collateral in possession of the secured party under  
36 § 9-305;

37 (b) A security interest temporarily perfected in [instruments]  
38 INSTRUMENTS, CERTIFICATED SECURITIES, or documents without delivery under §  
39 9-304 or in proceeds for a [ten-day] 10-DAY period under § 9-306;

42

1 (c) A security interest created by an assignment of a beneficial interest in a  
2 trust or a decedent's estate;

3 (d) A purchase money security interest in consumer goods having a  
4 purchase price not in excess of \$1,500 per item, but filing is required for a fixture under  
5 § 9-313;

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

9 (f) A security interest of a collecting bank (§ 4-208) [or in securities (§  
10 8-321)] or arising under the title on sales (see § 9-113) or covered in subsection (3) of  
11 this section;

12 (g) An assignment for the benefit of all the creditors of the transferor, and  
13 subsequent transfers by the assignee thereunder; [and]

14 (h) A security interest in a mortgage covered by § 7-101 of the Real  
15 Property Article; AND

16 (I) A SECURITY INTEREST IN INVESTMENT PROPERTY WHICH IS  
17 PERFECTED WITHOUT FILING UNDER § 9-115 OR § 9-116.

18 9-304.

19 (1) A security interest in chattel paper or negotiable documents may be perfected  
20 by filing. A security interest in money or instruments (other than [certificated securities  
21 or] instruments which constitute part of chattel paper) can be perfected only by the  
22 secured party's taking possession, except as provided in subsections (4) and (5) of this  
23 section and subsections (2) and (3) of § 9-306 on proceeds.

24 (2) During the period that goods are in the possession of the issuer of a  
25 negotiable document therefor, a security interest in the goods is perfected by perfecting a  
26 security interest in the document, and any security interest in the goods otherwise  
27 perfected during such period is subject thereto.

28 (3) A security interest in goods in the possession of a bailee other than one who  
29 has issued a negotiable document therefor is perfected by issuance of a document in the  
30 name of the secured party or by the bailee's receipt of notification of the secured party's  
31 interest or by filing as to the goods.

32 (4) A security interest in [instruments (other than certificated securities)]  
33 INSTRUMENTS, CERTIFICATED SECURITIES, or negotiable documents is perfected  
34 without filing or the taking of possession for a period of 21 days from the time it attaches  
35 to the extent that it arises for new value given under a written security agreement.

36 (5) A security interest remains perfected for a period of 21 days without filing  
37 where a secured party having a perfected security interest in an instrument [(other than  
38 a certificated security)], A CERTIFICATED SECURITY, a negotiable [document]  
39 DOCUMENT, or goods in possession of a bailee other than one who has issued a  
40 negotiable document therefor:

43

1 (a) Makes available to the debtor the goods or documents representing the  
2 goods for the purpose of ultimate sale or exchange or for the purpose of loading,  
3 unloading, storing, shipping, transshipping, manufacturing, processing or otherwise  
4 dealing with them in a manner preliminary to their sale or exchange, but priority between  
5 conflicting security interests in the goods is subject to subsection (3) of § 9-312; or

6 (b) Delivers the instrument OR CERTIFICATED SECURITY to the debtor for  
7 the purpose of ultimate sale or exchange or of presentation, collection, renewal or  
8 registration of transfer.

9 (6) After the [twenty-one day] 21-DAY period in subsections (4) and (5)  
10 perfection depends upon compliance with applicable provisions of this title.

11 9-305.

12 A security interest in letters of credit and advices of credit (subsection (2)(a) of §  
13 5-116), goods, instruments [(other than certificated securities)], money, negotiable  
14 documents or chattel paper may be perfected by the secured party's taking possession of  
15 the collateral. If such collateral other than goods covered by a negotiable document is  
16 held by a bailee, the secured party is deemed to have possession from the time the bailee  
17 receives notification of the secured party's interest. A security interest is perfected by  
18 possession from the time possession is taken without relation back and continues only so  
19 long as possession is retained, unless otherwise specified in this title. The security interest  
20 may be otherwise perfected as provided in this title before or after the period of  
21 possession by the secured party.

22 9-306.

23 (1) "Proceeds" includes whatever is received upon the sale, exchange, collection,  
24 or other disposition of collateral or proceeds. Insurance payable by reason of loss or  
25 damage to the collateral is proceeds, except to the extent that it is payable to a person  
26 other than a party to the security agreement. ANY PAYMENTS OR DISTRIBUTIONS  
27 MADE WITH RESPECT TO INVESTMENT PROPERTY COLLATERAL ARE PROCEEDS.  
28 Money, checks, deposit accounts, and the like are "cash proceeds." All other proceeds  
29 are "noncash proceeds."

30 (2) Except where this title otherwise provides, a security interest continues in  
31 collateral notwithstanding sale, exchange or other disposition thereof unless the  
32 disposition was authorized by the secured party in the security agreement or otherwise,  
33 and also continues in any identifiable proceeds including collections received by the  
34 debtor.

35 (3) The security interest in proceeds is a continuously perfected security interest  
36 if the interest in the original collateral was perfected but it ceases to be a perfected  
37 security interest and becomes unperfected [ten] 10 days after receipt of the proceeds by  
38 the debtor unless:

39 (a) A filed financing statement covers the original collateral and the  
40 proceeds are collateral in which a security interest may be perfected by filing in the office  
41 or offices where the financing statement has been filed and, if the proceeds are acquired  
42 with cash proceeds, the description of collateral in the financing statement indicates the  
43 types of property constituting the proceeds; [or]

44

1 (b) A filed financing statement covers the original collateral and the  
 2 proceeds are identifiable cash proceeds; [or]

3 (C) THE ORIGINAL COLLATERAL WAS INVESTMENT PROPERTY AND THE  
 4 PROCEEDS ARE IDENTIFIABLE CASH PROCEEDS; OR

5 [(c)] (D) The security interest in the proceeds is perfected before the  
 6 expiration of the [ten-day] 10-DAY period.

7 Except as provided in this section, a security interest in proceeds can be perfected  
 8 only by the methods or under the circumstances permitted in this title for original  
 9 collateral of the same type.

10 9-309.

11 Nothing in this title limits the rights of a holder in due course of a negotiable  
 12 instrument (§ 3-302) or a holder to whom a negotiable document of title has been duly  
 13 negotiated (§ 7-501) or a [bona fide] PROTECTED purchaser of a security [(§ 8-302)]  
 14 (§ 8-303) and such holders or purchasers take priority over an earlier security interest even  
 15 though perfected. Filing under this title does not constitute notice of the security interest  
 16 to such holders or purchasers.

17 9-312.

18 (1) The rules of priority stated in other sections of this subtitle and in the  
 19 following sections shall govern when applicable: [§ 4-208] § 4-210 with respect to the  
 20 security interests of collecting banks in items being collected, accompanying documents  
 21 and proceeds; § 9-103 on security interests related to other jurisdictions; § 9-114 on  
 22 [consignments] CONSIGNMENTS; § 9-115 ON SECURITY INTERESTS IN INVESTMENT  
 23 PROPERTY.

24 (7) If future advances are made while a security interest is perfected by filing, the  
 25 taking of possession, or under [§ 8-321 on securities,] § 9-115 OR § 9-116 ON  
 26 INVESTMENT PROPERTY, the security interest has the same priority for the purposes of  
 27 subsection (5) with respect to the future advances as it does with respect to the first  
 28 advance. If a commitment is made before or while the security interest is so perfected, the  
 29 security interest has the same priority with respect to advances made pursuant thereto. In  
 30 other cases, a perfected security interest has priority from the date the advance is made.

31 10-104.

32 [(1)] Title 7 on documents of title does not repeal or modify any laws prescribing  
 33 the form or contents of documents of title or the services or facilities to be afforded by  
 34 bailees, or otherwise regulating bailees' businesses in respects not specifically dealt with  
 35 herein; but the fact that such laws are violated does not affect the status of a document of  
 36 title which otherwise complies with the definition of a document of title (§ 1-201).

37 [(2)] Titles 1 through 10 of this article do not repeal §§ 15-301 through 15-311 of  
 38 the Estates Article of the Code, which is cited as the Maryland Uniform Act for the  
 39 Simplification of Fiduciary Security Transfers, and if in any respect there is any  
 40 inconsistency between that act and Title 8 of this article on investment securities the  
 41 provisions of the former act shall control.]

45

1 SECTION 3. AND BE IT FURTHER ENACTED, That:

2 (a) This Act does not affect an action or proceeding commenced before this Act  
3 takes effect.

4 (b) If a security interest in a security is perfected at the date this Act takes effect,  
5 and the action by which the security interest was perfected would suffice to perfect a  
6 security interest under this Act, no further action is required to continue perfection. If a  
7 security interest in a security is perfected at the date this Act takes effect but the action  
8 by which the security interest was perfected would not suffice to perfect a security interest  
9 under this Act, the security interest remains perfected for a period of 4 months after the  
10 effective date and continues perfected thereafter if appropriate action to perfect under  
11 this Act is taken within that period. If a security interest is perfected at the date this Act  
12 takes effect and the security interest can be perfected by filing under this Act, a financing  
13 statement signed by the secured party instead of the debtor may be filed within that  
14 period to continue perfection or thereafter to perfect.

15 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 October 1, 1996.