

(PRE-FILED)

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

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CHAPTER \_\_\_\_

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.

2

1 Investment Securities"; 9-115 and 9-116  
2 Annotated Code of Maryland  
3 (1992 Replacement Volume and 1995 Supplement)

4 BY repealing and reenacting, with amendments,  
5 Article - Commercial Law  
6 Section 1-105(2), 1-206, 5-114(2), 9-103(6), 9-105(1)(h) and (i), (2), and (3),  
7 9-106, 9-203(1), 9-301(1), 9-302(1), 9-304, 9-305, 9-306(1) through (3),  
8 9-309, 9-312(1) and (7), and 10-104  
9 Annotated Code of Maryland  
10 (1992 Replacement Volume and 1995 Supplement)

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14 be repealed.

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

17 **Article - Commercial Law**

18 1-105.

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

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

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

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

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

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

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

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

29 1-206.

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

36 (2) Subsection (1) of this section does not apply to contracts for the sale of goods  
37 (§ 2-201) nor of securities [(§ 8-319)] (§ 8-113) nor to security agreements (§ 9-203).

3

1 5-114.

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

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

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

17 TITLE 8. INVESTMENT SECURITIES.

18 SUBTITLE 1. SHORT TITLE AND GENERAL MATTERS.

19 8-101.

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

22 8-102.

23 (A) IN THIS TITLE:

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

28 (2) "BEARER FORM", AS APPLIED TO A CERTIFICATED SECURITY,  
29 MEANS A FORM IN WHICH THE SECURITY IS PAYABLE TO THE BEARER OF THE  
30 SECURITY CERTIFICATE ACCORDING TO ITS TERMS BUT NOT BY REASON OF AN  
31 INDORSEMENT.

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

35 (4) "CERTIFICATED SECURITY" MEANS A SECURITY THAT IS  
36 REPRESENTED BY A CERTIFICATE.

37 (5) "CLEARING CORPORATION" MEANS:

4

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

3 (II) A FEDERAL RESERVE BANK; OR

4 (III) ANY OTHER PERSON THAT PROVIDES CLEARANCE OR  
5 SETTLEMENT SERVICES WITH RESPECT TO FINANCIAL ASSETS THAT WOULD  
6 REQUIRE IT TO REGISTER AS A CLEARING AGENCY UNDER THE FEDERAL  
7 SECURITIES LAWS BUT FOR AN EXCLUSION OR EXEMPTION FROM THE  
8 REGISTRATION REQUIREMENT, IF ITS ACTIVITIES AS A CLEARING CORPORATION,  
9 INCLUDING PROMULGATION OF RULES, ARE SUBJECT TO REGULATION BY A  
10 FEDERAL OR STATE GOVERNMENTAL AUTHORITY.

11 (6) "COMMUNICATE" MEANS TO:

12 (I) SEND A SIGNED WRITING; OR

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

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

20 (8) "ENTITLEMENT ORDER" MEANS A NOTIFICATION COMMUNICATED  
21 TO A SECURITIES INTERMEDIARY DIRECTING TRANSFER OR REDEMPTION OF A  
22 FINANCIAL ASSET TO WHICH THE ENTITLEMENT HOLDER HAS A SECURITY  
23 ENTITLEMENT.

24 (9) (I) "FINANCIAL ASSET", EXCEPT AS OTHERWISE PROVIDED IN §  
25 8-103 OF THIS SUBTITLE, MEANS:

26 1. A SECURITY;

27 2. AN OBLIGATION OF A PERSON OR A SHARE,  
28 PARTICIPATION, OR OTHER INTEREST IN A PERSON OR IN PROPERTY OR AN  
29 ENTERPRISE OF A PERSON, WHICH IS, OR IS OF A TYPE, DEALT IN OR TRADED ON  
30 FINANCIAL MARKETS, OR WHICH IS RECOGNIZED IN ANY AREA IN WHICH IT IS  
31 ISSUED OR DEALT IN AS A MEDIUM FOR INVESTMENT; OR

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

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

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

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

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

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

15 (I) THE SECURITY CERTIFICATE SPECIFIES A PERSON ENTITLED  
16 TO THE SECURITY; AND

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

20 (14) "SECURITIES INTERMEDIARY" MEANS:

21 (I) A CLEARING CORPORATION; OR

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

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

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

31 (II) WHICH IS ONE OF A CLASS OR SERIES OR BY ITS TERMS IS  
32 DIVISIBLE INTO A CLASS OR SERIES OF SHARES, PARTICIPATIONS, INTERESTS, OR  
33 OBLIGATIONS; AND

34 (III) WHICH:

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

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

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1 (16) "SECURITY CERTIFICATE" MEANS A CERTIFICATE REPRESENTING A  
2 SECURITY.

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

6 (18) "UNCERTIFICATED SECURITY" MEANS A SECURITY THAT IS NOT  
7 REPRESENTED BY A CERTIFICATE.

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

10	APPROPRIATE PERSON	§ 8-107
11	CONTROL	§ 8-106
12	DELIVERY	§ 8-301
13	INVESTMENT COMPANY SECURITY	§ 8-103
14	ISSUER	§ 8-201
15	OVERISSUE	§ 8-210
16	PROTECTED PURCHASER	§ 8-303
17	SECURITIES ACCOUNT	§ 8-501

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

20 (D) THE CHARACTERIZATION OF A PERSON, BUSINESS, OR TRANSACTION  
21 FOR PURPOSES OF THIS TITLE DOES NOT DETERMINE THE CHARACTERIZATION OF  
22 THE PERSON, BUSINESS, OR TRANSACTION FOR PURPOSES OF ANY OTHER LAW,  
23 REGULATION, OR RULE.

24 8-103.

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

27 (B) AN "INVESTMENT COMPANY SECURITY" IS A SECURITY. "INVESTMENT  
28 COMPANY SECURITY" MEANS A SHARE OR SIMILAR EQUITY INTEREST ISSUED BY  
29 AN ENTITY THAT IS REGISTERED AS AN INVESTMENT COMPANY UNDER THE  
30 FEDERAL INVESTMENT COMPANY LAWS, AN INTEREST IN A UNIT INVESTMENT  
31 TRUST THAT IS SO REGISTERED, OR A FACE-AMOUNT CERTIFICATE ISSUED BY A  
32 FACE-AMOUNT CERTIFICATE COMPANY THAT IS SO REGISTERED. INVESTMENT  
33 COMPANY SECURITY DOES NOT INCLUDE AN INSURANCE POLICY OR ENDOWMENT  
34 POLICY OR ANNUITY CONTRACT ISSUED BY AN INSURANCE COMPANY.

35 (C) AN INTEREST IN A PARTNERSHIP OR LIMITED LIABILITY COMPANY IS NOT  
36 A SECURITY UNLESS IT IS DEALT IN OR TRADED ON SECURITIES EXCHANGES OR IN  
37 SECURITIES MARKETS, ITS TERMS EXPRESSLY PROVIDE THAT IT IS A SECURITY  
38 GOVERNED BY THIS TITLE, OR IT IS AN INVESTMENT COMPANY SECURITY.  
39 HOWEVER, AN INTEREST IN A PARTNERSHIP OR LIMITED LIABILITY COMPANY IS A  
40 FINANCIAL ASSET IF IT IS HELD IN A SECURITIES ACCOUNT.

41 (D) A WRITING THAT IS A SECURITY CERTIFICATE IS GOVERNED BY THIS  
42 TITLE AND NOT BY TITLE 3 OF THIS ARTICLE, EVEN THOUGH IT ALSO MEETS THE

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1 REQUIREMENTS OF THAT TITLE. HOWEVER, A NEGOTIABLE INSTRUMENT  
2 GOVERNED BY TITLE 3 OF THIS ARTICLE IS A FINANCIAL ASSET IF IT IS HELD IN A  
3 SECURITIES ACCOUNT.

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

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

9 8-104.

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

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

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

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

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

24 (D) UNLESS THE CONTEXT SHOWS THAT A DIFFERENT MEANING IS  
25 INTENDED, A PERSON WHO IS REQUIRED BY OTHER LAW, REGULATION, RULE, OR  
26 AGREEMENT TO TRANSFER, DELIVER, PRESENT, SURRENDER, EXCHANGE, OR  
27 OTHERWISE PUT IN THE POSSESSION OF ANOTHER PERSON A SECURITY OR  
28 FINANCIAL ASSET SATISFIES THAT REQUIREMENT BY CAUSING THE OTHER PERSON  
29 TO ACQUIRE AN INTEREST IN THE SECURITY OR FINANCIAL ASSET IN ACCORDANCE  
30 WITH SUBSECTION (A) OR (B) OF THIS SECTION.

31 8-105.

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

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

34 (2) THE PERSON IS AWARE OF FACTS SUFFICIENT TO INDICATE THAT  
35 THERE IS A SIGNIFICANT PROBABILITY THAT THE ADVERSE CLAIM EXISTS AND  
36 DELIBERATELY AVOIDS INFORMATION THAT WOULD ESTABLISH THE EXISTENCE  
37 OF THE ADVERSE CLAIM; OR

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

1 (B) HAVING KNOWLEDGE THAT A FINANCIAL ASSET OR INTEREST IN A  
2 FINANCIAL ASSET IS OR HAS BEEN TRANSFERRED BY A REPRESENTATIVE IMPOSES  
3 NO DUTY OF INQUIRY INTO THE RIGHTFULNESS OF A TRANSACTION AND IS NOT  
4 NOTICE OF AN ADVERSE CLAIM. HOWEVER, A PERSON WHO KNOWS THAT A  
5 REPRESENTATIVE HAS TRANSFERRED A FINANCIAL ASSET OR INTEREST IN A  
6 FINANCIAL ASSET IN A TRANSACTION THAT IS, OR WHOSE PROCEEDS ARE BEING  
7 USED, FOR THE INDIVIDUAL BENEFIT OF THE REPRESENTATIVE OR OTHERWISE IN  
8 BREACH OF DUTY HAS NOTICE OF AN ADVERSE CLAIM.

9 (C) AN ACT OR EVENT THAT CREATES A RIGHT TO IMMEDIATE  
10 PERFORMANCE OF THE PRINCIPAL OBLIGATION REPRESENTED BY A SECURITY  
11 CERTIFICATE OR SETS A DATE ON OR AFTER WHICH THE CERTIFICATE IS TO BE  
12 PRESENTED OR SURRENDERED FOR REDEMPTION OR EXCHANGE DOES NOT ITSELF  
13 CONSTITUTE NOTICE OF AN ADVERSE CLAIM EXCEPT IN THE CASE OF A TRANSFER  
14 MORE THAN:

15 (1) 1 YEAR AFTER A DATE SET FOR PRESENTMENT OR SURRENDER FOR  
16 REDEMPTION OR EXCHANGE; OR

17 (2) 6 MONTHS AFTER A DATE SET FOR PAYMENT OF MONEY AGAINST  
18 PRESENTATION OR SURRENDER OF THE CERTIFICATE, IF MONEY WAS AVAILABLE  
19 FOR PAYMENT ON THAT DATE.

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

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

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

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

30 8-106.

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

33 (B) A PURCHASER HAS "CONTROL" OF A CERTIFICATED SECURITY IN  
34 REGISTERED FORM IF THE CERTIFICATED SECURITY IS DELIVERED TO THE  
35 PURCHASER, AND:

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

38 (2) THE CERTIFICATE IS REGISTERED IN THE NAME OF THE  
39 PURCHASER, UPON ORIGINAL ISSUE OR REGISTRATION OF TRANSFER BY THE  
40 ISSUER.

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

2 (1) THE UNCERTIFICATED SECURITY IS DELIVERED TO THE  
3 PURCHASER; OR

4 (2) THE ISSUER HAS AGREED THAT IT WILL COMPLY WITH  
5 INSTRUCTIONS ORIGINATED BY THE PURCHASER WITHOUT FURTHER CONSENT BY  
6 THE REGISTERED OWNER.

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

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

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

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

15 (F) A PURCHASER WHO HAS SATISFIED THE REQUIREMENTS OF SUBSECTION  
16 (C)(2) OR (D)(2) OF THIS SECTION HAS CONTROL EVEN IF THE REGISTERED OWNER  
17 IN THE CASE OF SUBSECTION (C)(2) OF THIS SECTION OR THE ENTITLEMENT HOLDER  
18 IN THE CASE OF SUBSECTION (D)(2) OF THIS SECTION RETAINS THE RIGHT TO MAKE  
19 SUBSTITUTIONS FOR THE UNCERTIFICATED SECURITY OR SECURITY ENTITLEMENT,  
20 TO ORIGINATE INSTRUCTIONS OR ENTITLEMENT ORDERS TO THE ISSUER OR  
21 SECURITIES INTERMEDIARY, OR OTHERWISE TO DEAL WITH THE UNCERTIFICATED  
22 SECURITY OR SECURITY ENTITLEMENT.

23 (G) (1) AN ISSUER OR A SECURITIES INTERMEDIARY MAY NOT ENTER INTO  
24 AN AGREEMENT OF THE KIND DESCRIBED IN SUBSECTION (C)(2) OR (D)(2) OF THIS  
25 SECTION WITHOUT THE CONSENT OF THE REGISTERED OWNER OR ENTITLEMENT  
26 HOLDER, BUT AN ISSUER OR A SECURITIES INTERMEDIARY IS NOT REQUIRED TO  
27 ENTER INTO SUCH AN AGREEMENT EVEN THOUGH THE REGISTERED OWNER OR  
28 ENTITLEMENT HOLDER SO DIRECTS.

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

33 8-107.

34 (A) "APPROPRIATE PERSON" MEANS:

35 (1) WITH RESPECT TO AN INDORSEMENT, THE PERSON SPECIFIED BY A  
36 SECURITY CERTIFICATE OR BY AN EFFECTIVE SPECIAL INDORSEMENT TO BE  
37 ENTITLED TO THE SECURITY;

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

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1 (3) WITH RESPECT TO AN ENTITLEMENT ORDER, THE ENTITLEMENT  
2 HOLDER;

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

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

11 (B) AN INDORSEMENT, INSTRUCTION, OR ENTITLEMENT ORDER IS  
12 EFFECTIVE IF:

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

14 (2) IT IS MADE BY A PERSON WHO HAS POWER UNDER THE LAW OF  
15 AGENCY TO TRANSFER THE SECURITY OR FINANCIAL ASSET ON BEHALF OF THE  
16 APPROPRIATE PERSON, INCLUDING, IN THE CASE OF AN INSTRUCTION OR  
17 ENTITLEMENT ORDER, A PERSON WHO HAS CONTROL UNDER § 8-106(C)(2) OR (D)(2)  
18 OF THIS SUBTITLE; OR

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

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

23 (1) THE REPRESENTATIVE HAS FAILED TO COMPLY WITH A  
24 CONTROLLING INSTRUMENT OR WITH THE LAW OF THE STATE HAVING  
25 JURISDICTION OF THE REPRESENTATIVE RELATIONSHIP, INCLUDING ANY LAW  
26 REQUIRING THE REPRESENTATIVE TO OBTAIN COURT APPROVAL OF THE  
27 TRANSACTION; OR

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

31 (D) IF A SECURITY IS REGISTERED IN THE NAME OF OR SPECIALLY INDORSED  
32 TO A PERSON DESCRIBED AS A REPRESENTATIVE, OR IF A SECURITIES ACCOUNT IS  
33 MAINTAINED IN THE NAME OF A PERSON DESCRIBED AS A REPRESENTATIVE, AN  
34 INDORSEMENT, INSTRUCTION, OR ENTITLEMENT ORDER MADE BY THE PERSON IS  
35 EFFECTIVE EVEN THOUGH THE PERSON IS NO LONGER SERVING IN THE DESCRIBED  
36 CAPACITY.

37 (E) EFFECTIVENESS OF AN INDORSEMENT, INSTRUCTION, OR ENTITLEMENT  
38 ORDER IS DETERMINED AS OF THE DATE THE INDORSEMENT, INSTRUCTION, OR  
39 ENTITLEMENT ORDER IS MADE, AND AN INDORSEMENT, INSTRUCTION, OR  
40 ENTITLEMENT ORDER DOES NOT BECOME INEFFECTIVE BY REASON OF ANY LATER  
41 CHANGE OF CIRCUMSTANCES.

11

1 8-108.

2 (A) A PERSON WHO TRANSFERS A CERTIFICATED SECURITY TO A  
3 PURCHASER FOR VALUE WARRANTS TO THE PURCHASER, AND AN INDORSER, IF  
4 THE TRANSFER IS BY INDORSEMENT, WARRANTS TO ANY SUBSEQUENT PURCHASER,  
5 THAT:

6 (1) THE CERTIFICATE IS GENUINE AND HAS NOT BEEN MATERIALLY  
7 ALTERED;

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

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

11 (4) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON  
12 TRANSFER;

13 (5) IF THE TRANSFER IS BY INDORSEMENT, THE INDORSEMENT IS MADE  
14 BY AN APPROPRIATE PERSON, OR IF THE INDORSEMENT IS BY AN AGENT, THE  
15 AGENT HAS ACTUAL AUTHORITY TO ACT ON BEHALF OF THE APPROPRIATE  
16 PERSON; AND

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

18 (B) A PERSON WHO ORIGINATES AN INSTRUCTION FOR REGISTRATION OF  
19 TRANSFER OF AN UNCERTIFICATED SECURITY TO A PURCHASER FOR VALUE  
20 WARRANTS TO THE PURCHASER THAT:

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

24 (2) THE SECURITY IS VALID;

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

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

27 (I) THE PURCHASER WILL BE ENTITLED TO THE REGISTRATION  
28 OF TRANSFER;

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

32 (III) THE TRANSFER WILL NOT VIOLATE ANY RESTRICTION ON  
33 TRANSFER; AND

34 (IV) THE REQUESTED TRANSFER WILL OTHERWISE BE EFFECTIVE  
35 AND RIGHTFUL.

12

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

4 (1) THE UNCERTIFICATED SECURITY IS VALID;

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

6 (3) THE TRANSFER DOES NOT VIOLATE ANY RESTRICTION ON  
7 TRANSFER; AND

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

9 (D) A PERSON WHO INDORSES A SECURITY CERTIFICATE WARRANTS TO THE  
10 ISSUER THAT:

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

12 (2) THE INDORSEMENT IS EFFECTIVE.

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

15 (1) THE INSTRUCTION IS EFFECTIVE; AND

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

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

25 (G) IF A PERSON ACTS AS AGENT OF ANOTHER IN DELIVERING A  
26 CERTIFICATED SECURITY TO A PURCHASER, THE IDENTITY OF THE PRINCIPAL WAS  
27 KNOWN TO THE PERSON TO WHOM THE CERTIFICATE WAS DELIVERED, AND THE  
28 CERTIFICATE DELIVERED BY THE AGENT WAS RECEIVED BY THE AGENT FROM THE  
29 PRINCIPAL OR RECEIVED BY THE AGENT FROM ANOTHER PERSON AT THE  
30 DIRECTION OF THE PRINCIPAL, THE PERSON DELIVERING THE SECURITY  
31 CERTIFICATE WARRANTS ONLY THAT THE DELIVERING PERSON HAS AUTHORITY  
32 TO ACT FOR THE PRINCIPAL AND DOES NOT KNOW OF ANY ADVERSE CLAIM TO THE  
33 CERTIFICATED SECURITY.

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

38 (I) (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (G) OF THIS  
39 SECTION, A BROKER ACTING FOR A CUSTOMER MAKES TO THE ISSUER AND A

13

1 PURCHASER THE WARRANTIES PROVIDED IN SUBSECTIONS (A) THROUGH (F) OF  
2 THIS SECTION.

3 (2) A BROKER THAT DELIVERS A SECURITY CERTIFICATE TO ITS  
4 CUSTOMER, OR CAUSES ITS CUSTOMER TO BE REGISTERED AS THE OWNER OF AN  
5 UNCERTIFICATED SECURITY, MAKES TO THE CUSTOMER THE WARRANTIES  
6 PROVIDED IN SUBSECTION (A) OR (B) OF THIS SECTION, AND HAS THE RIGHTS AND  
7 PRIVILEGES OF A PURCHASER UNDER THIS SECTION.

8 (3) THE WARRANTIES OF AND IN FAVOR OF THE BROKER ACTING AS AN  
9 AGENT ARE IN ADDITION TO APPLICABLE WARRANTIES GIVEN BY AND IN FAVOR OF  
10 THE CUSTOMER.

11 8-109.

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

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

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

18 (B) A PERSON WHO DELIVERS A SECURITY CERTIFICATE TO A SECURITIES  
19 INTERMEDIARY FOR CREDIT TO A SECURITIES ACCOUNT OR ORIGINATES AN  
20 INSTRUCTION WITH RESPECT TO AN UNCERTIFICATED SECURITY DIRECTING THAT  
21 THE UNCERTIFICATED SECURITY BE CREDITED TO A SECURITIES ACCOUNT MAKES  
22 TO THE SECURITIES INTERMEDIARY THE WARRANTIES SPECIFIED IN § 8-108(A) OR  
23 (B) OF THIS SUBTITLE.

24 (C) IF A SECURITIES INTERMEDIARY DELIVERS A SECURITY CERTIFICATE TO  
25 ITS ENTITLEMENT HOLDER OR CAUSES ITS ENTITLEMENT HOLDER TO BE  
26 REGISTERED AS THE OWNER OF AN UNCERTIFICATED SECURITY, THE SECURITIES  
27 INTERMEDIARY MAKES TO THE ENTITLEMENT HOLDER THE WARRANTIES  
28 SPECIFIED IN § 8-108(A) OR (B) OF THIS SUBTITLE.

29 8-110.

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

32 (1) THE VALIDITY OF A SECURITY;

33 (2) THE RIGHTS AND DUTIES OF THE ISSUER WITH RESPECT TO  
34 REGISTRATION OF TRANSFER;

35 (3) THE EFFECTIVENESS OF REGISTRATION OF TRANSFER BY THE  
36 ISSUER;

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

14

1 (5) WHETHER AN ADVERSE CLAIM CAN BE ASSERTED AGAINST A  
2 PERSON TO WHOM TRANSFER OF A CERTIFICATED OR UNCERTIFICATED SECURITY  
3 IS REGISTERED OR A PERSON WHO OBTAINS CONTROL OF AN UNCERTIFICATED  
4 SECURITY.

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

7 (1) ACQUISITION OF A SECURITY ENTITLEMENT FROM THE SECURITIES  
8 INTERMEDIARY;

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

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

13 (4) WHETHER AN ADVERSE CLAIM CAN BE ASSERTED AGAINST A  
14 PERSON WHO ACQUIRES A SECURITY ENTITLEMENT FROM THE SECURITIES  
15 INTERMEDIARY OR A PERSON WHO PURCHASES A SECURITY ENTITLEMENT OR  
16 INTEREST IN A SECURITY ENTITLEMENT FROM AN ENTITLEMENT HOLDER.

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

21 (D) (1) "ISSUER'S JURISDICTION" MEANS THE JURISDICTION UNDER WHICH  
22 THE ISSUER OF THE SECURITY IS ORGANIZED OR, IF PERMITTED BY THE LAW OF  
23 THAT JURISDICTION, THE LAW OF ANOTHER JURISDICTION SPECIFIED BY THE  
24 ISSUER.

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

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

30 (1) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
31 ITS ENTITLEMENT HOLDER SPECIFIES THAT THE AGREEMENT IS GOVERNED BY THE  
32 LAW OF A PARTICULAR JURISDICTION, THAT JURISDICTION IS THE SECURITIES  
33 INTERMEDIARY'S JURISDICTION.

34 (2) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
35 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY THE GOVERNING LAW AS PROVIDED  
36 IN PARAGRAPH (1) OF THIS SUBSECTION, BUT EXPRESSLY SPECIFIES THAT THE  
37 SECURITIES ACCOUNT IS MAINTAINED AT AN OFFICE IN A PARTICULAR  
38 JURISDICTION, THAT JURISDICTION IS THE SECURITIES INTERMEDIARY'S  
39 JURISDICTION.

40 (3) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
41 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY A JURISDICTION AS PROVIDED IN

15

1 PARAGRAPH (1) OR (2) OF THIS SUBSECTION, THE SECURITIES INTERMEDIARY'S  
2 JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE OFFICE IDENTIFIED  
3 IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING THE ENTITLEMENT HOLDER'S  
4 ACCOUNT.

5 (4) IF AN AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
6 ITS ENTITLEMENT HOLDER DOES NOT SPECIFY A JURISDICTION AS PROVIDED IN  
7 PARAGRAPH (1) OR (2) OF THIS SUBSECTION AND AN ACCOUNT STATEMENT DOES  
8 NOT IDENTIFY AN OFFICE SERVING THE ENTITLEMENT HOLDER'S ACCOUNT AS  
9 PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE SECURITIES  
10 INTERMEDIARY'S JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE  
11 CHIEF EXECUTIVE OFFICE OF THE SECURITIES INTERMEDIARY.

12 (F) A SECURITIES INTERMEDIARY'S JURISDICTION IS NOT DETERMINED BY  
13 THE PHYSICAL LOCATION OF CERTIFICATES REPRESENTING FINANCIAL ASSETS, OR  
14 BY THE JURISDICTION IN WHICH IS ORGANIZED THE ISSUER OF THE FINANCIAL  
15 ASSET WITH RESPECT TO WHICH AN ENTITLEMENT HOLDER HAS A SECURITY  
16 ENTITLEMENT, OR BY THE LOCATION OF FACILITIES FOR DATA PROCESSING OR  
17 OTHER RECORD KEEPING CONCERNING THE ACCOUNT.

18 8-111.

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

23 8-112.

24 (A) THE INTEREST OF A DEBTOR IN A CERTIFICATED SECURITY MAY BE  
25 REACHED BY A CREDITOR ONLY BY ACTUAL SEIZURE OF THE SECURITY  
26 CERTIFICATE BY THE OFFICER MAKING THE ATTACHMENT OR LEVY, EXCEPT AS  
27 OTHERWISE PROVIDED IN SUBSECTION (D) OF THIS SECTION. HOWEVER, A  
28 CERTIFICATED SECURITY FOR WHICH THE CERTIFICATE HAS BEEN SURRENDERED  
29 TO THE ISSUER MAY BE REACHED BY A CREDITOR BY LEGAL PROCESS UPON THE  
30 ISSUER.

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

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

39 (D) THE INTEREST OF A DEBTOR IN A CERTIFICATED SECURITY FOR WHICH  
40 THE CERTIFICATE IS IN THE POSSESSION OF A SECURED PARTY, OR IN AN  
41 UNCERTIFICATED SECURITY REGISTERED IN THE NAME OF A SECURED PARTY, OR  
42 A SECURITY ENTITLEMENT MAINTAINED IN THE NAME OF A SECURED PARTY, MAY  
43 BE REACHED BY A CREDITOR BY LEGAL PROCESS UPON THE SECURED PARTY.

16

1 (E) A CREDITOR WHOSE DEBTOR IS THE OWNER OF A CERTIFICATED  
2 SECURITY, UNCERTIFICATED SECURITY, OR SECURITY ENTITLEMENT IS ENTITLED  
3 TO AID FROM A COURT OF COMPETENT JURISDICTION, BY INJUNCTION OR  
4 OTHERWISE, IN REACHING THE CERTIFICATED SECURITY, UNCERTIFICATED  
5 SECURITY, OR SECURITY ENTITLEMENT OR IN SATISFYING THE CLAIM BY MEANS  
6 ALLOWED AT LAW OR IN EQUITY IN REGARD TO PROPERTY THAT CANNOT READILY  
7 BE REACHED BY OTHER LEGAL PROCESS.

8 8-113.

9 A CONTRACT OR MODIFICATION OF A CONTRACT FOR THE SALE OR PURCHASE  
10 OF A SECURITY IS ENFORCEABLE WHETHER OR NOT THERE IS A WRITING SIGNED  
11 OR RECORD AUTHENTICATED BY A PARTY AGAINST WHOM ENFORCEMENT IS  
12 SOUGHT, EVEN IF THE CONTRACT OR MODIFICATION IS NOT CAPABLE OF  
13 PERFORMANCE WITHIN 1 YEAR OF ITS MAKING.

14 8-114.

15 THE FOLLOWING RULES APPLY IN AN ACTION ON A CERTIFICATED SECURITY  
16 AGAINST THE ISSUER:

17 (1) UNLESS SPECIFICALLY DENIED IN THE PLEADINGS, EACH  
18 SIGNATURE ON A SECURITY CERTIFICATE OR IN A NECESSARY INDORSEMENT IS  
19 ADMITTED.

20 (2) IF THE EFFECTIVENESS OF A SIGNATURE IS PUT IN ISSUE, THE  
21 BURDEN OF ESTABLISHING EFFECTIVENESS IS ON THE PARTY CLAIMING UNDER  
22 THE SIGNATURE, BUT THE SIGNATURE IS PRESUMED TO BE GENUINE OR  
23 AUTHORIZED.

24 (3) IF SIGNATURES ON A SECURITY CERTIFICATE ARE ADMITTED OR  
25 ESTABLISHED, PRODUCTION OF THE CERTIFICATE ENTITLES A HOLDER TO  
26 RECOVER ON IT UNLESS THE DEFENDANT ESTABLISHES A DEFENSE OR A DEFECT  
27 GOING TO THE VALIDITY OF THE SECURITY.

28 (4) IF IT IS SHOWN THAT A DEFENSE OR DEFECT EXISTS, THE PLAINTIFF  
29 HAS THE BURDEN OF ESTABLISHING THAT THE PLAINTIFF OR SOME PERSON UNDER  
30 WHOM THE PLAINTIFF CLAIMS IS A PERSON AGAINST WHOM THE DEFENSE OR  
31 DEFECT CANNOT BE ASSERTED.

32 8-115.

33 A SECURITIES INTERMEDIARY THAT HAS TRANSFERRED A FINANCIAL ASSET  
34 IN ACCORDANCE WITH AN EFFECTIVE ENTITLEMENT ORDER, OR A BROKER OR  
35 OTHER AGENT OR BAILEE THAT HAS DEALT WITH A FINANCIAL ASSET AT THE  
36 DIRECTION OF ITS CUSTOMER OR PRINCIPAL, IS NOT LIABLE TO A PERSON HAVING  
37 AN ADVERSE CLAIM TO THE FINANCIAL ASSET, UNLESS THE SECURITIES  
38 INTERMEDIARY, OR BROKER OR OTHER AGENT OR BAILEE:

39 (1) TOOK THE ACTION AFTER IT HAD BEEN SERVED WITH AN  
40 INJUNCTION, RESTRAINING ORDER, OR OTHER LEGAL PROCESS ENJOINING IT FROM  
41 DOING SO, ISSUED BY A COURT OF COMPETENT JURISDICTION, AND HAD A

17

1 REASONABLE OPPORTUNITY TO ACT ON THE INJUNCTION, RESTRAINING ORDER,  
2 OR OTHER LEGAL PROCESS; OR

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

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

7 8-116.

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

11 (B) A SECURITIES INTERMEDIARY THAT ACQUIRES A SECURITY  
12 ENTITLEMENT TO A FINANCIAL ASSET FROM ANOTHER SECURITIES INTERMEDIARY  
13 ACQUIRES THE SECURITY ENTITLEMENT FOR VALUE IF THE SECURITIES  
14 INTERMEDIARY ACQUIRING THE SECURITY ENTITLEMENT ESTABLISHES A  
15 SECURITY ENTITLEMENT TO THE FINANCIAL ASSET IN FAVOR OF AN ENTITLEMENT  
16 HOLDER.

17 SUBTITLE 2. ISSUE AND ISSUER.

18 8-201.

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

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

26 (2) CREATES A SHARE, PARTICIPATION, OR OTHER INTEREST IN ITS  
27 PROPERTY OR IN AN ENTERPRISE, OR UNDERTAKES AN OBLIGATION, THAT IS AN  
28 UNCERTIFICATED SECURITY;

29 (3) DIRECTLY OR INDIRECTLY CREATES A FRACTIONAL INTEREST IN  
30 ITS RIGHTS OR PROPERTY, IF THE FRACTIONAL INTEREST IS REPRESENTED BY A  
31 SECURITY CERTIFICATE; OR

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

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

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

39 8-202.

18

1 (A) (1) EVEN AGAINST A PURCHASER FOR VALUE AND WITHOUT NOTICE,  
2 THE TERMS OF A CERTIFICATED SECURITY INCLUDE TERMS STATED ON THE  
3 CERTIFICATE AND TERMS MADE PART OF THE SECURITY BY REFERENCE ON THE  
4 CERTIFICATE TO ANOTHER INSTRUMENT, INDENTURE, OR DOCUMENT OR TO A  
5 CONSTITUTION, STATUTE, ORDINANCE, RULE, REGULATION, ORDER, OR THE LIKE,  
6 TO THE EXTENT THE TERMS REFERRED TO DO NOT CONFLICT WITH TERMS STATED  
7 ON THE CERTIFICATE.

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

12 (3) THE TERMS OF AN UNCERTIFICATED SECURITY INCLUDE THOSE  
13 STATED IN ANY INSTRUMENT, INDENTURE, OR DOCUMENT OR IN A CONSTITUTION,  
14 STATUTE, ORDINANCE, RULE, REGULATION, ORDER, OR THE LIKE, IN ACCORDANCE  
15 WITH WHICH THE SECURITY IS ISSUED.

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

18 (1) A SECURITY OTHER THAN ONE ISSUED BY A GOVERNMENT OR  
19 GOVERNMENTAL SUBDIVISION, AGENCY, OR INSTRUMENTALITY, EVEN THOUGH  
20 ISSUED WITH A DEFECT GOING TO ITS VALIDITY, IS VALID IN THE HANDS OF A  
21 PURCHASER FOR VALUE AND WITHOUT NOTICE OF THE PARTICULAR DEFECT  
22 UNLESS THE DEFECT INVOLVES A VIOLATION OF A CONSTITUTIONAL PROVISION. IN  
23 THAT CASE, THE SECURITY IS VALID IN THE HANDS OF A PURCHASER FOR VALUE  
24 AND WITHOUT NOTICE OF THE DEFECT, OTHER THAN ONE WHO TAKES BY  
25 ORIGINAL ISSUE.

26 (2) PARAGRAPH (1) OF THIS SUBSECTION APPLIES TO AN ISSUER THAT  
27 IS A GOVERNMENT OR GOVERNMENTAL SUBDIVISION, AGENCY, OR  
28 INSTRUMENTALITY ONLY IF THERE HAS BEEN SUBSTANTIAL COMPLIANCE WITH  
29 THE LEGAL REQUIREMENTS GOVERNING THE ISSUE OR THE ISSUER HAS RECEIVED  
30 A SUBSTANTIAL CONSIDERATION FOR THE ISSUE AS A WHOLE OR FOR THE  
31 PARTICULAR SECURITY AND A STATED PURPOSE OF THE ISSUE IS ONE FOR WHICH  
32 THE ISSUER HAS POWER TO BORROW MONEY OR ISSUE THE SECURITY.

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

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

40 (E) THIS SECTION DOES NOT AFFECT THE RIGHT OF A PARTY TO CANCEL A  
41 CONTRACT FOR A SECURITY "WHEN, AS AND IF ISSUED" OR "WHEN DISTRIBUTED"  
42 IN THE EVENT OF A MATERIAL CHANGE IN THE CHARACTER OF THE SECURITY

19

1 THAT IS THE SUBJECT OF THE CONTRACT OR IN THE PLAN OR ARRANGEMENT IN  
2 ACCORDANCE WITH WHICH THE SECURITY IS TO BE ISSUED OR DISTRIBUTED.

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

7 8-203.

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

14 (1) REQUIRES THE PAYMENT OF MONEY, THE DELIVERY OF A  
15 CERTIFICATED SECURITY, THE REGISTRATION OF TRANSFER OF AN  
16 UNCERTIFICATED SECURITY, OR ANY OF THEM ON PRESENTATION OR SURRENDER  
17 OF THE SECURITY CERTIFICATE, THE MONEY OR SECURITY IS AVAILABLE ON THE  
18 DATE SET FOR PAYMENT OR EXCHANGE, AND THE PURCHASER TAKES THE  
19 SECURITY MORE THAN 1 YEAR AFTER THAT DATE; OR

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

24 8-204.

25 A RESTRICTION ON TRANSFER OF A SECURITY IMPOSED BY THE ISSUER, EVEN  
26 IF OTHERWISE LAWFUL, IS INEFFECTIVE AGAINST A PERSON WITHOUT KNOWLEDGE  
27 OF THE RESTRICTION UNLESS:

28 (1) THE SECURITY IS CERTIFICATED AND THE RESTRICTION IS NOTED  
29 CONSPICUOUSLY ON THE SECURITY CERTIFICATE; OR

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

32 8-205.

33 AN UNAUTHORIZED SIGNATURE PLACED ON A SECURITY CERTIFICATE  
34 BEFORE OR IN THE COURSE OF ISSUE IS INEFFECTIVE, BUT THE SIGNATURE IS  
35 EFFECTIVE IN FAVOR OF A PURCHASER FOR VALUE OF THE CERTIFICATED  
36 SECURITY IF THE PURCHASER IS WITHOUT NOTICE OF THE LACK OF AUTHORITY  
37 AND THE SIGNING HAS BEEN DONE BY:

38 (1) AN AUTHENTICATING TRUSTEE, REGISTRAR, TRANSFER AGENT, OR  
39 OTHER PERSON ENTRUSTED BY THE ISSUER WITH THE SIGNING OF THE SECURITY  
40 CERTIFICATE OR OF SIMILAR SECURITY CERTIFICATES, OR THE IMMEDIATE  
41 PREPARATION FOR SIGNING OF ANY OF THEM; OR

20

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

4 8-206.

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

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

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

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

15 8-207.

16 (A) BEFORE DUE PRESENTMENT FOR REGISTRATION OF TRANSFER OF A  
17 CERTIFICATED SECURITY IN REGISTERED FORM OR OF AN INSTRUCTION  
18 REQUESTING REGISTRATION OF TRANSFER OF AN UNCERTIFICATED SECURITY,  
19 THE ISSUER OR INDENTURE TRUSTEE MAY TREAT THE REGISTERED OWNER AS THE  
20 PERSON EXCLUSIVELY ENTITLED TO VOTE, RECEIVE NOTIFICATIONS, AND  
21 OTHERWISE EXERCISE ALL THE RIGHTS AND POWERS OF AN OWNER.

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

24 8-208.

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

29 (1) THE CERTIFICATE IS GENUINE;

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

33 (3) THE PERSON HAS REASONABLE GROUNDS TO BELIEVE THAT THE  
34 CERTIFICATED SECURITY IS IN THE FORM AND WITHIN THE AMOUNT THE ISSUER IS  
35 AUTHORIZED TO ISSUE.

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

39 8-209.

21

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

4 8-210.

5 (A) IN THIS SECTION, "OVERISSUE" MEANS THE ISSUE OF SECURITIES IN  
6 EXCESS OF THE AMOUNT THE ISSUER HAS CORPORATE POWER TO ISSUE, BUT AN  
7 OVERISSUE DOES NOT OCCUR IF APPROPRIATE ACTION HAS CURED THE  
8 OVERISSUE.

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

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

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

22 SUBTITLE 3. TRANSFER OF CERTIFICATED AND UNCERTIFICATED SECURITIES.

23 8-301.

24 (A) DELIVERY OF A CERTIFICATED SECURITY TO A PURCHASER OCCURS  
25 WHEN:

26 (1) THE PURCHASER ACQUIRES POSSESSION OF THE SECURITY  
27 CERTIFICATE;

28 (2) ANOTHER PERSON, OTHER THAN A SECURITIES INTERMEDIARY,  
29 EITHER ACQUIRES POSSESSION OF THE SECURITY CERTIFICATE ON BEHALF OF THE  
30 PURCHASER OR, HAVING PREVIOUSLY ACQUIRED POSSESSION OF THE  
31 CERTIFICATE, ACKNOWLEDGES THAT IT HOLDS FOR THE PURCHASER; OR

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

36 (B) DELIVERY OF AN UNCERTIFICATED SECURITY TO A PURCHASER OCCURS  
37 WHEN:

22

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

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

7 8-302.

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

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

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

17 8-303.

18 (A) "PROTECTED PURCHASER" MEANS A PURCHASER OF A CERTIFICATED  
19 OR UNCERTIFICATED SECURITY, OR OF AN INTEREST IN A CERTIFICATED OR  
20 UNCERTIFICATED SECURITY, WHO:

21 (1) GIVES VALUE;

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

24 (3) OBTAINS CONTROL OF THE CERTIFICATED OR UNCERTIFICATED  
25 SECURITY.

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

29 8-304.

30 (A) AN INDORSEMENT MAY BE IN BLANK OR SPECIAL. AN INDORSEMENT IN  
31 BLANK INCLUDES AN INDORSEMENT TO BEARER. A SPECIAL INDORSEMENT  
32 SPECIFIES TO WHOM A SECURITY IS TO BE TRANSFERRED OR WHO HAS POWER TO  
33 TRANSFER IT. A HOLDER MAY CONVERT A BLANK INDORSEMENT TO A SPECIAL  
34 INDORSEMENT.

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

38 (C) AN INDORSEMENT, WHETHER SPECIAL OR IN BLANK, DOES NOT  
39 CONSTITUTE A TRANSFER UNTIL DELIVERY OF THE CERTIFICATE ON WHICH IT

23

1 APPEARS OR, IF THE INDORSEMENT IS ON A SEPARATE DOCUMENT, UNTIL  
2 DELIVERY OF BOTH THE DOCUMENT AND THE CERTIFICATE.

3 (D) IF A SECURITY CERTIFICATE IN REGISTERED FORM HAS BEEN  
4 DELIVERED TO A PURCHASER WITHOUT A NECESSARY INDORSEMENT, THE  
5 PURCHASER MAY BECOME A PROTECTED PURCHASER ONLY WHEN THE  
6 INDORSEMENT IS SUPPLIED. HOWEVER, AGAINST A TRANSFEROR, A TRANSFER IS  
7 COMPLETE UPON DELIVERY AND THE PURCHASER HAS A SPECIFICALLY  
8 ENFORCEABLE RIGHT TO HAVE ANY NECESSARY INDORSEMENT SUPPLIED.

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

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

15 8-305.

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

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

23 8-306.

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

26 (1) THE SIGNATURE WAS GENUINE;

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

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

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

33 (1) THE SIGNATURE WAS GENUINE;

34 (2) THE SIGNER WAS AN APPROPRIATE PERSON TO ORIGINATE THE  
35 INSTRUCTION, OR IF THE SIGNATURE IS BY AN AGENT, THE AGENT HAD ACTUAL  
36 AUTHORITY TO ACT ON BEHALF OF THE APPROPRIATE PERSON, IF THE PERSON  
37 SPECIFIED IN THE INSTRUCTION AS THE REGISTERED OWNER WAS, IN FACT, THE  
38 REGISTERED OWNER, AS TO WHICH FACT THE SIGNATURE GUARANTOR DOES NOT  
39 MAKE A WARRANTY; AND

24

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

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

6 (1) THE PERSON SPECIFIED IN THE INSTRUCTION AS THE REGISTERED  
7 OWNER OF THE UNCERTIFICATED SECURITY WILL BE THE REGISTERED OWNER;  
8 AND

9 (2) THE TRANSFER OF THE UNCERTIFICATED SECURITY REQUESTED IN  
10 THE INSTRUCTION WILL BE REGISTERED BY THE ISSUER FREE FROM ALL LIENS,  
11 SECURITY INTERESTS, RESTRICTIONS, AND CLAIMS OTHER THAN THOSE SPECIFIED  
12 IN THE INSTRUCTION.

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

16 (E) A PERSON WHO GUARANTEES AN INDORSEMENT OF A SECURITY  
17 CERTIFICATE MAKES THE WARRANTIES OF A SIGNATURE GUARANTOR UNDER  
18 SUBSECTION (A) OF THIS SECTION AND ALSO WARRANTS THE RIGHTFULNESS OF  
19 THE TRANSFER IN ALL RESPECTS.

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

24 (G) AN ISSUER MAY NOT REQUIRE A SPECIAL GUARANTY OF SIGNATURE, A  
25 GUARANTY OF INDORSEMENT, OR A GUARANTY OF INSTRUCTION AS A CONDITION  
26 TO REGISTRATION OF TRANSFER.

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

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

35 8-307.

36 UNLESS OTHERWISE AGREED, THE TRANSFEROR OF A SECURITY ON DUE  
37 DEMAND SHALL SUPPLY THE PURCHASER WITH PROOF OF AUTHORITY TO  
38 TRANSFER OR WITH ANY OTHER REQUISITE NECESSARY TO OBTAIN REGISTRATION  
39 OF THE TRANSFER OF THE SECURITY, BUT IF THE TRANSFER IS NOT FOR VALUE, A  
40 TRANSFEROR NEED NOT COMPLY UNLESS THE PURCHASER PAYS THE NECESSARY

25

1 EXPENSES. IF THE TRANSFEROR FAILS WITHIN A REASONABLE TIME TO COMPLY  
2 WITH THE DEMAND, THE PURCHASER MAY REJECT OR RESCIND THE TRANSFER.

3           SUBTITLE 4. REGISTRATION.

4 8-401.

5           (A) IF A CERTIFICATED SECURITY IN REGISTERED FORM IS PRESENTED TO  
6 AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OR AN INSTRUCTION IS  
7 PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OF AN  
8 UNCERTIFICATED SECURITY, THE ISSUER SHALL REGISTER THE TRANSFER AS  
9 REQUESTED IF:

10           (1) UNDER THE TERMS OF THE SECURITY THE PERSON SEEKING  
11 REGISTRATION OF TRANSFER IS ELIGIBLE TO HAVE THE SECURITY REGISTERED IN  
12 ITS NAME;

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

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

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

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

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

26           (7) THE TRANSFER IS IN FACT RIGHTFUL OR IS TO A PROTECTED  
27 PURCHASER.

28           (B) IF AN ISSUER IS UNDER A DUTY TO REGISTER A TRANSFER OF A  
29 SECURITY, THE ISSUER IS LIABLE TO A PERSON PRESENTING A CERTIFICATED  
30 SECURITY OR AN INSTRUCTION FOR REGISTRATION OR TO THE PERSON'S  
31 PRINCIPAL FOR LOSS RESULTING FROM UNREASONABLE DELAY IN REGISTRATION  
32 OR FAILURE OR REFUSAL TO REGISTER THE TRANSFER.

33 8-402.

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

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

26

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

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

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

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

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

15 (C) IN THIS SECTION:

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

20 (2) "APPROPRIATE EVIDENCE OF APPOINTMENT OR INCUMBENCY"  
21 MEANS:

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

26 (II) IN ANY OTHER CASE, A COPY OF A DOCUMENT SHOWING THE  
27 APPOINTMENT OR A CERTIFICATE ISSUED BY OR ON BEHALF OF A PERSON  
28 REASONABLY BELIEVED BY AN ISSUER TO BE RESPONSIBLE OR, IN THE ABSENCE OF  
29 THAT DOCUMENT OR CERTIFICATE, OTHER EVIDENCE THE ISSUER REASONABLY  
30 CONSIDERED APPROPRIATE.

31 8-403.

32 (A) A PERSON WHO IS AN APPROPRIATE PERSON TO MAKE AN INDORSEMENT  
33 OR ORIGINATE AN INSTRUCTION MAY DEMAND THAT THE ISSUER NOT REGISTER  
34 TRANSFER OF A SECURITY BY COMMUNICATING TO THE ISSUER A NOTIFICATION  
35 THAT IDENTIFIES THE REGISTERED OWNER AND THE ISSUE OF WHICH THE  
36 SECURITY IS A PART AND PROVIDES AN ADDRESS FOR COMMUNICATIONS  
37 DIRECTED TO THE PERSON MAKING THE DEMAND. THE DEMAND IS EFFECTIVE  
38 ONLY IF IT IS RECEIVED BY THE ISSUER AT A TIME AND IN A MANNER AFFORDING  
39 THE ISSUER REASONABLE OPPORTUNITY TO ACT ON IT.

40 (B) IF A CERTIFICATED SECURITY IN REGISTERED FORM IS PRESENTED TO  
41 AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OR AN INSTRUCTION IS

27

1 PRESENTED TO AN ISSUER WITH A REQUEST TO REGISTER TRANSFER OF AN  
2 UNCERTIFICATED SECURITY AFTER A DEMAND THAT THE ISSUER NOT REGISTER  
3 TRANSFER HAS BECOME EFFECTIVE, THE ISSUER SHALL PROMPTLY COMMUNICATE  
4 TO (I) THE PERSON WHO INITIATED THE DEMAND AT THE ADDRESS PROVIDED IN  
5 THE DEMAND AND (II) THE PERSON WHO PRESENTED THE SECURITY FOR  
6 REGISTRATION OF TRANSFER OR INITIATED THE INSTRUCTION REQUESTING  
7 REGISTRATION OF TRANSFER A NOTIFICATION STATING THAT:

8 (1) THE CERTIFICATED SECURITY HAS BEEN PRESENTED FOR  
9 REGISTRATION OF TRANSFER OR INSTRUCTION FOR REGISTRATION OF TRANSFER  
10 OF UNCERTIFICATED SECURITY HAS BEEN RECEIVED;

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

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

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

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

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

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

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

36 8-404.

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

28

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

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

6 (3) AFTER THE ISSUER HAD BEEN SERVED WITH AN INJUNCTION,  
7 RESTRAINING ORDER, OR OTHER LEGAL PROCESS ENJOINING IT FROM  
8 REGISTERING THE TRANSFER, ISSUED BY A COURT OF COMPETENT JURISDICTION,  
9 AND THE ISSUER HAD A REASONABLE OPPORTUNITY TO ACT ON THE INJUNCTION,  
10 RESTRAINING ORDER, OR OTHER LEGAL PROCESS; OR

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

12 (B) AN ISSUER THAT IS LIABLE FOR WRONGFUL REGISTRATION OF  
13 TRANSFER UNDER SUBSECTION (A) OF THIS SECTION ON DEMAND SHALL PROVIDE  
14 THE PERSON ENTITLED TO THE SECURITY WITH A LIKE CERTIFICATED OR  
15 UNCERTIFICATED SECURITY, AND ANY PAYMENTS OR DISTRIBUTIONS THAT THE  
16 PERSON DID NOT RECEIVE AS A RESULT OF THE WRONGFUL REGISTRATION. IF AN  
17 OVERISSUE WOULD RESULT, THE ISSUER'S LIABILITY TO PROVIDE THE PERSON  
18 WITH A LIKE SECURITY IS GOVERNED BY § 8-210 OF THIS TITLE.

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

24 8-405.

25 (A) IF AN OWNER OF A CERTIFICATED SECURITY, WHETHER IN REGISTERED  
26 OR BEARER FORM, CLAIMS THAT THE CERTIFICATE HAS BEEN LOST, DESTROYED,  
27 OR WRONGFULLY TAKEN, THE ISSUER SHALL ISSUE A NEW CERTIFICATE IF THE  
28 OWNER:

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

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

32 (3) SATISFIES OTHER REASONABLE REQUIREMENTS IMPOSED BY THE  
33 ISSUER.

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

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

29

1 8-406.

2 IF A SECURITY CERTIFICATE HAS BEEN LOST, APPARENTLY DESTROYED, OR  
3 WRONGFULLY TAKEN, AND THE OWNER FAILS TO NOTIFY THE ISSUER OF THAT  
4 FACT WITHIN A REASONABLE TIME AFTER THE OWNER HAS NOTICE OF IT AND THE  
5 ISSUER REGISTERS A TRANSFER OF THE SECURITY BEFORE RECEIVING  
6 NOTIFICATION, THE OWNER MAY NOT ASSERT AGAINST THE ISSUER A CLAIM FOR  
7 REGISTERING THE TRANSFER UNDER § 8-404 OF THIS SUBTITLE OR A CLAIM TO A  
8 NEW SECURITY CERTIFICATE UNDER § 8-405 OF THIS SUBTITLE.

9 8-407.

10 A PERSON ACTING AS AUTHENTICATING TRUSTEE, TRANSFER AGENT,  
11 REGISTRAR, OR OTHER AGENT FOR AN ISSUER IN THE REGISTRATION OF A  
12 TRANSFER OF ITS SECURITIES, IN THE ISSUE OF NEW SECURITY CERTIFICATES OR  
13 UNCERTIFICATED SECURITIES, OR IN THE CANCELLATION OF SURRENDERED  
14 SECURITY CERTIFICATES HAS THE SAME OBLIGATION TO THE HOLDER OR OWNER  
15 OF A CERTIFICATED OR UNCERTIFICATED SECURITY WITH REGARD TO THE  
16 PARTICULAR FUNCTIONS PERFORMED AS THE ISSUER HAS IN REGARD TO THOSE  
17 FUNCTIONS.

18 SUBTITLE 5. SECURITY ENTITLEMENTS.

19 8-501.

20 (A) "SECURITIES ACCOUNT" MEANS AN ACCOUNT TO WHICH A FINANCIAL  
21 ASSET IS OR MAY BE CREDITED IN ACCORDANCE WITH AN AGREEMENT UNDER  
22 WHICH THE PERSON MAINTAINING THE ACCOUNT UNDERTAKES TO TREAT THE  
23 PERSON FOR WHOM THE ACCOUNT IS MAINTAINED AS ENTITLED TO EXERCISE THE  
24 RIGHTS THAT COMPRISE THE FINANCIAL ASSET.

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

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

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

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

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

38 (D) IF A SECURITIES INTERMEDIARY HOLDS A FINANCIAL ASSET FOR  
39 ANOTHER PERSON, AND THE FINANCIAL ASSET IS REGISTERED IN THE NAME OF,  
40 PAYABLE TO THE ORDER OF, OR SPECIALLY INDORSED TO THE OTHER PERSON,

30

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

5 (E) ISSUANCE OF A SECURITY IS NOT ESTABLISHMENT OF A SECURITY  
6 ENTITLEMENT.

7 8-502.

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

13 8-503.

14 (A) TO THE EXTENT NECESSARY FOR A SECURITIES INTERMEDIARY TO  
15 SATISFY ALL SECURITY ENTITLEMENTS WITH RESPECT TO A PARTICULAR  
16 FINANCIAL ASSET, ALL INTERESTS IN THAT FINANCIAL ASSET HELD BY THE  
17 SECURITIES INTERMEDIARY ARE HELD BY THE SECURITIES INTERMEDIARY FOR  
18 THE ENTITLEMENT HOLDERS, ARE NOT PROPERTY OF THE SECURITIES  
19 INTERMEDIARY, AND ARE NOT SUBJECT TO CLAIMS OF CREDITORS OF THE  
20 SECURITIES INTERMEDIARY, EXCEPT AS OTHERWISE PROVIDED IN § 8-511 OF THIS  
21 SUBTITLE.

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

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

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

36 (I) INSOLVENCY PROCEEDINGS HAVE BEEN INITIATED BY OR  
37 AGAINST THE SECURITIES INTERMEDIARY;

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

31

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

4 (IV) THE PURCHASER IS NOT PROTECTED UNDER SUBSECTION (E)  
5 OF THIS SECTION.

6 (2) THE TRUSTEE OR OTHER LIQUIDATOR, ACTING ON BEHALF OF ALL  
7 ENTITLEMENT HOLDERS HAVING SECURITY ENTITLEMENTS WITH RESPECT TO A  
8 PARTICULAR FINANCIAL ASSET, MAY RECOVER THE FINANCIAL ASSET, OR  
9 INTEREST IN THE FINANCIAL ASSET, FROM THE PURCHASER. IF THE TRUSTEE OR  
10 OTHER LIQUIDATOR ELECTS NOT TO PURSUE THAT RIGHT, AN ENTITLEMENT  
11 HOLDER WHOSE SECURITY ENTITLEMENT REMAINS UNSATISFIED HAS THE RIGHT  
12 TO RECOVER ITS INTEREST IN THE FINANCIAL ASSET FROM THE PURCHASER.

13 (E) AN ACTION BASED ON THE ENTITLEMENT HOLDER'S PROPERTY  
14 INTEREST WITH RESPECT TO A PARTICULAR FINANCIAL ASSET UNDER SUBSECTION  
15 (A) OF THIS SECTION, WHETHER FRAMED IN CONVERSION, REPLEVIN,  
16 CONSTRUCTIVE TRUST, EQUITABLE LIEN, OR OTHER THEORY, MAY NOT BE  
17 ASSERTED AGAINST ANY PURCHASER OF A FINANCIAL ASSET OR INTEREST IN A  
18 FINANCIAL ASSET WHO GIVES VALUE, OBTAINS CONTROL, AND DOES NOT ACT IN  
19 COLLUSION WITH THE SECURITIES INTERMEDIARY IN VIOLATING THE SECURITIES  
20 INTERMEDIARY'S OBLIGATIONS UNDER § 8-504 OF THIS SUBTITLE.

21 8-504.

22 (A) A SECURITIES INTERMEDIARY SHALL PROMPTLY OBTAIN AND  
23 THEREAFTER MAINTAIN A FINANCIAL ASSET IN A QUANTITY CORRESPONDING TO  
24 THE AGGREGATE OF ALL SECURITY ENTITLEMENTS THE SECURITIES  
25 INTERMEDIARY HAS ESTABLISHED IN FAVOR OF ITS ENTITLEMENT HOLDERS WITH  
26 RESPECT TO THAT FINANCIAL ASSET. THE SECURITIES INTERMEDIARY MAY  
27 MAINTAIN THOSE FINANCIAL ASSETS DIRECTLY OR THROUGH ONE OR MORE  
28 OTHER SECURITIES INTERMEDIARIES.

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

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

35 (1) THE SECURITIES INTERMEDIARY ACTS WITH RESPECT TO THE DUTY  
36 AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE SECURITIES  
37 INTERMEDIARY; OR

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

32

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

4 8-505.

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

8 (1) THE SECURITIES INTERMEDIARY ACTS WITH RESPECT TO THE DUTY  
9 AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE SECURITIES  
10 INTERMEDIARY; OR

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

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

18 8-506.

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

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

25 (2) IN THE ABSENCE OF AGREEMENT, THE SECURITIES INTERMEDIARY  
26 EITHER PLACES THE ENTITLEMENT HOLDER IN A POSITION TO EXERCISE THE  
27 RIGHTS DIRECTLY OR EXERCISES DUE CARE IN ACCORDANCE WITH REASONABLE  
28 COMMERCIAL STANDARDS TO FOLLOW THE DIRECTION OF THE ENTITLEMENT  
29 HOLDER.

30 8-507.

31 (A) A SECURITIES INTERMEDIARY SHALL COMPLY WITH AN ENTITLEMENT  
32 ORDER IF THE ENTITLEMENT ORDER IS ORIGINATED BY THE APPROPRIATE  
33 PERSON, THE SECURITIES INTERMEDIARY HAS HAD REASONABLE OPPORTUNITY TO  
34 ASSURE ITSELF THAT THE ENTITLEMENT ORDER IS GENUINE AND AUTHORIZED,  
35 AND THE SECURITIES INTERMEDIARY HAS HAD REASONABLE OPPORTUNITY TO  
36 COMPLY WITH THE ENTITLEMENT ORDER. A SECURITIES INTERMEDIARY SATISFIES  
37 THE DUTY IF:

38 (1) THE SECURITIES INTERMEDIARY ACTS WITH RESPECT TO THE DUTY  
39 AS AGREED UPON BY THE ENTITLEMENT HOLDER AND THE SECURITIES  
40 INTERMEDIARY; OR

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

4 (B) IF A SECURITIES INTERMEDIARY TRANSFERS A FINANCIAL ASSET IN  
5 ACCORDANCE WITH AN INEFFECTIVE ENTITLEMENT ORDER, THE SECURITIES  
6 INTERMEDIARY SHALL REESTABLISH A SECURITY ENTITLEMENT IN FAVOR OF THE  
7 PERSON ENTITLED TO IT, AND PAY OR CREDIT ANY PAYMENTS OR DISTRIBUTIONS  
8 THAT THE PERSON DID NOT RECEIVE AS A RESULT OF THE WRONGFUL TRANSFER.  
9 IF THE SECURITIES INTERMEDIARY DOES NOT REESTABLISH A SECURITY  
10 ENTITLEMENT, THE SECURITIES INTERMEDIARY IS LIABLE TO THE ENTITLEMENT  
11 HOLDER FOR DAMAGES.

12 8-508.

13 A SECURITIES INTERMEDIARY SHALL ACT AT THE DIRECTION OF AN  
14 ENTITLEMENT HOLDER TO CHANGE A SECURITY ENTITLEMENT INTO ANOTHER  
15 AVAILABLE FORM OF HOLDING FOR WHICH THE ENTITLEMENT HOLDER IS  
16 ELIGIBLE, OR TO CAUSE THE FINANCIAL ASSET TO BE TRANSFERRED TO A  
17 SECURITIES ACCOUNT OF THE ENTITLEMENT HOLDER WITH ANOTHER SECURITIES  
18 INTERMEDIARY. A SECURITIES INTERMEDIARY SATISFIES THE DUTY IF:

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

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

24 8-509.

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

29 (B) TO THE EXTENT THAT SPECIFIC STANDARDS FOR THE PERFORMANCE OF  
30 THE DUTIES OF A SECURITIES INTERMEDIARY OR THE EXERCISE OF THE RIGHTS OF  
31 AN ENTITLEMENT HOLDER ARE NOT SPECIFIED BY OTHER STATUTE, REGULATION,  
32 OR RULE OR BY AGREEMENT BETWEEN THE SECURITIES INTERMEDIARY AND  
33 ENTITLEMENT HOLDER, THE SECURITIES INTERMEDIARY SHALL PERFORM ITS  
34 DUTIES AND THE ENTITLEMENT HOLDER SHALL EXERCISE ITS RIGHTS IN A  
35 COMMERCIALY REASONABLE MANNER.

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

38 (1) RIGHTS OF THE SECURITIES INTERMEDIARY ARISING OUT OF A  
39 SECURITY INTEREST UNDER A SECURITY AGREEMENT WITH THE ENTITLEMENT  
40 HOLDER OR OTHERWISE; AND

41 (2) RIGHTS OF THE SECURITIES INTERMEDIARY UNDER OTHER LAW,  
42 REGULATION, RULE, OR AGREEMENT TO WITHHOLD PERFORMANCE OF ITS DUTIES

21 (2)

34

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

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

6 8-510.

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

14 (B) IF AN ADVERSE CLAIM COULD NOT HAVE BEEN ASSERTED AGAINST AN  
15 ENTITLEMENT HOLDER UNDER § 8-502 OF THIS SUBTITLE, THE ADVERSE CLAIM  
16 CANNOT BE ASSERTED AGAINST A PERSON WHO PURCHASES A SECURITY  
17 ENTITLEMENT, OR AN INTEREST IN A SECURITY ENTITLEMENT, FROM THE  
18 ENTITLEMENT HOLDER.

19 (C) (1) IN A CASE NOT COVERED BY THE PRIORITY RULES IN TITLE 9 OF  
20 THIS ARTICLE, A PURCHASER FOR VALUE OF A SECURITY ENTITLEMENT, OR AN  
21 INTEREST IN A SECURITY ENTITLEMENT, WHO OBTAINS CONTROL HAS PRIORITY  
22 OVER A PURCHASER OF A SECURITY ENTITLEMENT, OR AN INTEREST IN A  
23 SECURITY ENTITLEMENT, WHO DOES NOT OBTAIN CONTROL.

24 (2) PURCHASERS WHO HAVE CONTROL RANK EQUALLY, EXCEPT THAT  
25 A SECURITIES INTERMEDIARY AS PURCHASER HAS PRIORITY OVER A CONFLICTING  
26 PURCHASER WHO HAS CONTROL UNLESS OTHERWISE AGREED BY THE SECURITIES  
27 INTERMEDIARY.

28 8-511.

29 (A) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (B) AND (C) OF THIS  
30 SECTION, IF A SECURITIES INTERMEDIARY DOES NOT HAVE SUFFICIENT INTERESTS  
31 IN A PARTICULAR FINANCIAL ASSET TO SATISFY BOTH ITS OBLIGATIONS TO  
32 ENTITLEMENT HOLDERS WHO HAVE SECURITY ENTITLEMENTS TO THAT FINANCIAL  
33 ASSET AND ITS OBLIGATION TO A CREDITOR OF THE SECURITIES INTERMEDIARY  
34 WHO HAS A SECURITY INTEREST IN THAT FINANCIAL ASSET, THE CLAIMS OF  
35 ENTITLEMENT HOLDERS, OTHER THAN THE CREDITOR, HAVE PRIORITY OVER THE  
36 CLAIM OF THE CREDITOR.

37 (B) A CLAIM OF A CREDITOR OF A SECURITIES INTERMEDIARY WHO HAS A  
38 SECURITY INTEREST IN A FINANCIAL ASSET HELD BY A SECURITIES INTERMEDIARY  
39 HAS PRIORITY OVER CLAIMS OF THE SECURITIES INTERMEDIARY'S ENTITLEMENT  
40 HOLDERS WHO HAVE SECURITY ENTITLEMENTS WITH RESPECT TO THAT FINANCIAL  
41 ASSET IF THE CREDITOR HAS CONTROL OVER THE FINANCIAL ASSET.

35

1 (C) IF A CLEARING CORPORATION DOES NOT HAVE SUFFICIENT FINANCIAL  
2 ASSETS TO SATISFY BOTH ITS OBLIGATIONS TO ENTITLEMENT HOLDERS WHO HAVE  
3 SECURITY ENTITLEMENTS WITH RESPECT TO A FINANCIAL ASSET AND ITS  
4 OBLIGATION TO A CREDITOR OF THE CLEARING CORPORATION WHO HAS A  
5 SECURITY INTEREST IN THAT FINANCIAL ASSET, THE CLAIM OF THE CREDITOR HAS  
6 PRIORITY OVER THE CLAIMS OF ENTITLEMENT HOLDERS.

7 9-103.

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

11 (A) THIS SUBSECTION APPLIES TO INVESTMENT PROPERTY.

12 (B) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), DURING THE  
13 TIME THAT A SECURITY CERTIFICATE IS LOCATED IN A JURISDICTION, PERFECTION  
14 OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPERFECTION, AND  
15 THE PRIORITY OF A SECURITY INTEREST IN THE CERTIFICATED SECURITY  
16 REPRESENTED THEREBY ARE GOVERNED BY THE LOCAL LAW OF THAT  
17 JURISDICTION.

18 (C) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFECTION  
19 OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPERFECTION, AND  
20 THE PRIORITY OF A SECURITY INTEREST IN AN UNCERTIFICATED SECURITY ARE  
21 GOVERNED BY THE LOCAL LAW OF THE ISSUER'S JURISDICTION AS SPECIFIED IN §  
22 8-110(D).

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

28 (E) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (F), PERFECTION  
29 OF A SECURITY INTEREST, THE EFFECT OF PERFECTION OR NONPERFECTION, AND  
30 THE PRIORITY OF A SECURITY INTEREST IN A COMMODITY CONTRACT OR  
31 COMMODITY ACCOUNT ARE GOVERNED BY THE LOCAL LAW OF THE COMMODITY  
32 INTERMEDIARY'S JURISDICTION. THE FOLLOWING RULES DETERMINE A  
33 "COMMODITY INTERMEDIARY'S JURISDICTION" FOR PURPOSES OF THIS  
34 PARAGRAPH:

35 (1) IF AN AGREEMENT BETWEEN THE COMMODITY  
36 INTERMEDIARY AND COMMODITY CUSTOMER SPECIFIES THAT IT IS GOVERNED BY  
37 THE LAW OF A PARTICULAR JURISDICTION, THAT JURISDICTION IS THE  
38 COMMODITY INTERMEDIARY'S JURISDICTION.

39 (2) IF AN AGREEMENT BETWEEN THE COMMODITY  
40 INTERMEDIARY AND COMMODITY CUSTOMER DOES NOT SPECIFY THE GOVERNING  
41 LAW AS PROVIDED IN SUBPARAGRAPH (1), BUT EXPRESSLY SPECIFIES THAT THE  
42 COMMODITY ACCOUNT IS MAINTAINED AT AN OFFICE IN A PARTICULAR

36

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

3 (3) IF AN AGREEMENT BETWEEN THE COMMODITY  
4 INTERMEDIARY AND COMMODITY CUSTOMER DOES NOT SPECIFY A JURISDICTION  
5 AS PROVIDED IN SUBPARAGRAPH (1) OR (2), THE COMMODITY INTERMEDIARY'S  
6 JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE OFFICE IDENTIFIED  
7 IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING THE COMMODITY  
8 CUSTOMER'S ACCOUNT.

9 (4) IF AN AGREEMENT BETWEEN THE COMMODITY  
10 INTERMEDIARY AND COMMODITY CUSTOMER DOES NOT SPECIFY A JURISDICTION  
11 AS PROVIDED IN SUBPARAGRAPH (1) OR (2) AND AN ACCOUNT STATEMENT DOES  
12 NOT IDENTIFY AN OFFICE SERVING THE COMMODITY CUSTOMER'S ACCOUNT AS  
13 PROVIDED IN SUBPARAGRAPH (3), THE COMMODITY INTERMEDIARY'S  
14 JURISDICTION IS THE JURISDICTION IN WHICH IS LOCATED THE CHIEF EXECUTIVE  
15 OFFICE OF THE COMMODITY INTERMEDIARY.

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

22 9-105.

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

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

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

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

38 "Account." § 9-106.

39 "Attach." § 9-203.

40 "COMMODITY CONTRACT." § 9-115.

41 "COMMODITY CUSTOMER." § 9-115.

37

1 "COMMODITY INTERMEDIARY." § 9-115.

2 "Consumer goods." § 9-109(1).

3 "CONTROL." § 9-115.

4 "Equipment." § 9-109(2).

5 "Farm products." § 9-109(3).

6 "General intangibles." § 9-106.

7 "Inventory." § 9-109(4).

8 "INVESTMENT PROPERTY." § 9-115.

9 "Lien creditor." § 9-301(3).

10 "Proceeds." § 9-306(1).

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

12 "United States." § 9-103.

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

14 "BROKER." § 8-102.

15 "CERTIFICATED SECURITY." § 8-102.

16 "Check." § 3-104.

17 "CLEARING CORPORATION." § 8-102.

18 "Contract for sale." § 2-106.

19 "CONTROL." § 8-106.

20 "DELIVERY." § 8-301.

21 "ENTITLEMENT HOLDER." § 8-102.

22 "FINANCIAL ASSET." § 8-102.

23 "Holder in due course." § 3-302.

24 "Note." § 3-104.

25 "Sale." § 2-106.

26 "SECURITIES INTERMEDIARY." § 8-102.

27 "SECURITY." § 8-102.

28 "SECURITY CERTIFICATE." § 8-102.

29 "SECURITY ENTITLEMENT." § 8-102.

30 "UNCERTIFICATED SECURITY." § 8-102.

38

1 9-106.

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

10 9-115.

11 (1) IN THIS TITLE:

12 (A) "COMMODITY ACCOUNT" MEANS AN ACCOUNT MAINTAINED BY A  
13 COMMODITY INTERMEDIARY IN WHICH A COMMODITY CONTRACT IS CARRIED FOR  
14 A COMMODITY CUSTOMER.

15 (B) "COMMODITY CONTRACT" MEANS A COMMODITY FUTURES  
16 CONTRACT, AN OPTION ON A COMMODITY FUTURES CONTRACT, A COMMODITY  
17 OPTION, OR OTHER CONTRACT THAT, IN EACH CASE, IS:

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

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

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

26 (D) "COMMODITY INTERMEDIARY" MEANS:

27 (I) A PERSON WHO IS REGISTERED AS A FUTURES COMMISSION  
28 MERCHANT UNDER THE FEDERAL COMMODITIES LAWS; OR

29 (II) A PERSON WHO IN THE ORDINARY COURSE OF ITS BUSINESS  
30 PROVIDES CLEARANCE OR SETTLEMENT SERVICES FOR A BOARD OF TRADE THAT  
31 HAS BEEN DESIGNATED AS A CONTRACT MARKET PURSUANT TO THE FEDERAL  
32 COMMODITIES LAWS.

33 (E) "CONTROL" WITH RESPECT TO A CERTIFICATED SECURITY,  
34 UNCERTIFICATED SECURITY, OR SECURITY ENTITLEMENT HAS THE MEANING  
35 SPECIFIED IN § 8-106. A SECURED PARTY HAS CONTROL OVER A COMMODITY  
36 CONTRACT IF BY AGREEMENT AMONG THE COMMODITY CUSTOMER, THE  
37 COMMODITY INTERMEDIARY, AND THE SECURED PARTY, THE COMMODITY  
38 INTERMEDIARY HAS AGREED THAT IT WILL APPLY ANY VALUE DISTRIBUTED ON  
39 ACCOUNT OF THE COMMODITY CONTRACT AS DIRECTED BY THE SECURED PARTY  
40 WITHOUT FURTHER CONSENT BY THE COMMODITY CUSTOMER. IF A COMMODITY  
41 CUSTOMER GRANTS A SECURITY INTEREST IN A COMMODITY CONTRACT TO ITS

39

1 OWN COMMODITY INTERMEDIARY, THE COMMODITY INTERMEDIARY AS SECURED  
2 PARTY HAS CONTROL. A SECURED PARTY HAS CONTROL OVER A SECURITIES  
3 ACCOUNT OR COMMODITY ACCOUNT IF THE SECURED PARTY HAS CONTROL OVER  
4 ALL SECURITY ENTITLEMENTS OR COMMODITY CONTRACTS CARRIED IN THE  
5 SECURITIES ACCOUNT OR COMMODITY ACCOUNT.

6 (F) "INVESTMENT PROPERTY" MEANS:

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

8 (II) A SECURITY ENTITLEMENT;

9 (III) A SECURITIES ACCOUNT;

10 (IV) A COMMODITY CONTRACT; OR

11 (V) A COMMODITY ACCOUNT.

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

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

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

32 (A) A SECURITY INTEREST IN INVESTMENT PROPERTY MAY BE  
33 PERFECTED BY CONTROL.

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

36 (C) IF THE DEBTOR IS A BROKER OR SECURITIES INTERMEDIARY A  
37 SECURITY INTEREST IN INVESTMENT PROPERTY IS PERFECTED WHEN IT ATTACHES.  
38 THE FILING OF A FINANCING STATEMENT WITH RESPECT TO A SECURITY INTEREST  
39 IN INVESTMENT PROPERTY GRANTED BY A BROKER OR SECURITIES INTERMEDIARY  
40 HAS NO EFFECT FOR PURPOSES OF PERFECTION OR PRIORITY WITH RESPECT TO  
41 THAT SECURITY INTEREST.

1 (D) IF A DEBTOR IS A COMMODITY INTERMEDIARY, A SECURITY  
2 INTEREST IN A COMMODITY CONTRACT OR A COMMODITY ACCOUNT IS PERFECTED  
3 WHEN IT ATTACHES. THE FILING OF A FINANCING STATEMENT WITH RESPECT TO A  
4 SECURITY INTEREST IN A COMMODITY CONTRACT OR A COMMODITY ACCOUNT  
5 GRANTED BY A COMMODITY INTERMEDIARY HAS NO EFFECT FOR PURPOSES OF  
6 PERFECTION OR PRIORITY WITH RESPECT TO THAT SECURITY INTEREST.

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

9 (A) A SECURITY INTEREST OF A SECURED PARTY WHO HAS CONTROL  
10 OVER INVESTMENT PROPERTY HAS PRIORITY OVER A SECURITY INTEREST OF A  
11 SECURED PARTY WHO DOES NOT HAVE CONTROL OVER THE INVESTMENT  
12 PROPERTY.

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

16 (C) EXCEPT AS OTHERWISE AGREED BY THE SECURITIES  
17 INTERMEDIARY, A SECURITY INTEREST IN A SECURITY ENTITLEMENT OR A  
18 SECURITIES ACCOUNT GRANTED TO THE DEBTOR'S OWN SECURITIES  
19 INTERMEDIARY HAS PRIORITY OVER ANY SECURITY INTEREST GRANTED BY THE  
20 DEBTOR TO ANOTHER SECURED PARTY.

21 (D) EXCEPT AS OTHERWISE AGREED BY THE COMMODITY  
22 INTERMEDIARY, A SECURITY INTEREST IN A COMMODITY CONTRACT OR A  
23 COMMODITY ACCOUNT GRANTED TO THE DEBTOR'S OWN COMMODITY  
24 INTERMEDIARY HAS PRIORITY OVER ANY SECURITY INTEREST GRANTED BY THE  
25 DEBTOR TO ANOTHER SECURED PARTY.

26 (E) CONFLICTING SECURITY INTERESTS GRANTED BY A BROKER, A  
27 SECURITIES INTERMEDIARY, OR A COMMODITY INTERMEDIARY WHICH ARE  
28 PERFECTED WITHOUT CONTROL RANK EQUALLY.

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

32 (6) IF A SECURITY CERTIFICATE IN REGISTERED FORM IS DELIVERED TO A  
33 SECURED PARTY PURSUANT TO AGREEMENT, A WRITTEN SECURITY AGREEMENT IS  
34 NOT REQUIRED FOR ATTACHMENT OR ENFORCEABILITY OF THE SECURITY  
35 INTEREST, DELIVERY SUFFICES FOR PERFECTION OF THE SECURITY INTEREST, AND  
36 THE SECURITY INTEREST HAS PRIORITY OVER A CONFLICTING SECURITY INTEREST  
37 PERFECTED BY MEANS OTHER THAN CONTROL, EVEN IF A NECESSARY  
38 INDORSEMENT IS LACKING.

39 9-116.

40 (1) IF A PERSON BUYS A FINANCIAL ASSET THROUGH A SECURITIES  
41 INTERMEDIARY IN A TRANSACTION IN WHICH THE BUYER IS OBLIGATED TO PAY  
42 THE PURCHASE PRICE TO THE SECURITIES INTERMEDIARY AT THE TIME OF THE

41

1 PURCHASE, AND THE SECURITIES INTERMEDIARY CREDITS THE FINANCIAL ASSET  
2 TO THE BUYER'S SECURITIES ACCOUNT BEFORE THE BUYER PAYS THE SECURITIES  
3 INTERMEDIARY, THE SECURITIES INTERMEDIARY HAS A SECURITY INTEREST IN  
4 THE BUYER'S SECURITY ENTITLEMENT SECURING THE BUYER'S OBLIGATION TO  
5 PAY. A SECURITY AGREEMENT IS NOT REQUIRED FOR ATTACHMENT OR  
6 ENFORCEABILITY OF THE SECURITY INTEREST, AND THE SECURITY INTEREST IS  
7 AUTOMATICALLY PERFECTED.

8 (2) IF A CERTIFICATED SECURITY, OR OTHER FINANCIAL ASSET  
9 REPRESENTED BY A WRITING WHICH IN THE ORDINARY COURSE OF BUSINESS IS  
10 TRANSFERRED BY DELIVERY WITH ANY NECESSARY INDORSEMENT OR  
11 ASSIGNMENT IS DELIVERED PURSUANT TO AN AGREEMENT BETWEEN PERSONS IN  
12 THE BUSINESS OF DEALING WITH SUCH SECURITIES OR FINANCIAL ASSETS AND THE  
13 AGREEMENT CALLS FOR DELIVERY VERSUS PAYMENT, THE PERSON DELIVERING  
14 THE CERTIFICATE OR OTHER FINANCIAL ASSET HAS A SECURITY INTEREST IN THE  
15 CERTIFICATED SECURITY OR OTHER FINANCIAL ASSET SECURING THE SELLER'S  
16 RIGHT TO RECEIVE PAYMENT. A SECURITY AGREEMENT IS NOT REQUIRED FOR  
17 ATTACHMENT OR ENFORCEABILITY OF THE SECURITY INTEREST, AND THE  
18 SECURITY INTEREST IS AUTOMATICALLY PERFECTED.

19 9-203.

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

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

31 (b) Value has been given; and

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

33 9-301.

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

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

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

39 (c) In the case of goods, instruments, documents, and chattel paper, a  
40 person who is not a secured party and who is a transferee in bulk or other buyer not in  
41 ordinary course of business, or is a buyer of farm products in ordinary course of business,

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1 to the extent that he gives value and receives delivery of the collateral without knowledge  
2 of the security interest and before it is perfected;

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

7 9-302.

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

10 (a) A security interest in collateral in possession of the secured party under  
11 § 9-305;

12 (b) A security interest temporarily perfected in [instruments]  
13 INSTRUMENTS, CERTIFICATED SECURITIES, or documents without delivery under §  
14 9-304 or in proceeds for a [ten-day] 10-DAY period under § 9-306;

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

17 (d) A purchase money security interest in consumer goods having a  
18 purchase price not in excess of \$1,500 per item, but filing is required for a fixture under  
19 § 9-313;

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

23 (f) A security interest of a collecting bank (§ 4-208) [or in securities (§  
24 8-321)] or arising under the title on sales (see § 9-113) or covered in subsection (3) of  
25 this section;

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

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

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

32 9-304.

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

38 (2) During the period that goods are in the possession of the issuer of a  
39 negotiable document therefor, a security interest in the goods is perfected by perfecting a

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1 security interest in the document, and any security interest in the goods otherwise  
2 perfected during such period is subject thereto.

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

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

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

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

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

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

26 9-305.

27 A security interest in letters of credit and advices of credit (subsection (2)(a) of §  
28 5-116), goods, instruments [(other than certificated securities)], money, negotiable  
29 documents or chattel paper may be perfected by the secured party's taking possession of  
30 the collateral. If such collateral other than goods covered by a negotiable document is  
31 held by a bailee, the secured party is deemed to have possession from the time the bailee  
32 receives notification of the secured party's interest. A security interest is perfected by  
33 possession from the time possession is taken without relation back and continues only so  
34 long as possession is retained, unless otherwise specified in this title. The security interest  
35 may be otherwise perfected as provided in this title before or after the period of  
36 possession by the secured party.

37 9-306.

38 (1) "Proceeds" includes whatever is received upon the sale, exchange, collection,  
39 or other disposition of collateral or proceeds. Insurance payable by reason of loss or  
40 damage to the collateral is proceeds, except to the extent that it is payable to a person  
41 other than a party to the security agreement. ANY PAYMENTS OR DISTRIBUTIONS  
42 MADE WITH RESPECT TO INVESTMENT PROPERTY COLLATERAL ARE PROCEEDS.

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1 Money, checks, deposit accounts, and the like are "cash proceeds." All other proceeds  
2 are "noncash proceeds."

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

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

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

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

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

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

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

26 9-309.

27 Nothing in this title limits the rights of a holder in due course of a negotiable  
28 instrument (§ 3-302) or a holder to whom a negotiable document of title has been duly  
29 negotiated (§ 7-501) or a [bona fide] PROTECTED purchaser of a security [(§ 8-302)]  
30 (§ 8-303) and such holders or purchasers take priority over an earlier security interest even  
31 though perfected. Filing under this title does not constitute notice of the security interest  
32 to such holders or purchasers.

33 9-312.

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

40 (7) If future advances are made while a security interest is perfected by filing, the  
41 taking of possession, or under [§ 8-321 on securities,] § 9-115 OR § 9-116 ON

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1 INVESTMENT PROPERTY, the security interest has the same priority for the purposes of  
2 subsection (5) with respect to the future advances as it does with respect to the first  
3 advance. If a commitment is made before or while the security interest is so perfected, the  
4 security interest has the same priority with respect to advances made pursuant thereto. In  
5 other cases, a perfected security interest has priority from the date the advance is made.

6 10-104.

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

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

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

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

20 (b) If a security interest in a security is perfected at the date this Act takes effect,  
21 and the action by which the security interest was perfected would suffice to perfect a  
22 security interest under this Act, no further action is required to continue perfection. If a  
23 security interest in a security is perfected at the date this Act takes effect but the action  
24 by which the security interest was perfected would not suffice to perfect a security interest  
25 under this Act, the security interest remains perfected for a period of 4 months after the  
26 effective date and continues perfected thereafter if appropriate action to perfect under  
27 this Act is taken within that period. If a security interest is perfected at the date this Act  
28 takes effect and the security interest can be perfected by filing under this Act, a financing  
29 statement signed by the secured party instead of the debtor may be filed within that  
30 period to continue perfection or thereafter to perfect.

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