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SENATE FILE 475
BY COMMITTEE ON
JUDICIARY

(SUCCESSOR TO SSB 303)

Passed Senate, Date 3-22-89 (p. 962) Passed House, Date 4-12-89 (p. 1507)
Vote: Ayes 48 Nays 0 Vote: Ayes 94 Nays 0
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A BILL FOR

1 An Act relating to Article 8 of the Uniform Commercial Code, by
2 including both certificated and uncertificated securities
3 within the scope of Article 8, and by making conforming
4 amendments to Articles 1, 5, and 9.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 475

1 Section 1. Section 554.8102, Code 1989, is amended to read
2 as follows:

3 554.8102 DEFINITIONS AND INDEX OF DEFINITIONS.

4 1. In this Article, unless the context otherwise requires

5 ~~a. A "security" is an instrument which~~

6 ~~i. is issued in bearer or registered form; and~~

7 ~~ii. is of a type commonly dealt in upon securities~~

8 ~~exchanges or markets or commonly recognized in any area in~~

9 ~~which it is issued or dealt in as a medium for investment; and~~

10 ~~iii. is either one of a class or series or by its terms is~~

11 ~~divisible into a class or series of instruments; and~~

12 ~~iv. evidences a share, participation or other interest in~~

13 ~~property or in an enterprise or evidences an obligation of the~~

14 ~~issuer.~~

15 a. A "certified security" is a share, participation, or

16 other interest in property of or an enterprise of the issuer

17 or an obligation of the issuer which is

18 i. represented by an instrument issued in bearer or

19 registered form;

20 ii. of a type commonly dealt in on securities exchanges or

21 markets or commonly recognized in any area in which it is

22 issued or dealt in as a medium for investment; and

23 iii. either one of a class or series or by its terms

24 divisible into a class or series of shares, participations,

25 interests, or obligations.

26 b. An "uncertificated security" is a share, participation,

27 or other interest in property or an enterprise of the issuer

28 or an obligation of the issuer which is

29 i. not represented by an instrument and the transfer of

30 which is registered upon books maintained for that purpose by

31 or on behalf of the issuer;

32 ii. of a type commonly dealt in on securities exchanges or

33 markets; and

34 iii. either one of a class or series or by its terms

35 divisible into a class or series of shares, participations,

1 interests, or obligations.

2 b. c. A "security" is either a certificated or an
3 uncertificated security. If a security is certificated, the
4 terms "security" and "certified security" may mean either the
5 intangible interest, the instrument representing that
6 interest, or both, as the context requires. A writing which
7 that is a certificated security is governed by this Article
8 and not by ~~uniform-commercial-code---commercial-paper~~ Article
9 3 even though it also meets the requirements of that Article.
10 This Article does not apply to money. If a certificated
11 security has been retained by or surrendered to the issuer or
12 its transfer agent for reasons other than registration of
13 transfer, other temporary purpose, payment, exchange, or
14 acquisition by the issuer, that security shall be treated as
15 an uncertificated security for purposes of this Article.

16 e d. A certificated security is in "registered form" when
17 if:

18 i. it specifies a person entitled to the security or to
19 the rights it evidences represents, and when

20 ii. its transfer may be registered upon books maintained
21 for that purpose by or on behalf of an the issuer, or the
22 security so states.

23 d e. A certificated security is in "bearer form" when if
24 it runs to bearer according to its terms and not by reason of
25 any endorsement.

26 2. A "subsequent purchaser" is a person who takes other
27 than by original issue.

28 3. A "clearing corporation" is a corporation registered as
29 a "clearing agency" as under federal securities laws or a
30 corporation:

31 a. At least ninety percent of the whose capital stock of
32 which is held by or for one or more persons, other than
33 individuals, organizations, none of which, other than a
34 national securities exchange or association, holds in excess
35 of twenty percent of the capital stock of the corporation,

1 each of whom which is

2 i. is subject to supervision or regulation pursuant to the
3 provisions of federal or state banking laws or state insurance
4 laws, or

5 ii. is a broker or dealer or investment company registered
6 under the ~~Securities-Exchange-Act-of-1934-(48-Stat.-881;-15~~
7 ~~U.S.C.-78a-et-seq.)-or-the-Investment-Company-Act-of-1940-(54~~
8 ~~Stat.--789;-15-U.S.C.-80a-1-et-seq.)~~ federal securities laws,
9 or

10 iii. is a national securities exchange or association
11 registered under ~~a-statute-of-the-United-States-such-as-the~~
12 ~~Securities-Exchange-Act-of-1934~~ the federal securities laws,
13 ~~and none-of-whom;-other-than-a-national-securities-exchange-or~~
14 ~~association;-holds-in-excess-of-twenty-percent-of-the-capital~~
15 ~~stock-of-such-corporation;-and~~

16 b. Any remaining capital stock of which is held by
17 individuals who have purchased ~~such-capital-stock~~ it at or
18 prior to the time of their taking office as directors of ~~such~~
19 the corporation and who have purchased only so much of such
20 capital stock as ~~may-be~~ is necessary to permit them to qualify
21 as ~~such~~ directors.

22 4. A "custodian bank" is ~~any~~ a bank or trust company ~~which~~
23 that is supervised and examined by state or federal authority
24 having supervision over banks and ~~which~~ is acting as custodian
25 for a clearing corporation.

26 5. Other definitions applying to this Article or to
27 specified Parts thereof and the sections in which they appear
28 are:

- | | |
|--|-----------------------------------|
| 29 "Adverse claim". | Section 554.8301 <u>554.8302.</u> |
| 30 "Bona fide purchaser". | Section 554.8302. |
| 31 "Broker". | Section 554.8303. |
| 32 " <u>Debtor</u> ". | <u>Section 554.9105.</u> |
| 33 " <u>Financial Intermediary</u> ". | <u>Section 554.8313.</u> |
| 34 "Guarantee of the 35 signature". | Section 554.8402. |

| | | |
|---|------------------------------|--------------------------|
| 1 | <u>"Initial transaction</u> | |
| 2 | <u>statement".</u> | <u>Section 554.8408.</u> |
| 3 | <u>"Instruction".</u> | <u>Section 554.8308.</u> |
| 4 | <u>"Intermediary bank".</u> | <u>Section 554.4105.</u> |
| 5 | <u>"Issuer".</u> | <u>Section 554.8201.</u> |
| 6 | <u>"Overissue".</u> | <u>Section 554.8104.</u> |
| 7 | <u>"Secured party".</u> | <u>Section 554.9105.</u> |
| 8 | <u>"Security agreement".</u> | <u>Section 554.9105.</u> |

9 6. In addition Article 1 contains general definitions and
10 principles of construction and interpretation applicable
11 throughout this Article.

12 Sec. 2. Section 554.8103, Code 1989, is amended to read as
13 follows:

14 554.8103 ISSUER'S LIEN.

15 A lien upon a security in favor of an issuer thereof is
16 valid against a purchaser only if:

17 a. the security is certificated and the right of the
18 issuer to such the lien is noted conspicuously on-the-security
19 thereon; or

20 b. the security is uncertificated and a notation of the
21 right of the issuer to the lien is contained in the initial
22 transaction statement sent to the purchaser or, if the
23 purchaser's interest is transferred to the purchaser other
24 than by registration of transfer, pledge, or release, the
25 initial transaction statement sent to the registered owner or
26 the registered pledgee.

27 Sec. 3. Section 554.8104, Code 1989, is amended to read as
28 follows:

29 554.8104 EFFECT OF OVERISSUE -- "OVERISSUE."

30 1. The provisions of this Article which validate a
31 security or compel its issue or reissue do not apply to the
32 extent that validation, issue or reissue would result in
33 overissue; but if:

34 a. if an identical security which does not constitute an
35 overissue is reasonably available for purchase, the person

1 entitled to issue or validation may compel the issuer to
2 purchase ~~and deliver such a~~ the security to for that person
3 and either to deliver a certificated security or to register
4 the transfer of an uncertificated security to that person
5 against surrender of ~~the~~ any certificated security, if any,
6 ~~which~~ that person holds; or

7 b. if a security is not so available for purchase, the
8 person entitled to issue or validation may recover from the
9 issuer the price that person or the last purchaser for value
10 paid for it with interest from the date of that person's
11 demand.

12 2. "Overissue" means the issue of securities in excess of
13 the amount ~~which~~ the issuer has corporate power to issue.

14 Sec. 4. Section 554.8105, Code 1989, is amended to read as
15 follows:

16 554.8105 CERTIFICATED SECURITIES NEGOTIABLE -- STATEMENTS
17 AND INSTRUCTIONS NOT NEGOTIABLE -- PRESUMPTIONS.

18 1. Securities Certificated securities governed by this
19 Article are negotiable instruments.

20 2. Statements (section 554.8408), notices, or the like,
21 sent by the issuer of uncertificated securities and
22 instructions (section 554.8308) are neither negotiable
23 instruments nor certificated securities.

24 2 3. In any action on a security:

25 a. unless specifically denied in the pleadings, each
26 signature on ~~the~~ a certificated security or, in a necessary
27 endorsement, on an initial transaction statement, or on an
28 instruction, is admitted;

29 b. when if the effectiveness of a signature is put in
30 issue, the burden of establishing it is on the party claiming
31 under the signature, but the signature is presumed to be
32 genuine or authorized;

33 c. when if signatures on a certificated security are
34 admitted or established, production of the instrument security
35 entitles a holder to recover on it unless the defendant

1 establishes a defense or a defect going to the validity of the
2 security; and

3 d. if signatures on an initial transaction statement are
4 admitted or established, the facts stated in the statement are
5 presumed to be true as of the time of its issuance; and

6 d e. after it is shown that a defense or defect exists,
7 the plaintiff has the burden of establishing that the
8 plaintiff or some person under whom the plaintiff claims is a
9 person against whom the defense or defect is ineffective
10 (section 554.8202).

11 Sec. 5. Section 554.8106, Code 1989, is amended to read as
12 follows:

13 554.8106 APPLICABILITY.

14 The law (including the conflict of laws rules) of the
15 jurisdiction of organization of the issuer governs

16 The the validity of a security, the effectiveness of
17 registration by the issuer, and the rights and duties of the
18 issuer with respect to:

19 a. registration of transfer of a certificated security;
20 are-governed-by-the-law-(including-the-conflict-of-laws-rules)
21 of-the-jurisdiction-of-organization-of-the-issuer.

22 b. registration of transfer, pledge, or release of an
23 uncertificated security; and

24 c. sending of statements of uncertificated securities.

25 Sec. 6. Section 554.8107, Code 1989, is amended to read as
26 follows:

27 554.8107 SECURITIES DELIVERABLE TRANSFERABLE -- ACTION FOR
28 PRICE.

29 1. Unless otherwise agreed and subject to any applicable
30 law or regulation respecting short sales, a person obligated
31 to deliver transfer securities may deliver transfer any
32 certificated security of the specified issue in bearer form or
33 registered in the name of the transferee, or endorsed to the
34 transferee, or in blank, or the transferor may transfer an
35 equivalent uncertificated security to the transferee or a

1 person designated by the transferee.

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

5 a. of certificated securities accepted by the buyer; and

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

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

11 Sec. 7. NEW SECTION. 554.8108 REGISTRATION OF PLEDGE AND
12 RELEASE OF UNCERTIFICATED SECURITIES.

13 A security interest in an uncertificated security may be
14 evidenced by the registration of pledge to the secured party
15 or a person designated by the secured party. There can be no
16 more than one registered pledge of an uncertificated security
17 at any time. The registered owner of an uncertificated
18 security is the person in whose name the security is
19 registered, even if the security is subject to a registered
20 pledge. The rights of a registered pledgee of an
21 uncertificated security under this Article are terminated by
22 the registration of release.

23 Sec. 8. Section 554.8201, Code 1989, is amended to read as
24 follows:

25 554.8201 "ISSUER."

26 1. With respect to obligations on or defenses to a
27 security "issuer" includes a person who:

28 a. places or authorizes the placing of that person's name
29 on a certificated security (otherwise than as authenticating
30 trustee, registrar, transfer agent, or the like) to evidence
31 that it represents a share, participation, or other interest
32 in that person's property or in an enterprise or to evidence
33 that person's duty to perform an obligation evidenced
34 represented by the certificated security; or

35 b. creates shares, participations or other interests in

1 the person's property or in an enterprise or undertakes
2 obligations, which shares, participations, interests, or
3 obligations are uncertificated securities;

4 b c. directly or indirectly creates fractional interests
5 in that person's rights or property, which fractional
6 interests are evidenced represented by certificated
7 securities; or

8 e d. becomes responsible for or in place of any other
9 person described as an issuer in this section.

10 2. With respect to obligations on or defenses to a
11 security, a guarantor is an issuer to the extent of the
12 guarantor's guaranty, whether or not the guarantor's
13 obligation is noted on the a certificated security or on
14 statements of uncertificated securities sent pursuant to
15 section 554.8408.

16 3. With respect to registration of transfer, pledge, or
17 release (Part 4 of this Article), "issuer" means a person on
18 whose behalf transfer books are maintained.

19 Sec. 9. Section 554.8202, Code 1989, is amended to read as
20 follows:

21 554.8202 ISSUER'S RESPONSIBILITY AND DEFENSES -- NOTICE OF
22 DEFECT OR DEFENSE.

23 1. Even against a purchaser for value and without notice,
24 the terms of a security include:

25 a. if the security is certificated, those stated on the
26 security;

27 b. if the security is uncertificated, those contained in
28 the initial transaction statement sent to such purchaser, or
29 if the purchaser's interest is transferred to the purchaser
30 other than by registration of transfer, pledge, or release,
31 the initial transaction statement sent to the registered owner
32 or registered pledgee; and

33 c. those made part of the security by reference, on the
34 certificated security or in the initial transaction statement,
35 to another instrument, indenture, or document or to a

1 constitution, statute, ordinance, rule, regulation, order or
2 the like, to the extent that the terms so referred to do not
3 conflict with the stated terms stated on the certificated
4 security or contained in the initial statement. ~~Such-a~~ A
5 reference under this paragraph does not of itself charge a
6 purchaser for value with notice of a defect going to the
7 validity of the security, even though the certificated
8 security or statement expressly states that a person accepting
9 it admits such notice.

10 2. a. A certificated security in the hands of a purchaser
11 for value or an uncertificated security as to which an initial
12 transaction statement has been sent to a purchaser for value,
13 other than one a security issued by a government or
14 governmental agency or unit, even though issued with a defect
15 going to its validity, is valid ~~in-the-hands-of-a~~ with respect
16 to the purchaser for value and if the purchaser is without
17 notice of the particular defect unless the defect involves a
18 violation of constitutional provisions, in which case the
19 security is valid ~~in-the-hands-of~~ with respect to a subsequent
20 purchaser for value and without notice of the defect.

21 ~~b.--The rule of subparagraph "a"~~ This subsection applies to
22 an issuer which that is a government or governmental agency or
23 unit only if either there has been substantial compliance with
24 the legal requirements governing the issue or the issuer has
25 received a substantial consideration for the issue as a whole
26 or for the particular security and a stated purpose of the
27 issue is one for which the issuer has power to borrow money or
28 issue the security.

29 3. Except as otherwise provided in the case of certain
30 unauthorized signatures ~~on-issue~~ (section 554.8205), lack of
31 genuineness of a certificated security or an initial
32 transaction statement is a complete defense, even against a
33 purchaser for value and without notice.

34 4. All other defenses of the issuer of a certificated or
35 uncertificated security, including nondelivery and conditional

1 delivery of ~~the~~ a certificated security, are ineffective
2 against a purchaser for value who has taken without notice of
3 the particular defense.

4 5. Nothing in this section shall be construed to affect
5 the right of a party to a "when, as and if issued" or a "when
6 distributed" contract to cancel the contract in the event of a
7 material change in the character of the security ~~which~~ that is
8 the subject of the contract or in the plan or arrangement
9 pursuant to which ~~such~~ the security is to be issued or
10 distributed.

11 Sec. 10. Section 554.8203, Code 1989, is amended to read
12 as follows:

13 554.8203 STALENESS AS NOTICE OF DEFECTS OR DEFENSES.

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

21 a. if the act or event is one requiring the payment of
22 money ~~or~~, the delivery of certificated securities, the
23 registration of transfer of uncertificated securities, or both
24 any of these on presentation or surrender of the certificated
25 security ~~and-such~~, the funds or securities are available on
26 the date set for payment or exchange, and the purchaser takes
27 the security more than one year after that date; and

28 b. if the act or event is not covered by paragraph "a" and
29 the purchaser takes the security more than two years after the
30 date set for surrender or presentation or the date on which
31 ~~such~~ performance became due.

32 2. A call ~~which~~ that has been revoked is not within
33 subsection 1.

34 Sec. 11. Section 554.8204, Code 1989, is amended to read
35 as follows:

1 554.8204 EFFECT OF ISSUER'S RESTRICTIONS ON TRANSFER.

2 ~~Unless noted conspicuously on the security-~~ A restriction
3 on transfer of a security imposed by the issuer, even though
4 otherwise lawful, is ineffective ~~except~~ against a any person
5 ~~with~~ without actual knowledge of it: unless:

6 a. the security is certificated and the restriction is
7 noted conspicuously thereon; or

8 b. the security is uncertificated and a notation of the
9 restriction is contained in the initial transaction statement
10 sent to the person or, if the person's interest is transferred
11 to the person other than by registration of transfer, pledge,
12 or release, the initial transaction statement sent to the
13 registered owner or the registered pledgee.

14 Sec. 12. Section 554.8205, Code 1989, is amended to read
15 as follows:

16 554.8205 EFFECT OF UNAUTHORIZED SIGNATURE ON ISSUE
17 CERTIFICATED SECURITY OR INITIAL TRANSACTION STATEMENT.

18 An unauthorized signature placed on a certificated security
19 prior to or in the course of issue or placed on an initial
20 transaction statement is ineffective, ~~except-that~~ but the
21 signature is effective in favor of a purchaser for value and
22 of the certificated security or a purchaser for value of an
23 uncertificated security to whom such initial transaction
24 statement has been sent, if the purchaser is without notice of
25 the lack of authority and if the signing has been done by:

26 a. an authenticating trustee, registrar, transfer agent or
27 other person entrusted by the issuer with the signing of the
28 security ~~or~~, of similar securities, or of initial transactions
29 statements or their the immediate preparation for signing of
30 any of them; or

31 b. an employee of the issuer, or of any of the foregoing,
32 entrusted with responsible handling of the security or initial
33 transaction statement.

34 Sec. 13. Section 554.8206, Code 1989, is amended to read
35 as follows:

1 554.8206 COMPLETION OR ALTERATION OF INSTRUMENT
2 CERTIFICATED SECURITY OR INITIAL TRANSACTION STATEMENT.

3 1. Where if a certificated security contains the
4 signatures necessary to its issue or transfer but is
5 incomplete in any other respect:

6 a. any person may complete it by filling in the blanks as
7 authorized; and

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

11 2. A complete certificated security which that has been
12 improperly altered, even though fraudulently, remains
13 enforceable, but only according to its original terms.

14 3. If an initial transaction statement contains the
15 signatures necessary to its validity, but is incomplete in any
16 other respect:

17 a. any person may complete it by filling in the blanks as
18 authorized; and

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

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

27 Sec. 14. Section 554.8207, Code 1989, is amended to read
28 as follows:

29 554.8207 RIGHTS OF ISSUER WITH RESPECT TO REGISTERED
30 OWNERS.

31 1. Prior to due presentment for registration of transfer
32 of a certificated security in registered form, the issuer or
33 indenture trustee may treat the registered owner as the person
34 exclusively entitled to vote, to receive notifications, and
35 otherwise to exercise all the rights and powers of an owner.

1 2. Subject to the provisions of subsections 3, 4, and 6,
2 the issuer or indenture trustee may treat the registered owner
3 of an uncertificated security as the person exclusively
4 entitled to vote, to receive notifications, and otherwise to
5 exercise all the rights and powers of an owner.

6 3. The registered owner of an uncertificated security that
7 is subject to a registered pledge is not entitled to
8 registration of transfer prior to the due presentment to the
9 issuer of a release instruction. The exercise of conversion
10 rights with respect to a convertible uncertificated security
11 is a transfer within the meaning of this section.

12 4. Upon due presentment of a transfer instruction from the
13 registered pledgee of an uncertificated security, the issuer
14 shall:

15 a. register the transfer of the security to the new owner
16 free of pledge, if the instruction specifies a new owner (who
17 may be the registered pledgee) and does not specify a pledgee;

18 b. register the transfer of the security to the new owner
19 subject to the interest of the existing pledgee, if the
20 instruction specifies a new owner and the existing pledgee; or

21 c. register the release of the security from the existing
22 pledge and register the pledge of the security to the other
23 pledgee, if the instruction specifies the existing owner and
24 another pledgee.

25 5. Continuity of perfection of a security interest is not
26 broken by registration of transfer under subsection (4)(b) or
27 by registration of release and pledge under subsection (4)(c),
28 if the security interest is assigned.

29 6. If an uncertificated security is subject to a
30 registered pledge:

31 a. any uncertificated securities issued in exchange for or
32 distributed with respect to the pledged security shall be
33 registered subject to the pledge;

34 b. any certificated securities issued in exchange for or
35 distributed with respect to the pledged security shall be

1 delivered to the registered pledgee; and
2 c. any money paid in exchange for or in redemption of part
3 or all of the security shall be paid to the registered
4 pledgee.

5 2 7. Nothing in this Article shall be construed to affect
6 the liability of the registered owner of a security for calls,
7 assessments, or the like.

8 Sec. 15. Section 554.8208, Code 1989, is amended to read
9 as follows:

10 554.8208 EFFECT OF SIGNATURE OF AUTHENTICATING TRUSTEE,
11 REGISTRAR OR TRANSFER AGENT.

12 1. A person placing that person's signature upon a
13 certificated security or an initial transaction statement as
14 authenticating trustee, registrar, transfer agent, or the
15 like, warrants to a purchaser for value of the certificated
16 security or a purchaser for value of an uncertificated
17 security to whom the initial transaction statement has been
18 sent, if the purchaser is without notice of the particular
19 defect, that:

20 a. the certificated security or initial transaction
21 statement is genuine; and

22 b. that person's own participation in the issue or
23 registration of transfer, pledge, or release of the security
24 is within that person's capacity and within the scope of the
25 authorization authority received by that person from the
26 issuer; and

27 c. that person has reasonable grounds to believe that the
28 security is in the form and within the amount the issuer is
29 authorized to issue.

30 2. Unless otherwise agreed, a person by so placing that
31 person's signature does not assume responsibility for the
32 validity of the security in other respects.

33 Sec. 16. Section 554.8301, Code 1989, is amended to read
34 as follows:

35 554.8301 RIGHTS ACQUIRED BY PURCHASER ---"ADVERSE-CLAIM"---

1 --TITLE-ACQUIRED-BY-BONA-FIDE-PURCHASER.

2 1. Upon delivery transfer of a security to a purchaser
3 (section 554.8313), the purchaser acquires the rights in the
4 security which the purchaser's transferor had or had actual
5 authority to convey ~~except that a purchaser who has personally~~
6 ~~been a party to any fraud or illegality affecting the security~~
7 ~~or who as a prior holder had notice of an adverse claim cannot~~
8 ~~improve that purchaser's position by taking from a later bona~~
9 ~~fide purchaser. -- "Adverse claim" includes a claim that a~~
10 ~~transfer was or would be wrongful or that a particular adverse~~
11 ~~person is the owner of or has an interest in the security~~
12 unless the purchaser's rights are limited by section 554.8302,
13 subsection 4.

14 2. ~~A bona fide purchaser in addition to acquiring the~~
15 ~~rights of a purchaser also acquires the security free of any~~
16 ~~adverse claim.~~

17 3 2. A purchaser transferee of a limited interest acquires
18 rights only to the extent of the interest purchased
19 transferred. The creation or release of a security interest
20 in a security is the transfer of a limited interest in that
21 security.

22 Sec. 17. Section 554.8302, Code 1989, is amended to read
23 as follows:

24 554.8302 "BONA FIDE PURCHASER" -- "ADVERSE CLAIM" -- TITLE
25 ACQUIRED BY BONA FIDE PURCHASER.

26 1. A "bona fide purchaser" is a purchaser for value in
27 good faith and without notice of any adverse claim:

28 a. who takes delivery of a certificated security in bearer
29 form or ~~of one~~ in registered form, issued to that purchaser or
30 endorsed to that purchaser or in blank; ;

31 b. to whom the transfer, pledge, or release of an
32 uncertificated security is registered on the books of the
33 issuer; or

34 c. to whom a security is transferred under the provisions
35 of paragraph (c), (d)(i), or (g) of section 554.8313,

1 subsection 1.

2 2. "Adverse claim" includes a claim that a transfer was or
3 would be wrongful or that a particular adverse person is the
4 owner of or has an interest in the security.

5 3. A bona fide purchaser in addition to acquiring the
6 rights of a purchaser (section 554.8301) also acquires
7 interest in the security free of any adverse claim.

8 4. Notwithstanding section 554.8301, subsection 1, the
9 transferee of a particular certificated security who has been
10 a party to any fraud or illegality affecting the security, or
11 who as a prior holder of that certificated security had notice
12 of an adverse claim, cannot improve the transferee's position
13 by taking from a bona fide purchaser.

14 Sec. 18. Section 554.8303, Code 1989, is amended to read
15 as follows:

16 554.8303 "BROKER."

17 "Broker" means a person engaged for all or part of the
18 person's time in the business of buying and selling
19 securities, who in the transaction concerned acts for, or buys
20 a security from, or sells a security to, a customer. Nothing
21 in this Article determines the capacity in which a person acts
22 for purposes of any other statute or rule to which such the
23 person is subject.

24 Sec. 19. Section 554.8304, Code 1989, is amended to read
25 as follows:

26 554.8304 NOTICE TO PURCHASER OF ADVERSE CLAIMS.

27 1. A purchaser (including a broker for the seller or buyer
28 but excluding an intermediary bank) of a certificated security
29 is charged with notice of adverse claims if:

30 a. the security, whether in bearer or registered form, has
31 been endorsed "for collection" or "for surrender" or for some
32 other purpose not involving transfer; or

33 b. the security is in bearer form and has on it an
34 unambiguous statement that it is the property of a person
35 other than the transferor. The mere writing of a name on a

1 security is not such a statement.

2 2. A purchaser (including a broker for the seller or
3 buyer, but excluding an intermediary bank) to whom the
4 transfer, pledge, or release of an uncertificated security is
5 registered is charged with notice of adverse claims as to
6 which the issuer has a duty under section 554.8403, subsection
7 4 at the time of registration and which are noted in the
8 initial transaction statement sent to the purchaser or, if the
9 purchaser's interest is transferred to the purchaser other
10 than by registration of transfer, pledge, or release, the
11 initial transaction statement sent to the registered owner or
12 the registered pledgee.

13 2 3. The fact that the purchaser (including a broker for
14 the seller or buyer) of a certificated or uncertificated
15 security has notice that the security is held for a third
16 person or is registered in the name of or endorsed by a
17 fiduciary does not create a duty of inquiry into the
18 rightfulness of the transfer or constitute constructive notice
19 of adverse claims. If, however, if the purchaser
20 (excluding an intermediary bank) has knowledge that the
21 proceeds are being used or that the transaction is for the
22 individual benefit of the fiduciary or otherwise in breach of
23 duty, the purchaser is charged with notice of adverse claims.

24 Sec. 20. Section 554.8305, Code 1989, is amended to read
25 as follows:

26 554.8305 STALENESS AS NOTICE OF ADVERSE CLAIMS.

27 An act or event which that creates a right to immediate
28 performance of the principal obligation evidenced represented
29 by the a certificated security or which sets a date on or
30 after which the a certificated security is to be presented or
31 surrendered for redemption or exchange does not of itself
32 constitute any notice of adverse claims except in the case of
33 a purchase transfer:

34 a. after one year from any date set for such presentment
35 or surrender for redemption or exchange; or

1 b. after six months from any date set for payment of money
2 against presentation or surrender of the security if funds are
3 available for payment on that date.

4 Sec. 21. Section 554.8306, Code 1989, is amended to read
5 as follows:

6 554.8306 WARRANTIES ON PRESENTMENT AND TRANSFER OF
7 CERTIFICATED SECURITIES -- WARRANTIES OF ORIGINATORS OF
8 INSTRUCTIONS.

9 1. A person who presents a certificated security for
10 registration of transfer or for payment or exchange, warrants
11 to the issuer that the person is entitled to the registration,
12 payment or exchange. But, a purchaser for value and without
13 notice of adverse claims who receives a new, reissued, or
14 reregistered certificated security on registration or transfer
15 or receives an initial transaction statement confirming the
16 registration of transfer of an equivalent uncertificated
17 security to that purchaser warrants only that that purchaser
18 has no knowledge of any unauthorized signature (section
19 554.8311) in a necessary endorsement.

20 2. A person by transferring a certificated security to a
21 purchaser for value warrants only that:

22 a. the person's transfer is effective and rightful; and

23 b. the security is genuine and has not been materially
24 altered; and

25 c. the person knows of no fact which might impair the
26 validity of the security.

27 3. Where If a certificated security is delivered by an
28 intermediary known to be entrusted with delivery of the
29 security on behalf of another or with collection of a draft or
30 other claim against such delivery, the intermediary by such
31 delivery warrants only the intermediary's own good faith and
32 authority, even though the intermediary has purchased or made
33 advances against the claim to be collected against the
34 delivery.

35 4. A pledgee or other holder for security who redelivers

1 the a certificated security received, or after payment and on
2 order of the debtor delivers that security to a third person,
3 makes only the warranties of an intermediary under subsection
4 3.

5 5. A person who originates an instruction warrants to the
6 issuer that:

7 a. the originator is an appropriate person to originate
8 the instruction; and

9 b. at the time the instruction is presented to the issuer
10 the originator will be entitled to the registration of
11 transfer, pledge, or release.

12 6. A person who originates an instruction warrants to any
13 person specially guaranteeing the originator's signature
14 (section 554.8312, subsection 3) that:

15 a. the originator is an appropriate person to originate
16 the instruction; and

17 b. at the time the instruction is presented to the issuer
18 i. the originator will be entitled to the registration of
19 transfer, pledge, or release; and

20 ii. the transfer, pledge, or release requested in the
21 instruction will be registered by the issuer free from all
22 liens, security interests, restrictions, and claims other than
23 those specified in the instruction.

24 7. A person who originates an instruction warrants to a
25 purchaser for value and to any person guaranteeing the
26 instruction (section 554.8312, subsection 6) that:

27 a. the originator is an appropriate person to originate
28 the instruction;

29 b. the uncertificated security referred to therein is
30 valid; and

31 c. at the time the instruction is presented to the issuer
32 i. the transferor will be entitled to the registration of
33 transfer, pledge, or release;

34 ii. the transfer, pledge, or release requested in the
35 instruction will be registered by the issuer free from all

1 liens, security interests, restrictions, and claims other than
2 those specified in the instruction; and

3 iii. the requested transfer, pledge, or release will be
4 rightful.

5 8. If a secured party is the registered pledgee or the
6 registered owner of an uncertificated security, a person who
7 originates an instruction of release or transfer to the debtor
8 or, after payment and on order of the debtor, a transfer
9 instruction to a third person, warrants to the debtor or the
10 third person only that the secured party is an appropriate
11 person to originate the instruction and at the time the
12 instruction is presented to the issuer, the transferor will be
13 entitled to the registration of release or transfer. If a
14 transfer instruction to a third person who is a purchaser for
15 value is originated on order of the debtor, the debtor makes
16 to the purchaser the warranties of paragraphs "b", "c", ii,
17 and "c" iii of subsection 7.

18 9. A person who transfers an uncertificated security to a
19 purchaser for value and does not originate an instruction in
20 connection with the transfer warrants only that:

21 a. The person's transfer is effective and rightful; and

22 b. The uncertificated security is valid.

23 5 10. A broker gives to the broker's customer and to the
24 issuer and a purchaser the applicable warranties provided in
25 this section and has the rights and privileges of a purchaser
26 under this section. The warranties of and in favor of the
27 broker acting as an agent are in addition to applicable
28 warranties given by and in favor of the broker's customer.

29 Sec. 22. Section 554.8307, Code 1989, is amended to read
30 as follows:

31 554.8307 EFFECT OF DELIVERY WITHOUT ENDORSEMENT -- RIGHT
32 TO COMPEL ENDORSEMENT.

33 Where If a certificated security in registered form has
34 been delivered to a purchaser without a necessary endorsement
35 the purchaser may become a bona fide purchaser only as of the

1 time the endorsement is supplied; but against the transferor,
2 the transfer is complete upon delivery and the purchaser has a
3 specifically enforceable right to have any necessary
4 endorsement supplied.

5 Sec. 23. Section 554.8308, Code 1989, is amended to read
6 as follows:

7 554.8308 ENDORSEMENT,--HOW-MADE----SPECIAL-ENDORSEMENT---
8 ENDORSER-NOT-A-GUARANTOR----PARTIAL-ASSIGNMENT ENDORSEMENTS --
9 INSTRUCTIONS.

10 1. An endorsement of a certificated security in registered
11 form is made when an appropriate person signs on it or on a
12 separate document an assignment or transfer of the security or
13 a power to assign or transfer it or when the person's
14 ~~signature of such person~~ is written without more upon the back
15 of the security.

16 2. An endorsement may be in blank or special. An
17 endorsement in blank includes an endorsement to bearer. A
18 special endorsement specifies ~~the person~~ to whom the security
19 is to be transferred, or who has power to transfer it. A
20 holder may convert a blank endorsement into a special
21 endorsement.

22 3. An endorsement purporting to be only of part of a
23 certificated security representing units intended by the
24 issuer to be separately transferable is effective to the
25 extent of the endorsement.

26 4. An "instruction" is an order to the issuer of an
27 uncertificated security requesting that the transfer, pledge,
28 or release from pledge of the uncertificated security
29 specified therein be registered.

30 5. An instruction originated by an appropriate person is:
31 a. a writing signed by an appropriate person; or
32 b. a communication to the issuer in any form agreed upon
33 in a writing signed by the issuer and an appropriate person.

34 If an instruction has been originated by an appropriate
35 person but is incomplete in any other respect, any person may

1 complete it as authorized and the issuer may rely on it as
2 completed even though it has been completed incorrectly.

3 3 6. "An appropriate person" in subsection 1 means
4 a. the person specified by the certificated security or by
5 special endorsement to be entitled to the security; or.

6 7. "An appropriate person" in subsection 5 means:

7 a. for an instruction to transfer or pledge an
8 uncertificated security which is then not subject to a
9 registered pledge, the registered owner; or

10 b. for an instruction to transfer or release an
11 uncertificated security which is then subject to a registered
12 pledge, the registered pledgee.

13 8. In addition to the persons designated in subsections 6
14 and 7, "an appropriate person" in subsections 1 and 5
15 includes:

16 b a. where if the person so-specified designated is
17 described as a fiduciary but is no longer serving in the
18 described capacity, -- either that person or that person's
19 successor; or

20 e b. where if the security-or-endorsement-so-specifies
21 persons designated are described as more than one person as
22 fiduciaries and one or more are no longer serving in the
23 described capacity, -- the remaining fiduciary or fiduciaries,
24 whether or not a successor has been appointed or qualified; or

25 d c. where if the person so-specified designated is an
26 individual and is without capacity to act by virtue of death,
27 incompetence, infancy, or otherwise, -- that person's
28 executor, administrator, guardian, or like fiduciary; or

29 e d. where if the security-or-endorsement-so-specifies
30 persons designated are described as more than one person as
31 tenants by the entirety or with right of survivorship and by
32 reason of death all cannot sign, -- the survivor or survivors;
33 or

34 f e. a person having power to sign under applicable law or
35 controlling instrument; or and

1 g f. to the extent that the person designated or any of
2 the foregoing persons may act through an agent, -- that
3 person's authorized agent.

4 4 9. Unless otherwise agreed, the endorser of a
5 certificated security by the endorser's endorsement or the
6 originator of an instruction by the originator's origination
7 assumes no obligation that the security will be honored by the
8 issuer but only the obligations provided in section 554.8306.

9 ~~5--An-endorsement-purporting-to-be-only-of-part-of-a~~
10 ~~security-representing-units-intended-by-the-issuer-to-be~~
11 ~~separately-transferable-is-effective-to-the-extent-of-the~~
12 ~~endorsement-~~

13 6 10. Whether the person signing is appropriate is
14 determined as of the date of signing and an endorsement made
15 by or an instruction originated by such-a the person does not
16 become unauthorized for the purposes of this Article by virtue
17 of any subsequent change of circumstances.

18 7 11. Failure of a fiduciary to comply with a controlling
19 instrument or with the law of the state having jurisdiction of
20 the fiduciary relationship, including any law requiring the
21 fiduciary to obtain court approval of the transfer, pledge, or
22 release, does not render the fiduciary's endorsement or an
23 instruction originated by the fiduciary unauthorized for the
24 purposes of this Article.

25 Sec. 24. Section 554.8309, Code 1989, is amended to read
26 as follows:

27 554.8309 EFFECT OF ENDORSEMENT WITHOUT DELIVERY.

28 An endorsement of a certificated security, whether special
29 or in blank, does not constitute a transfer until delivery of
30 the certificated security on which it appears or, if the
31 endorsement is on a separate document, until delivery of both
32 the document and the certificated security.

33 Sec. 25. Section 554.8310, Code 1989, is amended to read
34 as follows:

35 554.8310 ENDORSEMENT OF CERTIFICATED SECURITY IN BEARER

1 FORM.

2 An endorsement of a certificated security in bearer form
3 may give notice of adverse claims (section 554.8304) but does
4 not otherwise affect any right to registration the holder may
5 ~~possess~~ possesses.

6 Sec. 26. Section 554.8311, Code 1989, is amended to read
7 as follows:

8 554.8311 EFFECT OF UNAUTHORIZED ENDORSEMENT OR
9 INSTRUCTION.

10 Unless the owner or pledgee has ratified an unauthorized
11 endorsement or instruction or is otherwise precluded from
12 asserting its ineffectiveness:

13 a. the owner may assert its ineffectiveness against the
14 issuer or any purchaser other than a purchaser for value and
15 without notice of adverse claims, who has in good faith
16 received a new, reissued, or reregistered certificated
17 security on registration of transfer or received an initial
18 transaction statement confirming the registration of transfer,
19 pledge, or release of an equivalent uncertificated security to
20 the purchaser; and

21 b. an issuer who registers the transfer of a certificated
22 security upon the unauthorized endorsement or who registers
23 the transfer, pledge, or release of an uncertificated security
24 upon the unauthorized instruction is subject to liability for
25 improper registration (section 554.8404).

26 Sec. 27. Section 554.8312, Code 1989, is amended to read
27 as follows:

28 554.8312 EFFECT OF GUARANTEEING SIGNATURE OR ENDORSEMENT
29 OR INSTRUCTION.

30 1. Any person guaranteeing a signature of an endorser of a
31 certificated security warrants that at the time of signing

32 a. the signature was genuine; and

33 b. the signer was an appropriate person to endorse
34 (section 554.8308); and

35 c. the signer had legal capacity to sign.

1 ~~But the guarantor does not otherwise warrant the rightfulness~~
2 ~~of the particular transfer.~~

3 2. Any person guaranteeing a signature of the originator
4 of an instruction warrants that at the time of signing:

5 a. the signature was genuine;

6 b. the signer was an appropriate person to originate the
7 instruction (section 554.8308) if the person specified in the
8 instruction as the registered owner or registered pledgee of
9 the uncertificated security was, in fact, the registered owner
10 or registered pledgee of such security, as to which fact the
11 signature guarantor makes no warranty;

12 c. the signer had legal capacity to sign; and

13 d. the taxpayer identification number, if any, appearing
14 on the instruction as that of the registered owner or
15 registered pledgee was the taxpayer identification number of
16 the signer or of the owner or pledgee for whom the signer was
17 acting.

18 3. Any person specially guaranteeing the signature of the
19 originator of an instruction makes not only the warranties of
20 a signature guarantor (subsection 2) but also warrants that at
21 the time the instruction is presented to the issuer:

22 a. the person specified in the instruction as the
23 registered owner or registered pledgee of the uncertificated
24 security will be the registered owner or registered pledgee;
25 and

26 b. the transfer, pledge, or release of the uncertificated
27 security requested in the instruction will be registered by
28 the issuer free from all liens, security interests,
29 restrictions, and claims other than those specified in the
30 instruction.

31 4. The guarantor under subsections 1 and 2 or the special
32 guarantor under subsection 3 does not otherwise warrant the
33 rightfulness of the particular transfer, pledge, or release.

34 ~~2~~ 5. Any person may guarantee guaranteeing an endorsement
35 of a certificated security and-by-so-doing-warrants-not-only

~~1 the signature (subsection 1) makes not only the warranties of~~
~~2 a signature guarantor under subsection 1 but also warrants the~~
~~3 rightfulness of the particular transfer in all respects. But~~
~~4 no issuer may require a guarantee of endorsement as a~~
~~5 condition to registration of transfer.~~

6 6. Any person guaranteeing an instruction requesting the
7 transfer, pledge, or release of an uncertificated security
8 makes not only the warranties of a special signature guarantor
9 under subsection 3, but also warrants the rightfulness of the
10 particular transfer, pledge, or release in all respects.

11 7. No issuer may require a special guarantee of signature
12 (subsection 3), a guarantee of endorsement (subsection 5), or
13 a guarantee of instruction (subsection 6) as a condition to
14 registration of transfer, pledge, or release.

15 3 8. The foregoing warranties are made to any person
16 taking or dealing with the security in reliance on the
17 guarantee and the guarantor is liable to such the person for
18 any loss resulting from breach of the warranties.

19 Sec. 28. Section 554.8313, Code 1989, is amended to read
20 as follows:

21 554.8313 WHEN DELIVERY TRANSFER TO THE PURCHASER OCCURS: -
22 --PURCHASER'S-BROKER-AS-HOLDER FINANCIAL INTERMEDIARY AS BONA
23 FIDE PURCHASER -- "FINANCIAL INTERMEDIARY".

24 1. Delivery Transfer of a security or a limited interest
25 (including a security interest) therein to a purchaser occurs
26 when only:

27 a. at the time the purchaser or a person designated by the
28 purchaser acquires possession of a certificated security; or

29 b. at the time the transfer, pledge, or release of an
30 uncertificated security is registered to the purchaser or a
31 person designated by the purchaser;

32 b c. at the time the purchaser's broker financial
33 intermediary acquires possession of a certificated security
34 specially endorsed to or issued in the name of the purchaser;
35 or

1 e d. the-purchaser's-broker at the time a financial
2 intermediary, not a clearing house, sends the purchaser
3 confirmation of the purchase and also by book entry or
4 otherwise identifies a-specific-security-in-the-broker's
5 possession as belonging to the purchaser; or
6 i. a specific certificated security in the financial
7 intermediary's possession;
8 ii. a quantity of securities that constitute or are part
9 of a fungible bulk of certificated securities in the financial
10 intermediary's possession or of uncertificated securities
11 registered in the name of the financial intermediary; or
12 iii. a quantity of securities that constitute or are part
13 of a fungible bulk of securities shown on the account of the
14 financial intermediary on the books of another financial
15 intermediary;
16 d e. with respect to an identified certificated security
17 to be delivered while still in the possession of a third
18 person, when not a financial intermediary, at the time that
19 person acknowledges that that person holds for the purchaser;
20 or
21 f. with respect to a specific uncertificated security the
22 pledge or transfer of which has been registered to a third
23 person, not a financial intermediary, at the time that person
24 acknowledges that that person holds for the purchaser;
25 e g. at the time appropriate entries to the account of the
26 purchaser or a person designated by the purchaser on the books
27 of a clearing corporation are made under section 554.8320;
28 h. with respect to the transfer of a security interest
29 where the debtor has signed a security agreement containing a
30 description of the security, at the time a written
31 notification, which, in the case of the creation of the
32 security interest, is signed by the debtor (which may be a
33 copy of the security agreement) or which, in the case of the
34 release or assignment of the security interest created
35 pursuant to this paragraph, is signed by the secured party, is

1 received by

2 i. a financial intermediary on whose books the interest of
3 the transferor in the security appears;

4 ii. a third person, not a financial intermediary, in
5 possession of the security, if it is certificated;

6 iii. a third person, not a financial intermediary, who is
7 the registered owner of the security, if it is uncertificated
8 and not subject to a registered pledge; or

9 iv. a third person, not a financial intermediary, who is
10 the registered pledgee of the security, if it is
11 uncertificated and subject to a registered pledge;

12 i. with respect to the transfer of a security interest
13 where the transferor has signed a security agreement
14 containing a description of the security, at the time new
15 value is given by the secured party; or

16 j. with respect to the transfer of a security interest
17 where the secured party is a financial intermediary and the
18 security has already been transferred to the financial
19 intermediary under paragraph "a", "b", "c", "d", or "g", at
20 the time the transferor has signed a security agreement
21 containing a description of the security and value is given by
22 the secured party.

23 2. The purchaser is the owner of a security held for the
24 purchaser by ~~the purchaser's broker~~ a financial intermediary,
25 ~~but is-not-the-holder~~ cannot be a bona fide purchaser of a
26 security so held except as in circumstances specified in
27 subparagraphs-"b", paragraphs "c", "d"(i), and "e" "g" of
28 subsection 1. Where If a security so held is part of a
29 fungible bulk, as in the circumstances specified in paragraphs
30 "d"(ii) and "d"(iii) of subsection 1, the purchaser is the
31 owner of a proportionate property interest in the fungible
32 bulk.

33 3. Notice of an adverse claim received by the ~~broker~~
34 financial intermediary or by the purchaser after the ~~broker~~
35 financial intermediary takes delivery of a certificated

1 security as a holder for value or after the transfer, pledge,
2 or release of an uncertificated security has been registered
3 free of the claim to a financial intermediary who has given
4 value is not effective either as to the broker financial
5 intermediary or as to the purchaser. However, as between the
6 broker financial intermediary and the purchaser the purchaser
7 may demand delivery transfer of an equivalent security as to
8 which no notice of an adverse claim has been received.

9 4. A "financial intermediary" is a bank, broker, clearing
10 corporation or other person (or the nominee of any of them)
11 which in the ordinary course of its business maintains
12 security accounts for its customers and is acting in that
13 capacity. A financial intermediary may have a security
14 interest in securities held in account for its customer.

15 Sec. 29. Section 554.8314, Code 1989, is amended to read
16 as follows:

17 554.8314 DUTY TO DELIVER TRANSFER, WHEN COMPLETED.

18 1. Unless otherwise agreed where if a sale of a security
19 is made on an exchange or otherwise through brokers:

20 a. the selling customer fulfills that customer's duty to
21 deliver-when transfer at the time that customer:

22 i. places such a certificated security in the possession
23 of the selling broker or of a person designated by the broker;

24 ii. causes an uncertificated security to be registered in
25 the name of the selling broker or a person designated by the
26 broker; or

27 iii. if requested, causes an acknowledgment to be made to
28 the selling broker that it a certificated or uncertificated
29 security is held for that broker; and or

30 iv. places in the possession of the selling broker or of a
31 person designated by the broker a transfer instruction for an
32 uncertificated security, providing the issuer does not refuse
33 to register the requested transfer if the instruction is
34 presented to the issuer for registration within thirty days
35 thereafter; and

1 b. the selling broker, including a correspondent broker
2 acting for a selling customer, fulfills that broker's duty to
3 ~~deliver-by-placing-the~~ transfer at the time that broker

4 i. places a certificated security or a like security in
5 the possession of the buying broker or a person designated by
6 the buying broker;

7 ii. causes an uncertificated security to be registered in
8 the name of the buying broker or a person designated by the
9 buying broker;

10 iii. places in the possession of the buying broker or of a
11 person designated by the buying broker a transfer instruction
12 for an uncertificated security, providing the issuer does not
13 refuse to register the requested transfer if the instruction
14 is presented to the issuer for registration within thirty days
15 thereafter; or

16 iv. or-by-effecting effects clearance of the sale in
17 accordance with the rules of the exchange on which the
18 transaction took place.

19 2. Except as otherwise provided in this section and unless
20 otherwise agreed, a transferor's duty to ~~deliver~~ transfer a
21 security under a contract of purchase is not fulfilled until
22 the transferor:

23 a. places the certificated security in form to be
24 negotiated by the purchaser in the possession of the purchaser
25 or of a person designated by the purchaser; ~~or~~

26 b. at-the-purchaser's-request causes an uncertificated
27 security to be registered in the name of the purchaser or a
28 person designated by the purchaser; or

29 c. if the purchaser requests, causes an acknowledgment to
30 be made to the purchaser that ~~it~~ a certificated or
31 uncertificated security is held for the purchaser.

32 3. Unless made on an exchange, a sale to a broker
33 purchasing for the broker's own account is within this
34 subsection 2 and not within subsection 1.

35 Sec. 30. Section 554.8315, Code 1989, is amended to read

1 as follows:

2 554.8315 ACTION AGAINST PURCHASER TRANSFEEE BASED UPON
3 WRONGFUL TRANSFER.

4 1. Any person against whom the transfer of a security is
5 wrongful for any reason, including the person's incapacity,
6 may as against anyone except a bona fide purchaser, may:

7 a. reclaim possession of the certificated security
8 wrongfully transferred; or

9 b. obtain possession of any new certificated security
10 evidencing representing all or part of the same rights; or

11 c. compel the origination of an instruction to transfer to
12 the person or a person designated by that person an
13 uncertificated security constituting all or part of the same
14 rights; or

15 d. have damages.

16 2. If the transfer is wrongful because of an unauthorized
17 endorsement of a certificated security, the owner may also
18 reclaim or obtain possession of the security or a new
19 certificated security, even from a bona fide purchaser, if the
20 ineffectiveness of the purported endorsement can be asserted
21 against the purchaser under the provisions of this Article on
22 unauthorized endorsements (section 554.8311).

23 3. The right to obtain or reclaim possession of a
24 certificated security or to compel the origination of a
25 transfer instruction may be specifically enforced and ~~its~~ the
26 transfer of a certificated or uncertificated security enjoined
27 and ~~the~~ a certificated security impounded pending the
28 litigation.

29 Sec. 31. Section 554.8316, Code 1989, is amended to read
30 as follows:

31 554.8316 PURCHASER'S RIGHT TO REQUISITES FOR REGISTRATION
32 OF TRANSFER, PLEDGE, OR RELEASE ON BOOKS.

33 Unless otherwise agreed, the transferor must of a
34 certificated security or the transferor, pledgor, or pledgee
35 of an uncertificated security on due demand must supply the

1 transferor's, pledgor's, or pledgee's purchaser with any proof
2 of the transferor's authority to transfer, pledge, or release
3 or with any other requisite which-may-be necessary to obtain
4 registration of the transfer, pledge, or release of the
5 security; but if the transfer, pledge, or release is not for
6 value, a transferor, pledgor, or pledgee need not do so unless
7 the purchaser furnishes the necessary expenses. Failure
8 within a reasonable time to comply with a demand made-within-a
9 reasonable-time gives the purchaser the right to reject or
10 rescind the transfer, pledge, or release.

11 Sec. 32. Section 554.8317, Code 1989, is amended to read
12 as follows:

13 554.8317 ATTACHMENT-OR-LEVY-UPON-SECURITY CREDITORS'
14 RIGHTS.

15 1. No Subject to the exceptions in subsections 3 and 4, no
16 attachment or levy upon a certificated security or any share
17 or other interest evidenced represented thereby which is
18 outstanding shall-be is valid until the security is actually
19 seized by the officer making the attachment or levy, but a
20 certificated security which has been surrendered to the issuer
21 may be attached-or-levied-upon-at-the-source reached by a
22 creditor by legal process at the issuer's chief executive
23 office in the United States.

24 2. An uncertificated security registered in the name of
25 the debtor may not be reached by a creditor except by legal
26 process at the issuer's chief executive office in the United
27 States.

28 3. The interest of a debtor in a certificated security
29 that is in the possession of a secured party not a financial
30 intermediary or in an uncertificated security registered in
31 the name of a secured party not a financial intermediary (or
32 in the name of a nominee of the secured party) may be reached
33 by a creditor by legal process upon the secured party.

34 4. The interest of a debtor in a certificated security
35 that is in the possession of or registered in the name of a

1 financial intermediary or in an uncertificated security
2 registered in the name of a financial intermediary may be
3 reached by a creditor by legal process upon the financial
4 intermediary on whose books the interest of the debtor
5 appears.

6 5. Unless otherwise provided by law, a creditor's lien
7 upon the interest of a debtor in a security obtained pursuant
8 to subsection 3 or 4 is not a restraint on the transfer of the
9 security, free of the lien, to a third party for new value;
10 but in the event of a transfer, the lien applies to the
11 proceeds of the transfer in the hands of the secured party or
12 financial intermediary, subject to any claims having priority.

13 2 6. A creditor whose debtor is the owner of a security
14 ~~shall be~~ is entitled to ~~such~~ aid from courts of appropriate
15 jurisdiction, by injunction or otherwise, in reaching ~~such~~ the
16 security or in satisfying the claim by means ~~thereof-as-is~~
17 allowed at law or in equity in regard to property ~~which~~ that
18 cannot readily be ~~attached-or-levied-upon~~ reached by ordinary
19 legal process.

20 Sec. 33. Section 554.8318, Code 1989, is amended to read
21 as follows:

22 554.8318 NO CONVERSION BY GOOD FAITH BELIEVER CONDUCT.

23 An agent or bailee who in good faith (including observance
24 of reasonable commercial standards if the agent or bailee is
25 in the business of buying, selling or otherwise dealing with
26 securities) has received certificated securities and sold,
27 pledged, or delivered them or has sold or caused the transfer
28 or pledge of uncertificated securities over which the agent or
29 bailee had control according to the instructions of the
30 agent's or bailee's principal, is not liable for conversion or
31 for participation in breach of fiduciary duty although the
32 principal had no right ~~to-dispose-of-them~~ so to deal with the
33 securities.

34 Sec. 34. Section 554.8319, Code 1989, is amended to read
35 as follows:

1 554.8319 STATUTE OF FRAUDS.

2 A contract for the sale of securities is not enforceable by
3 way of action or defense unless:

4 a. there is some writing signed by the party against whom
5 enforcement is sought or by that party's authorized agent or
6 broker sufficient to indicate that a contract has been made
7 for sale of a stated quantity of described securities at a
8 defined or stated price; or

9 b. delivery of the a certificated security or transfer
10 instruction has been accepted or transfer of an uncertificated
11 security has been registered and the transferee has failed to
12 send written objection to the issuer within ten days after
13 receipt of the initial transaction statement confirming the
14 registration, or payment has been made, but the contract is
15 enforceable under this provision only to the extent of such
16 the delivery or payment; or

17 c. within a reasonable time a writing in confirmation of
18 the sale or purchase and sufficient against the sender under
19 paragraph "a" has been received by the party against whom
20 enforcement is sought and that party has failed to send
21 written objection to its contents within ten days after its
22 receipt; or

23 d. the party against whom enforcement is sought admits in
24 that party's pleading, testimony, or otherwise in court that a
25 contract was made for the sale of a stated quantity of
26 described securities at a defined or stated price.

27 Sec. 35. Section 554.8320, Code 1989, is amended to read
28 as follows:

29 554.8320 TRANSFER OR PLEDGE WITHIN A CENTRAL DEPOSITORY
30 SYSTEM.

31 1. If-a-security In addition to other methods, a transfer,
32 pledge, or release of a security or any interest therein may
33 be effected by the making of appropriate entries on the books
34 of a clearing corporation reducing the account of the
35 transferor, pledgor, or pledgee and increasing the account of

1 the transferee, pledgee, or pledgor by the amount of the
2 obligation, or the number of shares or rights transferred,
3 pledged, or released, if the security is shown on the account
4 of a transferor, pledgor, or pledgee on the books of the
5 clearing corporation; is subject to the control of the
6 clearing corporation; and

7 a. if certificated,

8 i. is in the custody of a the clearing corporation,
9 another clearing corporation, or-of a custodian bank or a
10 nominee of either-subject-to-the-instructions-of-the-clearing
11 corporation any of them; and

12 b ii. is in bearer form or endorsed in blank by an
13 appropriate person or registered in the name of the clearing
14 corporation, or a custodian bank, or a nominee of either any
15 of them; and or

16 b. if uncertificated, is registered in the name of the
17 clearing corporation, another clearing corporation, a
18 custodian bank, or a nominee of any of them;

19 ~~c.--is-shown-on-the-account-of-a-transferor-or-pledgor-on~~
20 ~~the-books-of-the-clearing-corporation;~~
21 ~~then,-in-addition-to-other-methods,-a-transfer-or-pledge-of~~
22 ~~the-security-or-any-interest-therein-may-be-effected-by-the~~
23 ~~making-of-appropriate-entries-on-the-books-of-the-clearing~~
24 ~~corporation-reducing-the-account-of-the-transferor-or-pledgor~~
25 ~~and-increasing-the-account-of-the-transferee-or-pledgee-by-the~~
26 ~~amount-of-the-obligation-or-the-number-of-shares-or-rights~~
27 ~~transferred-or-pledged.~~

28 2. Under this section entries may be made with respect to
29 like securities or interests therein as a part of a fungible
30 bulk and may refer merely to a quantity of a particular
31 security without reference to the name of the registered
32 owner, certificate or bond number, or the like, and, in
33 appropriate cases, may be on a net basis taking into account
34 other transfers, or pledges, or releases of the same security.

35 3. A transfer ~~or-pledge~~ under this section ~~has-the-effect~~

1 of-a-delivery-of-a-security-in-bearer-form-or-duly-endorsed-in
2 blank-(section-554.8301)-representing-the-amount-of-the
3 obligation-or-the-number-of-shares-or-rights-transferred-or
4 pledged is effective (section 554.8313) and the purchaser
5 acquires the rights of the transferor (section 554.8301). A
6 pledge or release under this section is the transfer of a
7 limited interest. If a pledge or the creation of a security
8 interest is intended, the-making-of-entries-has-the-effect-of
9 a-taking-of-delivery-by-the-pledgee-or-a-secured-party
10 (sections-554.9304-and-554.9305) the security interest is
11 perfected at the time when both value is given by the pledgee
12 and the appropriate entries are made (section 554.8321). A
13 transferee or pledgee under this section is-a-holder may be a
14 bona fide purchaser (section 554.8302).

15 4. A transfer or pledge under this section does is not
16 constitute a registration of transfer under Part 4 of-this
17 Article.

18 5. That entries made on the books of the clearing
19 corporation as provided in subsection 1 are not appropriate
20 does not affect the validity or effect of the entries nor or
21 the liabilities or obligations of the clearing corporation to
22 any person adversely affected thereby.

23 Sec. 36. NEW SECTION. 554.8321 ENFORCEABILITY,
24 ATTACHMENT, PERFECTION, AND TERMINATION OF SECURITY INTERESTS.

25 1. A security interest in a security is enforceable and
26 can attach only if it is transferred to the secured party or a
27 person designated by the secured party pursuant to a provision
28 of section 554.8313, subsection 1.

29 2. A security interest so transferred pursuant to
30 agreement by a transferor who has rights in the security to a
31 transferee who has given value is a perfected security
32 interest, but a security interest that has been transferred
33 solely under paragraph "i" of section 554.8313, subsection 1
34 becomes unperfected after twenty-one days unless, within that
35 time, the requirements for transfer under any other provision

1 of section 554.8313, subsection 1 are satisfied.

2 3. A security interest in a security is subject to the
3 provisions of Article 9, but:

4 a. no filing is required to perfect the security interest;
5 and

6 b. no written security agreement signed by the debtor is
7 necessary to make the security interest enforceable, except as
8 otherwise provided in paragraph "h", "i", or "j" of section
9 554.8313, subsection 1. The secured party has the rights and
10 duties provided under section 554.9207, to the extent they are
11 applicable, whether or not the security is certificated, and,
12 if certificated, whether or not it is in the secured party's
13 possession.

14 4. Unless otherwise agreed, a security interest in a
15 security is terminated by transfer to the debtor or a person
16 designated by the debtor pursuant to a provision of section
17 554.8313, subsection 1. If a security is thus transferred,
18 the security interest, if not terminated, becomes unperfected
19 unless the security is certificated and is delivered to the
20 debtor for the purpose of ultimate sale or exchange or
21 presentation, collection, renewal, or registration of
22 transfer. In that case, the security interest becomes
23 unperfected after twenty-one days unless, within that time,
24 the security (or securities for which it has been exchanged)
25 is transferred to the secured party or a person designated by
26 the secured party pursuant to a provision of section 554.8313,
27 subsection 1.

28 Sec. 37. Section 554.8401, Code 1989, is amended to read
29 as follows:

30 554.8401 DUTY OF ISSUER TO REGISTER TRANSFER, PLEDGE, OR
31 RELEASE.

32 1. Where If a certificated security in registered form is
33 presented to the issuer with a request to register transfer,
34 or an instruction is presented to the issuer with a request to
35 register transfer, pledge, or release the issuer is-under-a

1 ~~duty-to~~ shall register the transfer, pledge, or release as
2 requested if:

3 a. the security is endorsed or the instruction was
4 originated by the appropriate person or persons (section
5 554.8308); and

6 b. reasonable assurance is given that those endorsements
7 or instructions are genuine and effective (section 554.8402);
8 and

9 c. the issuer has no duty ~~to-inquire-into~~ as to adverse
10 claims or has discharged ~~any-such~~ the duty (section 554.8403);
11 and

12 d. any applicable law relating to the collection of taxes
13 has been complied with; and

14 e. the transfer, pledge, or release is in fact rightful or
15 is to a bona fide purchaser.

16 2. Where If an issuer is under a duty to register a
17 transfer, pledge, or release of a security, the issuer is also
18 liable to the person presenting ~~it~~ a certificated security or
19 an instruction for registration or that person's principal for
20 loss resulting from any unreasonable delay in registration or
21 from failure or refusal to register the transfer, pledge, or
22 release.

23 Sec. 38. Section 554.8402, Code 1989, is amended to read
24 as follows:

25 554.8402 ASSURANCE THAT ENDORSEMENTS AND INSTRUCTIONS ARE
26 EFFECTIVE.

27 1. The issuer may require the following assurance that
28 each necessary endorsement of a certificated security or each
29 instruction (section 554.8308) is genuine and effective:

30 a. in all cases, a guarantee of the signature (~~subsection~~
31 ~~1-of~~ section 554.8312, subsection 1 or 2) of the person
32 endorsing a certificated security or originating an
33 instruction including, in the case of an instruction, a
34 warranty of the taxpayer identification number or, in the
35 absence thereof, other reasonable assurance of identity; and

1 b. where if the endorsement is made or the instruction is
2 originated by an agent, appropriate assurance of authority to
3 sign;

4 c. where if the endorsement is made or the instruction is
5 originated by a fiduciary, appropriate evidence of appointment
6 or incumbency;

7 d. where if there is more than one fiduciary, reasonable
8 assurance that all who are required to sign have done so; and

9 e. where if the endorsement is made or the instruction is
10 originated by a person not covered by any of the foregoing,
11 assurance appropriate to the case corresponding as nearly as
12 may be to the foregoing.

13 2. A "guarantee of the signature" in subsection 1 means a
14 guarantee signed by or on behalf of a person reasonably
15 believed by the issuer to be responsible. The issuer may
16 adopt standards with respect to responsibility provided-such
17 standards if they are not manifestly unreasonable.

18 3. "Appropriate evidence of appointment or incumbency" in
19 subsection 1 means

20 a. in the case of a fiduciary appointed or qualified by a
21 court, a certificate issued by or under the direction or
22 supervision of that court or an officer of that court and
23 dated within one hundred eighty days before the date of
24 presentation for transfer, pledge, or release; or

25 b. in any other case, a copy of a document showing the
26 appointment or a certificate issued by or on behalf of a
27 person reasonably believed by the issuer to be responsible or,
28 in the absence of such-a that document or certificate, other
29 evidence reasonably deemed by the issuer to be appropriate.
30 The issuer may adopt standards with respect to such the
31 evidence provided-such-standards if they are not manifestly
32 unreasonable. The issuer is not charged with notice of the
33 contents of any document obtained pursuant to this paragraph
34 "b" except to the extent that the contents relate directly to
35 the appointment or incumbency.

1 4. The issuer may elect to require reasonable assurance
2 beyond that specified in this section, but if it does so and,
3 for a purpose other than that specified in subsection 3 "b",
4 both requires and obtains a copy of a will, trust, indenture,
5 articles of copartnership, bylaws, or other controlling
6 instrument, it is charged with notice of all matters contained
7 therein affecting the transfer, pledge, or release.

8 Sec. 39. Section 554.8403, Code 1989, is amended to read
9 as follows:

10 554.8403 LIMITED-DUTY-OF-INQUIRY ISSUER'S DUTY AS TO
11 ADVERSE CLAIMS.

12 1. An issuer to whom a certificated security is presented
13 for registration ~~is under a duty to~~ shall inquire into adverse
14 claims if:

15 a. a written notification of an adverse claim is received
16 at a time and in a manner ~~which affords~~ affording the issuer a
17 reasonable opportunity to act on it prior to the issuance of a
18 new, reissued, or registered certificated security, and the
19 notification identifies the claimant, the registered owner,
20 and the issue of which the security is a part, and provides an
21 address for communications directed to the claimant; or

22 b. the issuer is charged with notice of an adverse claim
23 from a controlling instrument ~~which~~ it has elected to require
24 under ~~subsection 4 of~~ section 554.8402, subsection 4.

25 2. The issuer may discharge any duty of inquiry by any
26 reasonable means, including notifying an adverse claimant by
27 registered or certified mail at the address furnished by the
28 adverse claimant or if there be no such address at the adverse
29 claimant's residence or regular place of business that the
30 certificated security has been presented for registration of
31 transfer by a named person, and that the transfer will be
32 registered unless within thirty days from the date of mailing
33 the notification, either:

34 a. an appropriate restraining order, injunction or other
35 process issues from a court of competent jurisdiction; or

1 b. there is filed with the issuer an indemnity bond,
2 sufficient in the issuer's judgment to protect the issuer and
3 any transfer agent, registrar, or other agent of the issuer
4 involved, from any loss which it or they may suffer by
5 complying with the adverse claim ~~is filed with the issuer.~~

6 3. Unless an issuer is charged with notice of an adverse
7 claim from a controlling instrument which it has elected to
8 require under ~~subsection 4 of~~ section 554.8402, subsection 4
9 or receives notification of an adverse claim under subsection
10 ~~1 of this section, where if a~~ certificated security presented
11 for registration is endorsed by the appropriate person or
12 persons the issuer is under no duty to inquire into adverse
13 claims. In particular:

14 a. an issuer registering a certificated security in the
15 name of a person who is a fiduciary or who is described as a
16 fiduciary is not bound to inquire into the existence, extent,
17 or correct description of the fiduciary relationship; and
18 thereafter the issuer may assume without inquiry that the
19 newly registered owner continues to be the fiduciary until the
20 issuer receives written notice that the fiduciary is no longer
21 acting as such with respect to the particular security;

22 b. an issuer registering transfer on an endorsement by a
23 fiduciary is not bound to inquire whether the transfer is made
24 in compliance with a controlling instrument or with the law of
25 the state having jurisdiction of the fiduciary relationship,
26 including any law requiring the fiduciary to obtain court
27 approval of the transfer; and

28 c. the issuer is not charged with notice of the contents
29 of any court record or file or other recorded or unrecorded
30 document even though the document is in its possession and
31 even though the transfer is made on the endorsement of a
32 fiduciary to the same fiduciary or to the fiduciary's nominee.

33 4. An issuer is under no duty as to adverse claims with
34 respect to an uncertificated security except:

35 a. claims embodied in a restraining order, injunction, or

1 other legal process served upon the issuer if the process was
2 served at a time and in a manner affording the issuer a
3 reasonable opportunity to act on it in accordance with the
4 requirements of subsection 5;

5 b. claims of which the user has received a written
6 notification from the registered owner or the registered
7 pledgee if the notification was received at a time and in a
8 manner affording the issuer a reasonable opportunity to act on
9 it in accordance with the requirements of subsection 5;

10 c. claims (including restrictions on transfer not imposed
11 by the issuer) to which the registration of transfer to the
12 present registered owner was subject and were so noted in the
13 initial transaction statement sent to the issuer; and

14 d. claims as to which an issuer is charged with notice
15 from a controlling instrument it has elected to require under
16 section 554.8402, subsection 4.

17 5. If the issuer of an uncertificated security is under a
18 duty as to an adverse claim, the issuer discharges that duty
19 by:

20 a. including a notation of the claim in any statements
21 sent with respect to the security under section 554.8408,
22 subsections 3, 6, and 7; and

23 b. refusing to register the transfer or pledge of the
24 security unless the nature of the claim does not preclude
25 transfer or pledge subject thereto.

26 6. If the transfer or pledge of the security is registered
27 subject to an adverse claim, a notation of the claim must be
28 included in the initial transaction statement and all
29 subsequent statements sent to the transferee and pledgee under
30 section 554.8408.

31 7. Notwithstanding subsections 4 and 5, if an
32 uncertificated security was subject to a registered pledge at
33 the time the issuer first came under a duty as to a particular
34 adverse claim, the issuer has no duty as to that claim if
35 transfer of the security is requested by the registered

1 pledgee or an appropriate person acting for the registered
2 pledgee unless:

3 a. the claim was embodied in legal process which expressly
4 provides otherwise;

5 b. the claim was asserted in a written notification from
6 the registered pledgee;

7 c. the claim was one as to which the issuer was charged
8 with notice from a controlling instrument it required under
9 section 554.8402, subsection 4 in connection with the
10 pledgee's request for transfer; or

11 d. the transfer requested is to the registered owner.

12 Sec. 40. Section 554.8404, Code 1989, is amended to read
13 as follows:

14 554.8404 LIABILITY AND NONLIABILITY FOR REGISTRATION.

15 1. Except as otherwise provided in any law relating to the
16 collection of taxes, the issuer is not liable to the owner,
17 pledgee, or any other person suffering loss as a result of the
18 registration of a transfer, pledge, or release of a security
19 if:

20 a. there were on or with the a certificated security the
21 necessary endorsements or the issuer had received an
22 instruction originated by an appropriate person (section
23 554.8308); and

24 b. the issuer had no duty to-inquire-into as to adverse
25 claims or has discharged any-such the duty (section 554.8403).

26 2. Where If an issuer has registered a transfer of a
27 certificated security to a person not entitled to it, the
28 issuer on demand must shall deliver a like security to the
29 true owner unless:

30 a. the registration was pursuant to subsection 1; or

31 b. the owner is precluded from asserting any claim for
32 registering the transfer under ~~subsection 1 of the following~~
33 section 554.8405, subsection 1; or

34 c. such the delivery would result in overissue, in which
35 case the issuer's liability is governed by section 554.8104.

1 3. If an issuer has improperly registered a transfer,
2 pledge, or release of an uncertificated security, the issuer
3 on demand from the injured party shall restore the records as
4 to the injured party to the condition that would have obtained
5 if the improper registration had not been made unless:

6 a. the registration was pursuant to subsection 1; or

7 b. the registration would result in overissue, in which
8 case the issuer's liability is governed by section 554.8104.

9 Sec. 41. Section 554.8405, Code 1989, is amended to read
10 as follows:

11 554.8405 LOST, DESTROYED, AND STOLEN CERTIFICATED
12 SECURITIES.

13 1. Where If a certificated security has been lost,
14 apparently destroyed, or wrongfully taken, and the owner fails
15 to notify the issuer of that fact within a reasonable time
16 after the owner has notice of it and the issuer registers a
17 transfer of the security before receiving such-a notification,
18 the owner is precluded from asserting against the issuer any
19 claim for registering the transfer under ~~the preceding~~ section
20 554.8404 or any claim to a new security under this section.

21 2. Where If the owner of a security claims that the a
22 certificated security has been lost, destroyed, or wrongfully
23 taken, the issuer ~~must~~ shall issue a new certificated security
24 or, at the option of the issuer, an equivalent uncertificated
25 security in place of the original security if the owner:

26 a. so requests before the issuer has notice that the
27 security has been acquired by a bona fide purchaser; and

28 b. files with the issuer a sufficient indemnity bond; and

29 c. satisfies any other reasonable requirements imposed by
30 the issuer.

31 3. If, after the issue of ~~the a~~ a new certificated or
32 uncertificated security, a bona fide purchaser of the original
33 certificated security presents it for registration of
34 transfer, the issuer ~~must~~ shall register the transfer unless
35 registration would result in overissue, in which event the

1 issuer's liability is governed by section 554.8104. In
2 addition to any rights on the indemnity bond, the issuer may
3 recover the new certificated security from the person to whom
4 it was issued or any person taking under the person to whom it
5 was issued except a bona fide purchaser or may cancel the
6 uncertificated security unless a bona fide purchaser or any
7 person taking under a bona fide purchaser is then the
8 registered owner or registered pledgee thereof.

9 Sec. 42. Section 554.8406, Code 1989, is amended to read
10 as follows:

11 554.8406 DUTY OF AUTHENTICATING TRUSTEE, TRANSFER AGENT OR
12 REGISTRAR.

13 1. Where If a person acts as authenticating trustee,
14 transfer agent, registrar, or other agent for an issuer in the
15 registration of transfers of its certificated securities or in
16 the registration of transfers, pledges, and releases of its
17 uncertificated securities, in the issue of new securities, or
18 in the cancellation of surrendered securities:

19 a. that person is under a duty to the issuer to exercise
20 good faith and due diligence in performing that person's
21 functions; and

22 ~~b. that person has~~ with regard to the particular functions
23 that person performs, that person has the same obligation to
24 the holder or owner of the a certificated security or to the
25 owner or pledgee of an uncertificated security and has the
26 same rights and privileges as the issuer has in regard to
27 those functions.

28 2. Notice to an authenticating trustee, transfer agent,
29 registrar or other ~~such~~ agent is notice to the issuer with
30 respect to the functions performed by the agent.

31 Sec. 43. NEW SECTION. 554.8407 EXCHANGEABILITY OF
32 SECURITIES.

33 1. No issuer is subject to the requirements of this
34 section unless it regularly maintains a system for issuing the
35 class of securities involved under which both certificated and

1 uncertificated securities are regularly issued to the category
2 of owners, which includes the person in whose name the new
3 security is to be registered.

4 2. Upon surrender of a certificated security with all
5 necessary endorsements and presentation of a written request
6 by the person surrendering the security, the issuer, if the
7 issuer has no duty as to adverse claims or has discharged the
8 duty (section 554.8403), shall issue to the person or a person
9 designated by that person an equivalent uncertificated
10 security subject to all liens, restrictions, and claims that
11 were noted on the certificated security.

12 3. Upon receipt of a transfer instruction originated by an
13 appropriate person who so requests, the issuer of an
14 uncertificated security shall cancel the uncertificated
15 security and issue an equivalent certificated security on
16 which must be noted conspicuously any liens and restrictions
17 of the issuer and any adverse claims (as to which the issuer
18 has a duty under section 554.8403, subsection 4) to which the
19 uncertificated security was subject. The certificated
20 security shall be registered in the name of and delivered to:

21 a. the registered owner, if the uncertificated security
22 was not subject to a registered pledge; or

23 b. the registered pledgee, if the uncertificated security
24 was subject to a registered pledge.

25 Sec. 44. NEW SECTION. 554.8408 STATEMENTS OF
26 UNCERTIFICATED SECURITIES.

27 1. Within two business days after the transfer of an
28 uncertificated security has been registered, the issuer shall
29 send to the new registered owner and, if the security has been
30 transferred subject to a registered pledge, to the registered
31 pledgee a written statement containing:

32 a. a description of the issue of which the uncertificated
33 security is a part;

34 b. the number of shares or units transferred;

35 c. the name and address and any taxpayer identification

1 number of the new registered owner and, if the security has
2 been transferred subject to a registered pledge, the name and
3 address and any taxpayer identification number of the
4 registered pledgee;

5 d. a notation of any liens and restrictions of the issuer
6 and any adverse claims (as to which the issuer has a duty
7 under section 554.8403, subsection 4) to which the
8 uncertificated security is or may be subject at the time of
9 registration or a statement that there are none of those
10 liens, restrictions, or adverse claims; and

11 e. the date the transfer was registered.

12 2. Within two business days after the pledge of an
13 uncertificated security has been registered, the issuer shall
14 send to the registered owner and the registered pledgee a
15 written statement containing:

16 a. a description of the issue of which the uncertificated
17 security is a part;

18 b. the number of shares or units pledged;

19 c. the name and address and any taxpayer identification
20 number of the registered owner and the registered pledgee;

21 d. a notation of any liens and restrictions of the issuer
22 and any adverse claims (as to which the issuer has a duty
23 under section 554.8403, subsection 4) to which the
24 uncertificated security is or may be subject at the time of
25 registration or a statement that there are none of those
26 liens, restrictions, or adverse claims; and

27 e. the date the pledge was registered.

28 3. Within two business days after the release from pledge
29 of an uncertificated security has been registered, the issuer
30 shall send to the registered owner and the pledgee whose
31 interest was released a written statement containing:

32 a. a description of the issue of which the uncertificated
33 security is a part;

34 b. the number of shares or units released from pledge;

35 c. the name and address and any taxpayer identification

1 number of the registered owner and the pledgee whose interest
2 was released;

3 d. a notation of any liens and restrictions of the issuer
4 and any adverse claims (as to which the issuer has a duty
5 under section 554.8403, subsection 4) to which the
6 uncertificated security is or may be subject at the time of
7 registration or a statement that there are none of those
8 liens, restrictions, or adverse claims; and

9 e. the date the release was registered.

10 4. An "initial transaction statement" is the statement
11 sent to:

12 a. the new registered owner and, if applicable, to the
13 registered pledgee pursuant to subsection 1;

14 b. the registered pledgee pursuant to subsection 2; or

15 c. the registered owner pursuant to subsection 3. Each
16 initial transaction statement shall be signed by or on behalf
17 of the issuer and must be identified as "initial transaction
18 statement".

19 5. Within two business days after the transfer of an
20 uncertificated security has been registered, the issuer shall
21 send to the former registered owner and the former registered
22 pledgee, if any, a written statement containing:

23 a. a description of the issue of which the uncertificated
24 security is a part;

25 b. the number of shares or units transferred;

26 c. the name and address and any taxpayer identification
27 number of the former registered owner and of any former
28 registered pledgee; and

29 d. the date the transfer was registered.

30 6. At periodic intervals no less frequent than annually
31 and at any time upon the reasonable written request of the
32 registered owner, the issuer shall send to the registered
33 owner of each uncertificated security a dated written
34 statement containing:

35 a. a description of the issue of which the uncertificated

- 1 security is a part;
- 2 b. the name and address and any taxpayer identification
- 3 number of the registered owner;
- 4 c. the number of shares or units of the uncertificated
- 5 security registered in the name of the registered owner on the
- 6 date of the statement;
- 7 d. the name and address and any taxpayer identification
- 8 number of any registered pledgee and the number of shares or
- 9 units subject to the pledge; and
- 10 e. a notation of any liens and restrictions of the issuer
- 11 and any adverse claims (as to which the issuer has a duty
- 12 under section 554.8403, subsection 4) to which the
- 13 uncertificated security is or may be subject or a statement
- 14 that there are none of those liens, restrictions, or adverse
- 15 claims.
- 16 7. At periodic intervals no less frequent than annually
- 17 and at any time upon the reasonable written request of the
- 18 registered pledgee, the issuer shall send to the registered
- 19 pledgee of each uncertificated security a dated written
- 20 statement containing:
 - 21 a. a description of the issue of which the uncertificated
 - 22 security is a part;
 - 23 b. the name and address and any taxpayer identification
 - 24 number of the registered owner;
 - 25 c. the name and address and any taxpayer identification
 - 26 number of the registered pledgee;
 - 27 d. the number of shares or units subject to the pledge;
 - 28 and
 - 29 e. a notation of any liens and restrictions of the issuer
 - 30 and any adverse claims (as to which the issuer has a duty
 - 31 under section 554.8403, subsection 4) to which the
 - 32 uncertificated security is or may be subject or a statement
 - 33 that there are none of those liens, restrictions, or adverse
 - 34 claims.
- 35 8. If the issuer sends the statements described in

1 subsections 6 and 7 at periodic intervals no less frequent
2 than quarterly, the issuer is not obliged to send additional
3 statements upon request unless the owner or pledgee requesting
4 them pays to the issuer the reasonable cost of furnishing
5 them.

6 9. Each statement sent pursuant to this section must bear
7 a conspicuous legend reading substantially as follows: "This
8 statement is merely a record of the rights of the addressee as
9 of the time of its issuance. Delivery of this statement, of
10 itself, confers no rights on the recipient. This statement is
11 neither a negotiable instrument nor a security."

12 Sec. 45. Section 554.9103, subsection 3, paragraph a, Code
13 1989, is amended to read as follows:

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

25 Sec. 46. Section 554.9103, Code 1989, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 6. UNCERTIFICATED SECURITIES. The law
28 (including the conflict of laws rules) of the jurisdiction of
29 organization of the issuer governs the perfection and the
30 effect of perfection or nonperfection of a security interest
31 in uncertificated securities.

32 Sec. 47. Section 554.9105, subsection 1, paragraph i, Code
33 1989, is amended to read as follows:

34 i. "Instrument" means a negotiable instrument (defined in
35 section 554.3104), or a certificated security (defined in

1 section 554.8102) or any other writing which evidences a right
2 to the payment of money and is not itself a security agreement
3 or lease and is of a type which is in ordinary course of
4 business transferred by delivery with any necessary
5 endorsement or assignment;

6 Sec. 48. Section 554.9203, subsection 1, Code 1989, is
7 amended to read as follows:

8 1. Subject to the provisions of section 554.4208 on the
9 security interest of a collecting bank, section 554.8321 on
10 security interests in securities and section 554.9113 on a
11 security interest arising under the Article on Sales, a
12 security interest is not enforceable against the debtor or
13 third parties with respect to the collateral and does not
14 attach unless:

15 a. the collateral is in the possession of the secured
16 party pursuant to agreement, or the debtor has signed a
17 security agreement which contains a description of the
18 collateral and in addition, when the security interest covers
19 crops growing or to be grown or timber to be cut, a
20 description of the land concerned; and

21 b. value has been given; and

22 c. the debtor has rights in the collateral.

23 Sec. 49. Section 554.9302, subsection 1, paragraph f, Code
24 1989, is amended to read as follows:

25 f. a security interest of a collecting bank (section
26 554.4208) or in securities (section 554.8321) or arising under
27 the Article on Sales (see section 554.9113) or covered in
28 subsection 3 of this section;

29 Sec. 50. Section 554.9304, subsections 1, 4, and 5, Code
30 1989, are amended to read as follows:

31 1. A security interest in chattel paper or negotiable
32 documents may be perfected by filing. A security interest in
33 money or instruments (other than certificated securities or
34 instruments which constitute part of chattel paper) can be
35 perfected only by the secured party's taking possession,

1 except as provided in subsections 4 and 5 of this section and
2 section 554.9306, subsections 2 and 3, on proceeds.

3 4. A security interest in instruments (other than
4 certificated securities) or negotiable documents is perfected
5 without filing or the taking of possession for a period of
6 twenty-one days from the time it attaches to the extent that
7 it arises for new value given under a written security
8 agreement.

9 5. A security interest remains perfected for a period of
10 twenty-one days without filing where a secured party having a
11 perfected security interest in an instrument (other than
12 certificated securities), a negotiable document or goods in
13 possession of a bailee other than one who has issued a
14 negotiable document therefor

15 a. makes available to the debtor the goods or documents
16 representing the goods for the purpose of ultimate sale or
17 exchange or for the purpose of loading, unloading, storing,
18 shipping, transshipping, manufacturing, processing or
19 otherwise dealing with them in a manner preliminary to their
20 sale or exchange, but priority between conflicting security
21 interests in the goods is subject to section 554.9312,
22 subsection 3; or

23 b. delivers the instrument to the debtor for the purpose
24 of ultimate sale or exchange or of presentation, collection,
25 renewal, or registration of transfer.

26 Sec. 51. Section 554.9305, Code 1989, is amended to read
27 as follows:

28 554.9305 WHEN POSSESSION BY SECURED PARTY PERFECTS
29 SECURITY INTEREST WITHOUT FILING.

30 A security interest in letters of credit and advices of
31 credit (subsection 2 "a" of section 554.5116), goods,
32 instruments (other than certificated securities), money,
33 negotiable documents or chattel paper may be perfected by the
34 secured party's taking possession of the collateral. If such
35 collateral other than goods covered by a negotiable document

1 is held by a bailee, the secured party is deemed to have
2 possession from the time the bailee receives notification of
3 the secured party's interest. A security interest is
4 perfected by possession from the time possession is taken
5 without relation back and continues only so long as possession
6 is retained, unless otherwise specified in this Article. The
7 security interest may be otherwise perfected as provided in
8 this Article before or after the period of possession by the
9 secured party.

10 Sec. 52. Section 554.9309, Code 1989, is amended to read
11 as follows:

12 554.9309 PROTECTION OF PURCHASERS OF INSTRUMENTS AND
13 DOCUMENTS AND SECURITIES.

14 Nothing in this Article limits the rights of a holder in
15 due course of a negotiable instrument (section 554.3302) or a
16 holder to whom a negotiable document of title has been duly
17 negotiated (section 554.7501) or a bona fide purchaser of a
18 security (section ~~554.8301~~ 554.8302) and such holders or
19 purchasers take priority over an earlier security interest
20 even though perfected. Filing under this Article does not
21 constitute notice of the security interest to such holders or
22 purchasers.

23 Sec. 53. Section 554.9312, subsection 7, Code 1989, is
24 amended to read as follows:

25 7. If future advances are made while a security interest
26 is perfected by filing, ~~or~~ the taking of possession, or under
27 section 554.8321 on securities, the security interest has the
28 same priority for the purposes of subsection 5 with respect to
29 the future advances as it does with respect to the first
30 advance. If a commitment is made before or while the security
31 interest is so perfected, the security interest has the same
32 priority with respect to advances made pursuant thereto. In
33 other cases a perfected security interest has priority from
34 the date the advance is made.

35 Sec. 54. Section 554.1201, subsections 5, 14, and 20, Code

1 1989, are amended to read as follows:

2 5. "Bearer" means the person in possession of an
3 instrument, document of title, or certificated security
4 payable to bearer or endorsed in blank.

5 14. "Delivery" with respect to instruments, documents of
6 title, chattel paper, or certificated securities means
7 voluntary transfer of possession.

8 20. "Holder" means a person who is in possession of a
9 document of title or an instrument or ~~an~~ a certificated
10 investment security drawn, issued, or endorsed to that person
11 or to that person's order or to bearer or in blank.

12 Sec. 55. Section 554.5114, subsection 2, Code 1989, is
13 amended to read as follows:

14 2. Unless otherwise agreed when documents appear on their
15 face to comply with the terms of a credit but a required
16 document does not in fact conform to the warranties made on
17 negotiation or transfer of a document of title (section
18 554.7507) or of a certificated security (section 554.8306) or
19 is forged or fraudulent or there is fraud in the transaction:

20 a. the issuer must honor the draft or demand for payment
21 if honor is demanded by a negotiating bank ~~of~~ or other holder
22 of the draft or demand which has taken the draft or demand
23 under the credit and under circumstances which would make it a
24 holder in due course (section 554.3302) and in an appropriate
25 case would make it a person to whom a document of title has
26 been duly negotiated (section 554.7502) or a bona fide
27 purchaser of a certificated security (section 554.8302); and

28 b. in all other cases as against its customer, an issuer
29 acting in good faith may honor the draft or demand for payment
30 despite notification from the customer of fraud, forgery or
31 other defect not apparent on the face of the documents but a
32 court of appropriate jurisdiction may enjoin such honor.

33

EXPLANATION

34 This bill adopts amendments to Article 8, the uniform
35 commercial code - investment securities chapter, recommended

1 by the national conference of commissioners on uniform state
2 laws in 1977. The scope of the title is broadened by the
3 amendments to include both securities which are "reified",
4 i.e., represented by certificates or other instruments, and
5 those which are not. Reified securities are termed
6 "certificated securities" and constitute the entire subject
7 matter of Article 8 as currently in the Code. The latter
8 group are termed "uncertificated securities" and are not now
9 expressly covered by the uniform commercial code. The revised
10 Article 8 governs the relationships, rights, and duties of the
11 issuers of and the parties that deal with both certificated
12 and uncertificated securities to the same extent that present
13 Article 8 governs such relationships, rights, and duties with
14 respect to certificated securities alone.

15 The Article does not purport to determine whether a
16 particular issue of securities should be represented by
17 certificates, in whole or in part. It is contemplated by the
18 commissioners who drafted the revisions to Article 8 that the
19 determination of form will be made by the issuer under
20 appropriate state Blue Sky Laws or federal law. It is further
21 contemplated that a particular issue of securities may be
22 partly certificated and partly uncertificated, in which event
23 the determination will be at the option of the owner to the
24 extent that the issuer permits.

25 The basic form of the Article has not been disturbed. Only
26 four new sections are included: 554.8108; 554.8321; 554.8407;
27 and 554.8408.

28 Conforming amendments are also made to Articles 1, 5, and
29 9.

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VARN, CH.
HORN
GENTLEMAN

SSB 303
JUDICIARY

SENATE FILE 475
BY (PROPOSED COMMITTEE ON
JUDICIARY BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to Article 8 of the Uniform Commercial Code, by
2 including both certificated and uncertificated securities
3 within the scope of Article 8, and by making conforming
4 amendments to Articles 1, 5, and 9.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 554.8102, Code 1989, is amended to read
2 as follows:

3 554.8102 DEFINITIONS AND INDEX OF DEFINITIONS.

4 1. In this Article, unless the context otherwise requires

5 ~~a. A "security" is an instrument which~~

6 ~~i. is issued in bearer or registered form; and~~

7 ~~ii. is of a type commonly dealt in upon securities~~

8 ~~exchanges or markets or commonly recognized in any area in~~

9 ~~which it is issued or dealt in as a medium for investment; and~~

10 ~~iii. is either one of a class or series or by its terms is~~

11 ~~divisible into a class or series of instruments; and~~

12 ~~iv. evidences a share, participation or other interest in~~

13 ~~property or in an enterprise or evidences an obligation of the~~

14 ~~issuer.~~

15 a. A "certified security" is a share, participation, or

16 other interest in property of or an enterprise of the issuer

17 or an obligation of the issuer which is

18 i. represented by an instrument issued in bearer or

19 registered form;

20 ii. of a type commonly dealt in on securities exchanges or

21 markets or commonly recognized in any area in which it is

22 issued or dealt in as a medium for investment; and

23 iii. either one of a class or series or by its terms

24 divisible into a class or series of shares, participations,

25 interests, or obligations.

26 b. An "uncertificated security" is a share, participation,

27 or other interest in property or an enterprise of the issuer

28 or an obligation of the issuer which is

29 i. not represented by an instrument and the transfer of

30 which is registered upon books maintained for that purpose by

31 or on behalf of the issuer;

32 ii. of a type commonly dealt in on securities exchanges or

33 markets; and

34 iii. either one of a class or series or by its terms

35 divisible into a class or series of shares, participations,

1 interests, or obligations.

2 b. c. A "security" is either a certificated or an
3 uncertificated security. If a security is certificated, the
4 terms "security" and "certificated security" may mean either the
5 intangible interest, the instrument representing that
6 interest, or both, as the context requires. A writing which
7 that is a certificated security is governed by this Article
8 and not by uniform-commercial-code---commercial-paper Article
9 3 even though it also meets the requirements of that Article.
10 This Article does not apply to money. If a certificated
11 security has been retained by or surrendered to the issuer or
12 its transfer agent for reasons other than registration of
13 transfer, other temporary purpose, payment, exchange, or
14 acquisition by the issuer, that security shall be treated as
15 an uncertificated security for purposes of this Article.

16 e. d. A certificated security is in "registered form" when
17 if:

18 i. it specifies a person entitled to the security or to
19 the rights it evidences represents, and when

20 ii. its transfer may be registered upon books maintained
21 for that purpose by or on behalf of an the issuer, or the
22 security so states.

23 d. e. A certificated security is in "bearer form" when if
24 it runs to bearer according to its terms and not by reason of
25 any endorsement.

26 2. A "subsequent purchaser" is a person who takes other
27 than by original issue.

28 3. A "clearing corporation" is a corporation registered as
29 a "clearing agency" as under federal securities laws or a
30 corporation:

31 a. At least ninety percent of the whose capital stock of
32 which is held by or for one or more persons,--other-than
33 individuals, and organizations, none of which, other than a
34 national securities exchange or association, holds in excess
35 of twenty percent of the capital stock of the corporation,

1 each of whom which is

2 i. is subject to supervision or regulation pursuant to the
3 provisions of federal or state banking laws or state insurance
4 laws, or

5 ii. is a broker or dealer or investment company registered
6 under the ~~Securities-Exchange-Act-of-1934-(48-Stat.-881;-15~~
7 ~~U.S.C.-78a-et-seq.)-or-the-Investment-Company-Act-of-1940-(54~~
8 ~~Stat.-789;-15-U.S.C.-80a-1-et-seq.)~~ federal securities laws,
9 or

10 iii. is a national securities exchange or association
11 registered under ~~a-statute-of-the-United-States-such-as-the~~
12 ~~Securities-Exchange-Act-of-1934~~ the federal securities laws,
13 and ~~none-of-whom,-other-than-a-national-securities-exchange-or~~
14 ~~association,-holds-in-excess-of-twenty-percent-of-the-capital~~
15 ~~stock-of-such-corporation,-and~~

16 b. Any remaining capital stock of which is held by
17 individuals who have purchased ~~such-capital-stock~~ it at or
18 prior to the time of their taking office as directors of ~~such~~
19 the corporation and who have purchased only so much of such
20 capital stock as ~~may-be~~ is necessary to permit them to qualify
21 as ~~such~~ directors.

22 4. A "custodian bank" is ~~any~~ a bank or trust company which
23 that is supervised and examined by state or federal authority
24 having supervision over banks and which is acting as custodian
25 for a clearing corporation.

26 5. Other definitions applying to this Article or to
27 specified Parts thereof and the sections in which they appear
28 are:

| | |
|-------------------------------------|--|
| 29 "Adverse claim". | Section 554.8301 <u>554.8302.</u> |
| 30 "Bona fide purchaser". | Section 554.8302. |
| 31 "Broker". | Section 554.8303. |
| 32 <u>"Debtor".</u> | <u>Section 554.9105.</u> |
| 33 <u>"Financial Intermediary".</u> | <u>Section 554.8313.</u> |
| 34 "Guarantee of the | |
| 35 signature". | Section 554.8402. |

| | | |
|---|------------------------------|--------------------------|
| 1 | <u>"Initial transaction</u> | |
| 2 | <u>statement".</u> | <u>Section 554.8408.</u> |
| 3 | <u>"Instruction".</u> | <u>Section 554.8308.</u> |
| 4 | "Intermediary bank". | Section 554.4105. |
| 5 | "Issuer". | Section 554.8201. |
| 6 | "Overissue". | Section 554.8104. |
| 7 | <u>"Secured party".</u> | <u>Section 554.9105.</u> |
| 8 | <u>"Security agreement".</u> | <u>Section 554.9105.</u> |

9 6. In addition Article 1 contains general definitions and
10 principles of construction and interpretation applicable
11 throughout this Article.

12 Sec. 2. Section 554.8103, Code 1989, is amended to read as
13 follows:

14 554.8103 ISSUER'S LIEN.

15 A lien upon a security in favor of an issuer thereof is
16 valid against a purchaser only if:

17 a. the security is certificated and the right of the
18 issuer to such the lien is noted conspicuously on-the-security
19 thereon; or

20 b. the security is uncertificated and a notation of the
21 right of the issuer to the lien is contained in the initial
22 transaction statement sent to the purchaser or, if the
23 purchaser's interest is transferred to the purchaser other
24 than by registration of transfer, pledge, or release, the
25 initial transaction statement sent to the registered owner or
26 the registered pledgee.

27 Sec. 3. Section 554.8104, Code 1989, is amended to read as
28 follows:

29 554.8104 EFFECT OF OVERISSUE -- "OVERISSUE."

30 1. The provisions of this Article which validate a
31 security or compel its issue or reissue do not apply to the
32 extent that validation, issue or reissue would result in
33 overissue; but if:

34 a. if an identical security which does not constitute an
35 overissue is reasonably available for purchase, the person

1 entitled to issue or validation may compel the issuer to
2 purchase ~~and deliver such a~~ the security to for that person
3 and either to deliver a certificated security or to register
4 the transfer of an uncertificated security to that person
5 against surrender of the any certificated security, if any,
6 which that person holds; or

7 b. ~~if~~ a security is not so available for purchase, the
8 person entitled to issue or validation may recover from the
9 issuer the price that person or the last purchaser for value
10 paid for it with interest from the date of that person's
11 demand.

12 2. "Overissue" means the issue of securities in excess of
13 the amount which the issuer has corporate power to issue.

14 Sec. 4. Section 554.8105, Code 1989, is amended to read as
15 follows:

16 554.8105 CERTIFICATED SECURITIES NEGOTIABLE -- STATEMENTS
17 AND INSTRUCTIONS NOT NEGOTIABLE -- PRESUMPTIONS.

18 1. Securities Certificated securities governed by this
19 Article are negotiable instruments.

20 2. Statements (section 554.8408), notices, or the like,
21 sent by the issuer of uncertificated securities and
22 instructions (section 554.8308) are neither negotiable
23 instruments nor certificated securities.

24 3. In any action on a security:

25 a. unless specifically denied in the pleadings, each
26 signature on the a certificated security or, in a necessary
27 endorsement, on an initial transaction statement, or on an
28 instruction, is admitted;

29 b. when if the effectiveness of a signature is put in
30 issue, the burden of establishing it is on the party claiming
31 under the signature, but the signature is presumed to be
32 genuine or authorized;

33 c. when if signatures on a certificated security are
34 admitted or established, production of the instrument security
35 entitles a holder to recover on it unless the defendant

1 establishes a defense or a defect going to the validity of the
2 security; and

3 d. if signatures on an initial transaction statement are
4 admitted or established, the facts stated in the statement are
5 presumed to be true as of the time of its issuance; and

6 d e. after it is shown that a defense or defect exists,
7 the plaintiff has the burden of establishing that the
8 plaintiff or some person under whom the plaintiff claims is a
9 person against whom the defense or defect is ineffective
10 (section 554.8202).

11 Sec. 5. Section 554.8106, Code 1989, is amended to read as
12 follows:

13 554.8106 APPLICABILITY.

14 The law (including the conflict of laws rules) of the
15 jurisdiction of organization of the issuer governs

16 the the validity of a security, the effectiveness of
17 registration by the issuer, and the rights and duties of the
18 issuer with respect to:

19 a. registration of transfer of a certificated security;
20 ~~are-governed-by-the-law-(including-the-conflict-of-laws-rules)~~
21 ~~of-the-jurisdiction-of-organization-of-the-issuer.~~

22 b. registration of transfer, pledge, or release of an
23 uncertificated security; and

24 c. sending of statements of uncertificated securities.

25 Sec. 6. Section 554.8107, Code 1989, is amended to read as
26 follows:

27 554.8107 SECURITIES ~~DELIVERABLE~~ TRANSFERABLE -- ACTION FOR
28 PRICE.

29 1. Unless otherwise agreed and subject to any applicable
30 law or regulation respecting short sales, a person obligated
31 to ~~deliver~~ transfer securities may ~~deliver~~ transfer any
32 certificated security of the specified issue in bearer form or
33 registered in the name of the transferee, or endorsed to the
34 transferee, or in blank, or the transferor may transfer an
35 equivalent uncertificated security to the transferee or a

1 person designated by the transferee.

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

5 a. of certificated securities accepted by the buyer; and

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

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

11 Sec. 7. NEW SECTION. 554.8108 REGISTRATION OF PLEDGE AND
12 RELEASE OF UNCERTIFICATED SECURITIES.

13 A security interest in an uncertificated security may be
14 evidenced by the registration of pledge to the secured party
15 or a person designated by the secured party. There can be no
16 more than one registered pledge of an uncertificated security
17 at any time. The registered owner of an uncertificated
18 security is the person in whose name the security is
19 registered, even if the security is subject to a registered
20 pledge. The rights of a registered pledgee of an
21 uncertificated security under this Article are terminated by
22 the registration of release.

23 Sec. 8. Section 554.8201, Code 1989, is amended to read as
24 follows:

25 554.8201 "ISSUER."

26 1. With respect to obligations on or defenses to a
27 security "issuer" includes a person who:

28 a. places or authorizes the placing of that person's name
29 on a certificated security (otherwise than as authenticating
30 trustee, registrar, transfer agent, or the like) to evidence
31 that it represents a share, participation, or other interest
32 in that person's property or in an enterprise or to evidence
33 that person's duty to perform an obligation evidenced
34 represented by the certificated security; or

35 b. creates shares, participations or other interests in

1 the person's property or in an enterprise or undertakes
2 obligations, which shares, participations, interests, or
3 obligations are uncertificated securities;

4 b c. directly or indirectly creates fractional interests
5 in that person's rights or property, which fractional
6 interests are evidenced represented by certificated
7 securities; or

8 e d. becomes responsible for or in place of any other
9 person described as an issuer in this section.

10 2. With respect to obligations on or defenses to a
11 security, a guarantor is an issuer to the extent of the
12 guarantor's guaranty, whether or not the guarantor's
13 obligation is noted on the a certificated security or on
14 statements of uncertificated securities sent pursuant to
15 section 554.8408.

16 3. With respect to registration of transfer, pledge, or
17 release (Part 4 of this Article), "issuer" means a person on
18 whose behalf transfer books are maintained.

19 Sec. 9. Section 554.8202, Code 1989, is amended to read as
20 follows:

21 554.8202 ISSUER'S RESPONSIBILITY AND DEFENSES -- NOTICE OF
22 DEFECT OR DEFENSE.

23 1. Even against a purchaser for value and without notice,
24 the terms of a security include:

25 a. if the security is certificated, those stated on the
26 security;

27 b. if the security is uncertificated, those contained in
28 the initial transaction statement sent to such purchaser, or
29 if the purchaser's interest is transferred to the purchaser
30 other than by registration of transfer, pledge, or release,
31 the initial transaction statement sent to the registered owner
32 or registered pledgee; and

33 c. those made part of the security by reference, on the
34 certificated security or in the initial transaction statement,
35 to another instrument, indenture, or document or to a

1 constitution, statute, ordinance, rule, regulation, order or
2 the like, to the extent that the terms so referred to do not
3 conflict with the stated terms stated on the certificated
4 security or contained in the initial statement. Such-a A
5 reference under this paragraph does not of itself charge a
6 purchaser for value with notice of a defect going to the
7 validity of the security, even though the certificated
8 security or statement expressly states that a person accepting
9 it admits such notice.

10 2. a- A certificated security in the hands of a purchaser
11 for value or an uncertificated security as to which an initial
12 transaction statement has been sent to a purchaser for value,
13 other than one a security issued by a government or
14 governmental agency or unit, even though issued with a defect
15 going to its validity, is valid in-the-hands-of-a with respect
16 to the purchaser for-value-and if the purchaser is without
17 notice of the particular defect unless the defect involves a
18 violation of constitutional provisions, in which case the
19 security is valid in-the-hands-of with respect to a subsequent
20 purchaser for value and without notice of the defect.

21 b.--~~The rule of subparagraph "a"~~ This subsection applies to
22 an issuer which that is a government or governmental agency or
23 unit only if either there has been substantial compliance with
24 the legal requirements governing the issue or the issuer has
25 received a substantial consideration for the issue as a whole
26 or for the particular security and a stated purpose of the
27 issue is one for which the issuer has power to borrow money or
28 issue the security.

29 3. Except as otherwise provided in the case of certain
30 unauthorized signatures on-issue (section 554.8205), lack of
31 genuineness of a certificated security or an initial
32 transaction statement is a complete defense, even against a
33 purchaser for value and without notice.

34 4. All other defenses of the issuer of a certificated or
35 uncertificated security, including nondelivery and conditional

1 delivery of the a certificated security, are ineffective
2 against a purchaser for value who has taken without notice of
3 the particular defense.

4 5. Nothing in this section shall be construed to affect
5 the right of a party to a "when, as and if issued" or a "when
6 distributed" contract to cancel the contract in the event of a
7 material change in the character of the security which that is
8 the subject of the contract or in the plan or arrangement
9 pursuant to which such the security is to be issued or
10 distributed.

11 Sec. 10. Section 554.8203, Code 1989, is amended to read
12 as follows:

13 554.8203 STALENESS AS NOTICE OF DEFECTS OR DEFENSES.

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

21 a. if the act or event is one requiring the payment of
22 money ~~or~~, the delivery of certificated securities, the
23 registration of transfer of uncertificated securities, or both
24 any of these on presentation or surrender of the certificated
25 security ~~and-such~~, the funds or securities are available on
26 the date set for payment or exchange, and the purchaser takes
27 the security more than one year after that date; and

28 b. if the act or event is not covered by paragraph "a" and
29 the purchaser takes the security more than two years after the
30 date set for surrender or presentation or the date on which
31 ~~such~~ performance became due.

32 2. A call which that has been revoked is not within
33 subsection 1.

34 Sec. 11. Section 554.8204, Code 1989, is amended to read
35 as follows:

1 554.8204 EFFECT OF ISSUER'S RESTRICTIONS ON TRANSFER.

2 ~~Unless-noted-conspicuously-on-the-security-a~~ A restriction
3 on transfer of a security imposed by the issuer, even though
4 otherwise lawful, is ineffective ~~except~~ against a any person
5 ~~with~~ without actual knowledge of it: unless:

6 a. the security is certificated and the restriction is
7 noted conspicuously thereon; or

8 b. the security is uncertificated and a notation of the
9 restriction is contained in the initial transaction statement
10 sent to the person or, if the person's interest is transferred
11 to the person other than by registration of transfer, pledge,
12 or release, the initial transaction statement sent to the
13 registered owner or the registered pledgee.

14 Sec. 12. Section 554.8205, Code 1989, is amended to read
15 as follows:

16 554.8205 EFFECT OF UNAUTHORIZED SIGNATURE ON ~~ISSUE~~
17 CERTIFICATED SECURITY OR INITIAL TRANSACTION STATEMENT.

18 An unauthorized signature placed on a certificated security
19 prior to or in the course of issue or placed on an initial
20 transaction statement is ineffective, ~~except-that~~ but the
21 signature is effective in favor of a purchaser for value ~~and~~
22 of the certificated security or a purchaser for value of an
23 uncertificated security to whom such initial transaction
24 statement has been sent, if the purchaser is without notice of
25 the lack of authority and if the signing has been done by:

26 a. an authenticating trustee, registrar, transfer agent or
27 other person entrusted by the issuer with the signing of the
28 security or, of similar securities, or of initial transactions
29 statements or their the immediate preparation for signing of
30 any of them; or

31 b. an employee of the issuer, or of any of the foregoing,
32 entrusted with responsible handling of the security or initial
33 transaction statement.

34 Sec. 13. Section 554.8206, Code 1989, is amended to read
35 as follows:

1 554.8206 COMPLETION OR ALTERATION OF INSTRUMENT
2 CERTIFICATED SECURITY OR INITIAL TRANSACTION STATEMENT.

3 1. Where if a certificated security contains the
4 signatures necessary to its issue or transfer but is
5 incomplete in any other respect:

6 a. any person may complete it by filling in the blanks as
7 authorized; and

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

11 2. A complete certificated security which that has been
12 improperly altered, even though fraudulently, remains
13 enforceable, but only according to its original terms.

14 3. If an initial transaction statement contains the
15 signatures necessary to its validity, but is incomplete in any
16 other respect:

17 a. any person may complete it by filling in the blanks as
18 authorized; and

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

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

27 Sec. 14. Section 554.8207, Code 1989, is amended to read
28 as follows:

29 554.8207 RIGHTS OF ISSUER WITH RESPECT TO REGISTERED
30 OWNERS.

31 1. Prior to due presentment for registration of transfer
32 of a certificated security in registered form, the issuer or
33 indenture trustee may treat the registered owner as the person
34 exclusively entitled to vote, to receive notifications, and
35 otherwise to exercise all the rights and powers of an owner.

1 2. Subject to the provisions of subsections 3, 4, and 6,
2 the issuer or indenture trustee may treat the registered owner
3 of an uncertificated security as the person exclusively
4 entitled to vote, to receive notifications, and otherwise to
5 exercise all the rights and powers of an owner.

6 3. The registered owner of an uncertificated security that
7 is subject to a registered pledge is not entitled to
8 registration of transfer prior to the due presentment to the
9 issuer of a release instruction. The exercise of conversion
10 rights with respect to a convertible uncertificated security
11 is a transfer within the meaning of this section.

12 4. Upon due presentment of a transfer instruction from the
13 registered pledgee of an uncertificated security, the issuer
14 shall:

15 a. register the transfer of the security to the new owner
16 free of pledge, if the instruction specifies a new owner (who
17 may be the registered pledgee) and does not specify a pledgee;

18 b. register the transfer of the security to the new owner
19 subject to the interest of the existing pledgee, if the
20 instruction specifies a new owner and the existing pledgee; or

21 c. register the release of the security from the existing
22 pledge and register the pledge of the security to the other
23 pledgee, if the instruction specifies the existing owner and
24 another pledgee.

25 5. Continuity of perfection of a security interest is not
26 broken by registration of transfer under subsection (4)(b) or
27 by registration of release and pledge under subsection (4)(c),
28 if the security interest is assigned.

29 6. If an uncertificated security is subject to a
30 registered pledge:

31 a. any uncertificated securities issued in exchange for or
32 distributed with respect to the pledged security shall be
33 registered subject to the pledge;

34 b. any certificated securities issued in exchange for or
35 distributed with respect to the pledged security shall be

1 delivered to the registered pledgee; and
2 c. any money paid in exchange for or in redemption of part
3 or all of the security shall be paid to the registered
4 pledgee.

5 27. Nothing in this Article shall be construed to affect
6 the liability of the registered owner of a security for calls,
7 assessments, or the like.

8 Sec. 15. Section 554.8208, Code 1989, is amended to read
9 as follows:

10 554.8208 EFFECT OF SIGNATURE OF AUTHENTICATING TRUSTEE,
11 REGISTRAR OR TRANSFER AGENT.

12 1. A person placing that person's signature upon a
13 certificated security or an initial transaction statement as
14 authenticating trustee, registrar, transfer agent, or the
15 like, warrants to a purchaser for value of the certificated
16 security or a purchaser for value of an uncertificated
17 security to whom the initial transaction statement has been
18 sent, if the purchaser is without notice of the particular
19 defect, that:

20 a. the certificated security or initial transaction
21 statement is genuine; and

22 b. that person's own participation in the issue or
23 registration of transfer, pledge, or release of the security
24 is within that person's capacity and within the scope of the
25 authorization authority received by that person from the
26 issuer; and

27 c. that person has reasonable grounds to believe that the
28 security is in the form and within the amount the issuer is
29 authorized to issue.

30 2. Unless otherwise agreed, a person by so placing that
31 person's signature does not assume responsibility for the
32 validity of the security in other respects.

33 Sec. 16. Section 554.8301, Code 1989, is amended to read
34 as follows:

35 554.8301 RIGHTS ACQUIRED BY PURCHASER ---"ADVERSE-CLAIM"---

1 --~~TITLE-ACQUIRED-BY-BONA-FIDE-PURCHASER.~~

2 1. Upon delivery transfer of a security to a purchaser
3 (section 554.8313), the purchaser acquires the rights in the
4 security which the purchaser's transferor had or had actual
5 authority to convey ~~except that a purchaser who has personally~~
6 ~~been a party to any fraud or illegality affecting the security~~
7 ~~or who as a prior holder had notice of an adverse claim cannot~~
8 ~~improve that purchaser's position by taking from a later bona~~
9 ~~fide purchaser. -- "Adverse claim" includes a claim that a~~
10 ~~transfer was or would be wrongful or that a particular adverse~~
11 ~~person is the owner of or has an interest in the security~~
12 unless the purchaser's rights are limited by section 554.8302,
13 subsection 4.

14 2. ~~A bona fide purchaser in addition to acquiring the~~
15 ~~rights of a purchaser also acquires the security free of any~~
16 ~~adverse claim.~~

17 3 2. A purchaser transferee of a limited interest acquires
18 rights only to the extent of the interest purchased
19 transferred. The creation or release of a security interest
20 in a security is the transfer of a limited interest in that
21 security.

22 Sec. 17. Section 554.8302, Code 1989, is amended to read
23 as follows:

24 554.8302 "BONA FIDE PURCHASER" -- "ADVERSE CLAIM" -- TITLE
25 ACQUIRED BY BONA FIDE PURCHASER.

26 1. A "bona fide purchaser" is a purchaser for value in
27 good faith and without notice of any adverse claim:

28 a. who takes delivery of a certificated security in bearer
29 form or ~~of one~~ in registered form, issued to that purchaser or
30 endorsed to that purchaser or in blank; ;

31 b. to whom the transfer, pledge, or release of an
32 uncertificated security is registered on the books of the
33 issuer; or

34 c. to whom a security is transferred under the provisions
35 of paragraph (c), (d)(i), or (g) of section 554.8313,

1 subsection 1.

2 2. "Adverse claim" includes a claim that a transfer was or
3 would be wrongful or that a particular adverse person is the
4 owner of or has an interest in the security.

5 3. A bona fide purchaser in addition to acquiring the
6 rights of a purchaser (section 554.8301) also acquires
7 interest in the security free of any adverse claim.

8 4. Notwithstanding section 554.8301, subsection 1, the
9 transferee of a particular certificated security who has been
10 a party to any fraud or illegality affecting the security, or
11 who as a prior holder of that certificated security had notice
12 of an adverse claim, cannot improve the transferee's position
13 by taking from a bona fide purchaser.

14 Sec. 18. Section 554.8303, Code 1989, is amended to read
15 as follows:

16 554.8303 "BROKER."

17 "Broker" means a person engaged for all or part of the
18 person's time in the business of buying and selling
19 securities, who in the transaction concerned acts for, or buys
20 a security from, or sells a security to, a customer. Nothing
21 in this Article determines the capacity in which a person acts
22 for purposes of any other statute or rule to which such the
23 person is subject.

24 Sec. 19. Section 554.8304, Code 1989, is amended to read
25 as follows:

26 554.8304 NOTICE TO PURCHASER OF ADVERSE CLAIMS.

27 1. A purchaser (including a broker for the seller or buyer
28 but excluding an intermediary bank) of a certificated security
29 is charged with notice of adverse claims if:

30 a. the security, whether in bearer or registered form, has
31 been endorsed "for collection" or "for surrender" or for some
32 other purpose not involving transfer; or

33 b. the security is in bearer form and has on it an
34 unambiguous statement that it is the property of a person
35 other than the transferor. The mere writing of a name on a

1 security is not such a statement.

2 2. A purchaser (including a broker for the seller or
3 buyer, but excluding an intermediary bank) to whom the
4 transfer, pledge, or release of an uncertificated security is
5 registered is charged with notice of adverse claims as to
6 which the issuer has a duty under section 554.8403, subsection
7 4 at the time of registration and which are noted in the
8 initial transaction statement sent to the purchaser or, if the
9 purchaser's interest is transferred to the purchaser other
10 than by registration of transfer, pledge, or release, the
11 initial transaction statement sent to the registered owner or
12 the registered pledgee.

13 2 3. The fact that the purchaser (including a broker for
14 the seller or buyer) of a certificated or uncertificated
15 security has notice that the security is held for a third
16 person or is registered in the name of or endorsed by a
17 fiduciary does not create a duty of inquiry into the
18 rightfulness of the transfer or constitute constructive notice
19 of adverse claims. ~~ff7-however~~ However, if the purchaser
20 (excluding an intermediary bank) has knowledge that the
21 proceeds are being used or that the transaction is for the
22 individual benefit of the fiduciary or otherwise in breach of
23 duty, the purchaser is charged with notice of adverse claims.

24 Sec. 20. Section 554.8305, Code 1989, is amended to read
25 as follows:

26 554.8305 STALENESS AS NOTICE OF ADVERSE CLAIMS.

27 An act or event ~~which~~ that creates a right to immediate
28 performance of the principal obligation ~~evidenced~~ represented
29 by ~~the~~ a certificated security or ~~which~~ sets a date on or
30 after which ~~the~~ a certificated security is to be presented or
31 surrendered for redemption or exchange does not of itself
32 constitute any notice of adverse claims except in the case of
33 a purchase transfer:

34 a. after one year from any date set for ~~such~~ presentment
35 or surrender for redemption or exchange; or

1 b. after six months from any date set for payment of money
2 against presentation or surrender of the security if funds are
3 available for payment on that date.

4 Sec. 21. Section 554.8306, Code 1989, is amended to read
5 as follows:

6 554.8306 WARRANTIES ON PRESENTMENT AND TRANSFER OF
7 CERTIFICATED SECURITIES -- WARRANTIES OF ORIGINATORS OF
8 INSTRUCTIONS.

9 1. A person who presents a certificated security for
10 registration of transfer or for payment or exchange, warrants
11 to the issuer that the person is entitled to the registration,
12 payment or exchange. But, a purchaser for value and without
13 notice of adverse claims who receives a new, reissued, or
14 reregistered certificated security on registration or transfer
15 or receives an initial transaction statement confirming the
16 registration of transfer of an equivalent uncertificated
17 security to that purchaser warrants only that that purchaser
18 has no knowledge of any unauthorized signature (section
19 554.8311) in a necessary endorsement.

20 2. A person by transferring a certificated security to a
21 purchaser for value warrants only that:

22 a. the person's transfer is effective and rightful; and

23 b. the security is genuine and has not been materially
24 altered; and

25 c. the person knows of no fact which might impair the
26 validity of the security.

27 3. Where If a certificated security is delivered by an
28 intermediary known to be entrusted with delivery of the
29 security on behalf of another or with collection of a draft or
30 other claim against such delivery, the intermediary by such
31 delivery warrants only the intermediary's own good faith and
32 authority, even though the intermediary has purchased or made
33 advances against the claim to be collected against the
34 delivery.

35 4. A pledgee or other holder for security who redelivers

1 the a certificated security received, or after payment and on
2 order of the debtor delivers that security to a third person,
3 makes only the warranties of an intermediary under subsection
4 3.

5 5. A person who originates an instruction warrants to the
6 issuer that:

7 a. the originator is an appropriate person to originate
8 the instruction; and

9 b. at the time the instruction is presented to the issuer
10 the originator will be entitled to the registration of
11 transfer, pledge, or release.

12 6. A person who originates an instruction warrants to any
13 person specially guaranteeing the originator's signature
14 (section 554.8312, subsection 3) that:

15 a. the originator is an appropriate person to originate
16 the instruction; and

17 b. at the time the instruction is presented to the issuer

18 i. the originator will be entitled to the registration of
19 transfer, pledge, or release; and

20 ii. the transfer, pledge, or release requested in the
21 instruction will be registered by the issuer free from all
22 liens, security interests, restrictions, and claims other than
23 those specified in the instruction.

24 7. A person who originates an instruction warrants to a
25 purchaser for value and to any person guaranteeing the
26 instruction (section 554.8312, subsection 6) that:

27 a. the originator is an appropriate person to originate
28 the instruction;

29 b. the uncertificated security referred to therein is
30 valid; and

31 c. at the time the instruction is presented to the issuer

32 i. the transferor will be entitled to the registration of
33 transfer, pledge, or release;

34 ii. the transfer, pledge, or release requested in the
35 instruction will be registered by the issuer free from all

1 liens, security interests, restrictions, and claims other than
2 those specified in the instructions and

3 iii. the requested transfer, pledge, or release will be
4 rightful.

5 8. If a secured party is the registered pledgee or the
6 registered owner of an uncertificated security, a person who
7 originates an instruction of release or transfer to the debtor
8 or, after payment and on order of the debtor, a transfer
9 instruction to a third person, warrants to the debtor or the
10 third person only that the secured party is an appropriate
11 person to originate the instruction and at the time the
12 instruction is presented to the issuer, the transferor will be
13 entitled to the registration of release or transfer. If a
14 transfer instruction to a third person who is a purchaser for
15 value is originated on order of the debtor, the debtor makes
16 to the purchaser the warranties of paragraphs "b", "c", ii,
17 and "c" iii of subsection 7.

18 9. A person who transfers an uncertificated security to a
19 purchaser for value and does not originate an instruction in
20 connection with the transfer warrants only that:

- 21 a. The person's transfer is effective and rightful; and
22 b. The uncertificated security is valid.

23 5 10. A broker gives to the broker's customer and to the
24 issuer and a purchaser the applicable warranties provided in
25 this section and has the rights and privileges of a purchaser
26 under this section. The warranties of and in favor of the
27 broker acting as an agent are in addition to applicable
28 warranties given by and in favor of the broker's customer.

29 Sec. 22. Section 554.8307, Code 1989, is amended to read
30 as follows:

31 554.8307 EFFECT OF DELIVERY WITHOUT ENDORSEMENT -- RIGHT
32 TO COMPEL ENDORSEMENT.

33 Where If a certificated security in registered form has
34 been delivered to a purchaser without a necessary endorsement
35 the purchaser may become a bona fide purchaser only as of the

1 time the endorsement is supplied; but against the transferor,
2 the transfer is complete upon delivery and the purchaser has a
3 specifically enforceable right to have any necessary
4 endorsement supplied.

5 Sec. 23. Section 554.8308, Code 1989, is amended to read
6 as follows:

7 554.8308 ENDORSEMENT;--HOW-MADE----SPECIAL-ENDORSEMENT---
8 ENDORSER-NOT-A-GUARANTOR----PARTIAL-ASSIGNMENT ENDORSEMENTS --
9 INSTRUCTIONS.

10 1. An endorsement of a certificated security in registered
11 form is made when an appropriate person signs on it or on a
12 separate document an assignment or transfer of the security or
13 a power to assign or transfer it or when the person's
14 signature of such person is written without more upon the back
15 of the security.

16 2. An endorsement may be in blank or special. An
17 endorsement in blank includes an endorsement to bearer. A
18 special endorsement specifies the person to whom the security
19 is to be transferred, or who has power to transfer it. A
20 holder may convert a blank endorsement into a special
21 endorsement.

22 3. An endorsement purporting to be only of part of a
23 certificated security representing units intended by the
24 issuer to be separately transferable is effective to the
25 extent of the endorsement.

26 4. An "instruction" is an order to the issuer of an
27 uncertificated security requesting that the transfer, pledge,
28 or release from pledge of the uncertificated security
29 specified therein be registered.

30 5. An instruction originated by an appropriate person is:
31 a. a writing signed by an appropriate person; or
32 b. a communication to the issuer in any form agreed upon
33 in a writing signed by the issuer and an appropriate person.

34 If an instruction has been originated by an appropriate
35 person but is incomplete in any other respect, any person may

1 complete it as authorized and the issuer may rely on it as
2 completed even though it has been completed incorrectly.

3 3 6. "An appropriate person" in subsection 1 means
4 a- the person specified by the certificated security or by
5 special endorsement to be entitled to the security; ~~or.~~

6 7. "An appropriate person" in subsection 5 means:

7 a. for an instruction to transfer or pledge an
8 uncertificated security which is then not subject to a
9 registered pledge, the registered owner; or
10 b. for an instruction to transfer or release an
11 uncertificated security which is then subject to a registered
12 pledge, the registered pledgee.

13 8. In addition to the persons designated in subsections 6
14 and 7, "an appropriate person" in subsections 1 and 5
15 includes:

16 b a. where if the person so-specified designated is
17 described as a fiduciary but is no longer serving in the
18 described capacity, -- either that person or that person's
19 successor; or

20 e b. where if the security-or-endorsement-so-specifies
21 persons designated are described as more than one person as
22 fiduciaries and one or more are no longer serving in the
23 described capacity, -- the remaining fiduciary or fiduciaries,
24 whether or not a successor has been appointed or qualified; or

25 d c. where if the person so-specified designated is an
26 individual and is without capacity to act by virtue of death,
27 incompetence, infancy, or otherwise, -- that person's
28 executor, administrator, guardian, or like fiduciary; or

29 e d. where if the security-or-endorsement-so-specifies
30 persons designated are described as more than one person as
31 tenants by the entirety or with right of survivorship and by
32 reason of death all cannot sign, -- the survivor or survivors;
33 or

34 f e. a person having power to sign under applicable law or
35 controlling instrument; or and

S.F. _____ H.F. _____

1 g f. to the extent that the person designated or any of
2 the foregoing persons may act through an agent, -- that
3 person's authorized agent.

4 4 9. Unless otherwise agreed, the endorser of a
5 certificated security by the endorser's endorsement or the
6 originator of an instruction by the originator's origination
7 assumes no obligation that the security will be honored by the
8 issuer but only the obligations provided in section 554.8306.

9 ~~5--An-endorsement-purporting-to-be-only-of-part-of-a~~
10 ~~security-representing-units-intended-by-the-issuer-to-be~~
11 ~~separately-transferable-is-effective-to-the-extent-of-the~~
12 ~~endorsement.~~

13 6 10. Whether the person signing is appropriate is
14 determined as of the date of signing and an endorsement made
15 by or an instruction originated by such-a the person does not
16 become unauthorized for the purposes of this Article by virtue
17 of any subsequent change of circumstances.

18 7 11. Failure of a fiduciary to comply with a controlling
19 instrument or with the law of the state having jurisdiction of
20 the fiduciary relationship, including any law requiring the
21 fiduciary to obtain court approval of the transfer, pledge, or
22 release, does not render the fiduciary's endorsement or an
23 instruction originated by the fiduciary unauthorized for the
24 purposes of this Article.

25 Sec. 24. Section 554.8309, Code 1989, is amended to read
26 as follows:

27 554.8309 EFFECT OF ENDORSEMENT WITHOUT DELIVERY.

28 An endorsement of a certificated security, whether special
29 or in blank, does not constitute a transfer until delivery of
30 the certificated security on which it appears or, if the
31 endorsement is on a separate document, until delivery of both
32 the document and the certificated security.

33 Sec. 25. Section 554.8310, Code 1989, is amended to read
34 as follows:

35 554.8310 ENDORSEMENT OF CERTIFICATED SECURITY IN BEARER

1 FORM.

2 An endorsement of a certificated security in bearer form
3 may give notice of adverse claims (section 554.8304) but does
4 not otherwise affect any right to registration the holder may
5 possess possesses.

6 Sec. 26. Section 554.8311, Code 1989, is amended to read
7 as follows:

8 554.8311 EFFECT OF UNAUTHORIZED ENDORSEMENT OR
9 INSTRUCTION.

10 Unless the owner or pledgee has ratified an unauthorized
11 endorsement or instruction or is otherwise precluded from
12 asserting its ineffectiveness:

13 a. the owner may assert its ineffectiveness against the
14 issuer or any purchaser other than a purchaser for value and
15 without notice of adverse claims, who has in good faith
16 received a new, reissued, or reregistered certificated
17 security on registration of transfer or received an initial
18 transaction statement confirming the registration of transfer,
19 pledge, or release of an equivalent uncertificated security to
20 the purchaser; and

21 b. an issuer who registers the transfer of a certificated
22 security upon the unauthorized endorsement or who registers
23 the transfer, pledge, or release of an uncertificated security
24 upon the unauthorized instruction is subject to liability for
25 improper registration (section 554.8404).

26 Sec. 27. Section 554.8312, Code 1989, is amended to read
27 as follows:

28 554.8312 EFFECT OF GUARANTEEING SIGNATURE OR ENDORSEMENT
29 OR INSTRUCTION.

30 1. Any person guaranteeing a signature of an endorser of a
31 certificated security warrants that at the time of signing

32 a. the signature was genuine; and

33 b. the signer was an appropriate person to endorse

34 (section 554.8308); and

35 c. the signer had legal capacity to sign.

1 ~~But the guarantor does not otherwise warrant the rightfulness~~
2 ~~of the particular transfer.~~

3 2. Any person guaranteeing a signature of the originator
4 of an instruction warrants that at the time of signing:

5 a. the signature was genuine;

6 b. the signer was an appropriate person to originate the
7 instruction (section 8-308) if the person specified in the
8 instruction as the registered owner or registered pledgee of
9 the uncertificated security was, in fact, the registered owner
10 or registered pledgee of such security, as to which fact the
11 signature guarantor makes no warranty;

12 c. the signer had legal capacity to sign; and

13 d. the taxpayer identification number, if any, appearing
14 on the instruction as that of the registered owner or
15 registered pledgee was the taxpayer identification number of
16 the signer or of the owner or pledgee for whom the signer was
17 acting.

18 3. Any person specially guaranteeing the signature of the
19 originator of an instruction makes not only the warranties of
20 a signature guarantor (subsection 2) but also warrants that at
21 the time the instruction is presented to the issuer:

22 a. the person specified in the instruction as the
23 registered owner or registered pledgee of the uncertificated
24 security will be the registered owner or registered pledgee;
25 and

26 b. the transfer, pledge, or release of the uncertificated
27 security requested in the instruction will be registered by
28 the issuer free from all liens, security interests,
29 restrictions, and claims other than those specified in the
30 instruction.

31 4. The guarantor under subsections 1 and 2 or the special
32 guarantor under subsection 3 does not otherwise warrant the
33 rightfulness of the particular transfer, pledge, or release.

34 ~~2~~ 5. Any person may-guarantee guaranteeing an endorsement
35 of a certificated security and-by-so-doing-warrants-not-only

1 ~~the signature (subsection 1)~~ makes not only the warranties of
 2 a signature guarantor under subsection 1 but also warrants the
 3 rightfulness of the particular transfer in all respects. But
 4 ~~no issuer may require a guarantee of endorsement as a~~
 5 ~~condition to registration of transfer.~~

6 6. Any person guaranteeing an instruction requesting the
 7 transfer, pledge, or release of an uncertificated security
 8 makes not only the warranties of a special signature guarantor
 9 under subsection 3, but also warrants the rightfulness of the
 10 particular transfer, pledge, or release in all respects.

11 7. No issuer may require a special guarantee of signature
 12 (subsection 3), a guarantee of endorsement (subsection 5), or
 13 a guarantee of instruction (subsection 6) as a condition to
 14 registration of transfer, pledge, or release.

15 8. The foregoing warranties are made to any person
 16 taking or dealing with the security in reliance on the
 17 guarantee and the guarantor is liable to such the person for
 18 any loss resulting from breach of the warranties.

19 Sec. 28. Section 554.8313, Code 1989, is amended to read
 20 as follows:

21 554.8313 WHEN DELIVERY TRANSFER TO THE PURCHASER OCCURS: -
 22 --PURCHASER'S-BROKER-AS-HOLDER FINANCIAL INTERMEDIARY AS BONA
 23 FIDE PURCHASER -- "FINANCIAL INTERMEDIARY".

24 1. Delivery Transfer of a security or a limited interest
 25 (including a security interest) therein to a purchaser occurs
 26 when only:

27 a. at the time the purchaser or a person designated by the
 28 purchaser acquires possession of a certificated security; or

29 b. at the time the transfer, pledge, or release of an
 30 uncertificated security is registered to the purchaser or a
 31 person designated by the purchaser;

32 b c. at the time the purchaser's broker financial
 33 intermediary acquires possession of a certificated security
 34 specially endorsed to or issued in the name of the purchaser;

35 or

1 c d. the-purchaser's-broker at the time a financial
2 intermediary, not a clearing house, sends the purchaser
3 confirmation of the purchase and also by book entry or
4 otherwise identifies a-specific-security-in-the-broker's
5 possession as belonging to the purchaser, or
6 i. a specific certificated security in the financial
7 intermediary's possession;
8 ii. a quantity of securities that constitute or are part
9 of a fungible bulk of certificated securities in the financial
10 intermediary's possession or of uncertificated securities
11 registered in the name of the financial intermediary; or
12 iii. a quantity of securities that constitute or are part
13 of a fungible bulk of securities shown on the account of the
14 financial intermediary on the books of another financial
15 intermediary;
16 d e. with respect to an identified certificated security
17 to be delivered while still in the possession of a third
18 person, when not a financial intermediary, at the time that
19 person acknowledges that that person holds for the purchaser;
20 or
21 f. with respect to a specific uncertificated security the
22 pledge or transfer of which has been registered to a third
23 person, not a financial intermediary, at the time that person
24 acknowledges that that person holds for the purchaser;
25 e g. at the time appropriate entries to the account of the
26 purchaser or a person designated by the purchaser on the books
27 of a clearing corporation are made under section 554.8320-;
28 h. with respect to the transfer of a security interest
29 where the debtor has signed a security agreement containing a
30 description of the security, at the time a written
31 notification, which, in the case of the creation of the
32 security interest, is signed by the debtor (which may be a
33 copy of the security agreement) or which, in the case of the
34 release or assignment of the security interest created
35 pursuant to this paragraph, is signed by the secured party, is

1 received by

2 i. a financial intermediary on whose books the interest of
3 the transferor in the security appears;

4 ii. a third person, not a financial intermediary, in
5 possession of the security, if it is certificated;

6 iii. a third person, not a financial intermediary, who is
7 the registered owner of the security, if it is uncertificated
8 and not subject to a registered pledge; or

9 iv. a third person, not a financial intermediary, who is
10 the registered pledgee of the security, if it is
11 uncertificated and subject to a registered pledge;

12 i. with respect to the transfer of a security interest
13 where the transferor has signed a security agreement
14 containing a description of the security, at the time new
15 value is given by the secured party; or

16 j. with respect to the transfer of a security interest
17 where the secured party is a financial intermediary and the
18 security has already been transferred to the financial
19 intermediary under paragraph "a", "b", "c", "d", or "g", at
20 the time the transferor has signed a security agreement
21 containing a description of the security and value is given by
22 the secured party.

23 2. The purchaser is the owner of a security held for the
24 ~~purchaser by the purchaser's broker~~ a financial intermediary,
25 ~~but is not the holder~~ cannot be a bona fide purchaser of a
26 security so held except as in circumstances specified in
27 subparagraphs "b", paragraphs "c", "d"(i), and "e" "g" of
28 subsection 1. Where if a security so held is part of a
29 fungible bulk, as in the circumstances specified in paragraphs
30 "d"(ii) and "d"(iii) of subsection 1, the purchaser is the
31 owner of a proportionate property interest in the fungible
32 bulk.

33 3. Notice of an adverse claim received by the ~~broker~~
34 financial intermediary or by the purchaser after the ~~broker~~
35 financial intermediary takes delivery of a certificated

1 security as a holder for value or after the transfer, pledge,
2 or release of an uncertificated security has been registered
3 free of the claim to a financial intermediary who has given
4 value is not effective either as to the broker financial
5 intermediary or as to the purchaser. However, as between the
6 broker financial intermediary and the purchaser the purchaser
7 may demand delivery transfer of an equivalent security as to
8 which no notice of an adverse claim has been received.

9 4. A "financial intermediary" is a bank, broker, clearing
10 corporation or other person (or the nominee of any of them)
11 which in the ordinary course of its business maintains
12 security accounts for its customers and is acting in that
13 capacity. A financial intermediary may have a security
14 interest in securities held in account for its customer.

15 Sec. 29. Section 554.8314, Code 1989, is amended to read
16 as follows:

17 554.8314 DUTY TO DELIVER TRANSFER, WHEN COMPLETED.

18 1. Unless otherwise agreed where if a sale of a security
19 is made on an exchange or otherwise through brokers:

20 a. the selling customer fulfills that customer's duty to
21 deliver-when transfer at the time that customer:

22 i. places such a certificated security in the possession
23 of the selling broker or of a person designated by the broker;

24 ii. causes an uncertificated security to be registered in
25 the name of the selling broker or a person designated by the
26 broker; or

27 iii. if requested, causes an acknowledgment to be made to
28 the selling broker that ~~it~~ a certificated or uncertificated
29 security is held for that broker; and or

30 iv. places in the possession of the selling broker or of a
31 person designated by the broker a transfer instruction for an
32 uncertificated security, providing the issuer does not refuse
33 to register the requested transfer if the instruction is
34 presented to the issuer for registration within thirty days
35 thereafter; and

1 b. the selling broker, including a correspondent broker
2 acting for a selling customer, fulfills that broker's duty to
3 ~~deliver-by-placing-the~~ transfer at the time that broker

4 i. places a certificated security or-a-like-security in
5 the possession of the buying broker or a person designated by
6 the buying broker;

7 ii. causes an uncertificated security to be registered in
8 the name of the buying broker or a person designated by the
9 buying broker;

10 iii. places in the possession of the buying broker or of a
11 person designated by the buying broker a transfer instruction
12 for an uncertificated security, providing the issuer does not
13 refuse to register the requested transfer if the instruction
14 is presented to the issuer for registration within thirty days
15 thereafter; or

16 iv. or-by-effecting effects clearance of the sale in
17 accordance with the rules of the exchange on which the
18 transaction took place.

19 2. Except as otherwise provided in this section and unless
20 otherwise agreed, a transferor's duty to ~~deliver~~ transfer a
21 security under a contract of purchase is not fulfilled until
22 the transferor;

23 a. places the certificated security in form to be
24 negotiated by the purchaser in the possession of the purchaser
25 or of a person designated by the purchaser; or

26 b. at-the-purchaser's-request causes an uncertificated
27 security to be registered in the name of the purchaser or a
28 person designated by the purchaser; or

29 c. if the purchaser requests, causes an acknowledgment to
30 be made to the purchaser that ~~it~~ a certificated or
31 uncertificated security is held for the purchaser.

32 3. Unless made on an exchange, a sale to a broker
33 purchasing for the broker's own account is within ~~this~~
34 subsection 2 and not within subsection 1.

35 Sec. 30. Section 554.8315, Code 1989, is amended to read

1 as follows:

2 554.8315 ACTION AGAINST PURCHASER TRANSFeree BASED UPON
3 WRONGFUL TRANSFER.

4 1. Any person against whom the transfer of a security is
5 wrongful for any reason, including the person's incapacity,
6 may as against anyone except a bona fide purchaser, may:

7 a. reclaim possession of the certificated security
8 wrongfully transferred; or

9 b. obtain possession of any new certificated security
10 evidencing representing all or part of the same rights; or

11 c. compel the origination of an instruction to transfer to
12 the person or a person designated by that person an
13 uncertificated security constituting all or part of the same
14 rights; or

15 d. have damages.

16 2. If the transfer is wrongful because of an unauthorized
17 endorsement of a certificated security, the owner may also
18 reclaim or obtain possession of the security or a new
19 certificated security, even from a bona fide purchaser, if the
20 ineffectiveness of the purported endorsement can be asserted
21 against the purchaser under the provisions of this Article on
22 unauthorized endorsements (section 554.8311).

23 3. The right to obtain or reclaim possession of a
24 certificated security or to compel the origination of a
25 transfer instruction may be specifically enforced and ~~its~~ the
26 transfer of a certificated or uncertificated security enjoined
27 and the a certificated security impounded pending the
28 litigation.

29 Sec. 31. Section 554.8316, Code 1989, is amended to read
30 as follows:

31 554.8316 PURCHASER'S RIGHT TO REQUISITES FOR REGISTRATION
32 OF TRANSFER, PLEDGE, OR RELEASE ON BOOKS.

33 Unless otherwise agreed, the transferor must of a
34 certificated security or the transferor, pledgor, or pledgee
35 of an uncertificated security on due demand must supply the

1 transferor's, pledgor's, or pledgee's purchaser with any proof
2 of the transferor's authority to transfer, pledge, or release
3 or with any other requisite ~~which may be~~ necessary to obtain
4 registration of the transfer, pledge, or release of the
5 security; but if the transfer, pledge, or release is not for
6 value, a transferor, pledgor, or pledgee need not do so unless
7 the purchaser furnishes the necessary expenses. Failure
8 within a reasonable time to comply with a demand ~~made within a~~
9 ~~reasonable time~~ gives the purchaser the right to reject or
10 rescind the transfer, pledge, or release.

11 Sec. 32. Section 554.8317, Code 1989, is amended to read
12 as follows:

13 554.8317 ~~ATTACHMENT-OR-LEVY-UPON-SECURITY~~ CREDITORS'
14 RIGHTS.

15 1. No Subject to the exceptions in subsections 3 and 4, no
16 attachment or levy upon a certificated security or any share
17 or other interest evidenced represented thereby which is
18 outstanding shall be is valid until the security is actually
19 seized by the officer making the attachment or levy, but a
20 certificated security which has been surrendered to the issuer
21 may be attached-or-levied-upon-at-the-source reached by a
22 creditor by legal process at the issuer's chief executive
23 office in the United States.

24 2. An uncertificated security registered in the name of
25 the debtor may not be reached by a creditor except by legal
26 process at the issuer's chief executive office in the United
27 States.

28 3. The interest of a debtor in a certificated security
29 that is in the possession of a secured party not a financial
30 intermediary or in an uncertificated security registered in
31 the name of a secured party not a financial intermediary (or
32 in the name of a nominee of the secured party) may be reached
33 by a creditor by legal process upon the secured party.

34 4. The interest of a debtor in a certificated security
35 that is in the possession of or registered in the name of a

1 financial intermediary or in an uncertificated security
2 registered in the name of a financial intermediary may be
3 reached by a creditor by legal process upon the financial
4 intermediary on whose books the interest of the debtor
5 appears.

6 5. Unless otherwise provided by law, a creditor's lien
7 upon the interest of a debtor in a security obtained pursuant
8 to subsection 3 or 4 is not a restraint on the transfer of the
9 security, free of the lien, to a third party for new value;
10 but in the event of a transfer, the lien applies to the
11 proceeds of the transfer in the hands of the secured party or
12 financial intermediary, subject to any claims having priority.

13 2 6. A creditor whose debtor is the owner of a security
14 shall-be is entitled to such aid from courts of appropriate
15 jurisdiction, by injunction or otherwise, in reaching such the
16 security or in satisfying the claim by means thereof-as-is
17 allowed at law or in equity in regard to property which that
18 cannot readily be attached-or-levied-upon reached by ordinary
19 legal process.

20 Sec. 33. Section 554.8318, Code 1989, is amended to read
21 as follows:

22 554.8318 NO CONVERSION BY GOOD FAITH DELIVERY CONDUCT.

23 An agent or bailee who in good faith (including observance
24 of reasonable commercial standards if the agent or bailee is
25 in the business of buying, selling or otherwise dealing with
26 securities) has received certificated securities and sold,
27 pledged, or delivered them or has sold or caused the transfer
28 or pledge of uncertificated securities over which the agent or
29 bailee had control according to the instructions of the
30 agent's or bailee's principal, is not liable for conversion or
31 for participation in breach of fiduciary duty although the
32 principal had no right to-dispose-of-them so to deal with the
33 securities.

34 Sec. 34. Section 554.8319, Code 1989, is amended to read
35 as follows:

1 554.8319 STATUTE OF FRAUDS.

2 A contract for the sale of securities is not enforceable by
3 way of action or defense unless:

4 a. there is some writing signed by the party against whom
5 enforcement is sought or by that party's authorized agent or
6 broker sufficient to indicate that a contract has been made
7 for sale of a stated quantity of described securities at a
8 defined or stated price; or

9 b. delivery of the a certificated security or transfer
10 instruction has been accepted or transfer of an uncertificated
11 security has been registered and the transferee has failed to
12 send written objection to the issuer within ten days after
13 receipt of the initial transaction statement confirming the
14 registration, or payment has been made, but the contract is
15 enforceable under this provision only to the extent of such
16 the delivery or payment; or

17 c. within a reasonable time a writing in confirmation of
18 the sale or purchase and sufficient against the sender under
19 paragraph "a" has been received by the party against whom
20 enforcement is sought and that party has failed to send
21 written objection to its contents within ten days after its
22 receipt; or

23 d. the party against whom enforcement is sought admits in
24 that party's pleading, testimony, or otherwise in court that a
25 contract was made for the sale of a stated quantity of
26 described securities at a defined or stated price.

27 Sec. 35. Section 554.8320, Code 1989, is amended to read
28 as follows:

29 554.8320 TRANSFER OR PLEDGE WITHIN A CENTRAL DEPOSITORY
30 SYSTEM.

31 1. If-a-security In addition to other methods, a transfer,
32 pledge, or release of a security or any interest therein may
33 be effected by the making of appropriate entries on the books
34 of a clearing corporation reducing the account of the
35 transferor, pledgor, or pledgee and increasing the account of

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1 the transferee, pledgee, or pledgor by the amount of the
2 obligation, or the number of shares or rights transferred,
3 pledged, or released, if the security is shown on the account
4 of a transferor, pledgor, or pledgee on the books of the
5 clearing corporation; is subject to the control of the
6 clearing corporation; and
7 a. if certificated,
8 i. is in the custody of a the clearing corporation,
9 another clearing corporation, or of a custodian bank or a
10 nominee of either-subject-to-the-instructions-of-the-clearing
11 corporation any of them; and
12 b ii. is in bearer form or endorsed in blank by an
13 appropriate person or registered in the name of the clearing
14 corporation, or a custodian bank, or a nominee of either any
15 of them; and or
16 b. if uncertificated, is registered in the name of the
17 clearing corporation, another clearing corporation, a
18 custodian bank, or a nominee of any of them;
19 ~~c. --is shown on the account of a transferor or pledgor on~~
20 ~~the books of the clearing corporation;~~
21 ~~then, in addition to other methods, a transfer or pledge of~~
22 ~~the security or any interest therein may be effected by the~~
23 ~~making of appropriate entries on the books of the clearing~~
24 ~~corporation reducing the account of the transferor or pledgor~~
25 ~~and increasing the account of the transferee or pledgee by the~~
26 ~~amount of the obligation or the number of shares or rights~~
27 ~~transferred or pledged.~~
28 2. Under this section entries may be made with respect to
29 like securities or interests therein as a part of a fungible
30 bulk and may refer merely to a quantity of a particular
31 security without reference to the name of the registered
32 owner, certificate or bond number, or the like, and, in
33 appropriate cases, may be on a net basis taking into account
34 other transfers, or pledges, or releases of the same security.
35 3. A transfer ~~or pledge~~ under this section ~~has the effect~~

1 ~~of-a-delivery-of-a-security-in-bearer-form-or-duly-endorsed-in~~
2 ~~blank-(section-554.8301)-representing-the-amount-of-the~~
3 ~~obligation-or-the-number-of-shares-or-rights-transferred-or~~
4 ~~pledged~~ is effective (section 554.8313) and the purchaser
5 acquires the rights of the transferor (section 554.8301). A
6 pledge or release under this section is the transfer of a
7 limited interest. If a pledge or the creation of a security
8 interest is intended, ~~the-making-of-entries-has-the-effect-of~~
9 ~~a-taking-of-delivery-by-the-pledgee-or-a-secured-party~~
10 ~~(sections-554.9304-and-554.9305)~~ the security interest is
11 perfected at the time when both value is given by the pledgee
12 and the appropriate entries are made (section 554.8321). A
13 transferee or pledgee under this section ~~is-a-holder~~ may be a
14 bona fide purchaser (section 554.8302).

15 4. A transfer or pledge under this section ~~does is~~ not
16 constitute a registration of transfer under Part 4 ~~of-this~~
17 Article.

18 5. That entries made on the books of the clearing
19 corporation as provided in subsection 1 are not appropriate
20 does not affect the validity or effect of the entries ~~nor or~~
21 the liabilities or obligations of the clearing corporation to
22 any person adversely affected thereby.

23 Sec. 36. NEW SECTION. 554.8321 ENFORCEABILITY,
24 ATTACHMENT, PERFECTION, AND TERMINATION OF SECURITY INTERESTS.

25 1. A security interest in a security is enforceable and
26 can attach only if it is transferred to the secured party or a
27 person designated by the secured party pursuant to a provision
28 of section 554.8313, subsection 1.

29 2. A security interest so transferred pursuant to
30 agreement by a transferor who has rights in the security to a
31 transferee who has given value is a perfected security
32 interest, but a security interest that has been transferred
33 solely under paragraph "i" of section 554.8313, subsection 1
34 becomes unperfected after twenty-one days unless, within that
35 time, the requirements for transfer under any other provision

1 of section 554.8313, subsection 1 are satisfied.

2 3. A security interest in a security is subject to the
3 provisions of Article 9, but:

4 a. no filing is required to perfect the security interest;
5 and

6 b. no written security agreement signed by the debtor is
7 necessary to make the security interest enforceable, except as
8 otherwise provided in paragraph "h", "i", or "j" of section
9 554.8313, subsection 1. The secured party has the rights and
10 duties provided under section 554.9207, to the extent they are
11 applicable, whether or not the security is certificated, and,
12 if certificated, whether or not it is in the secured party's
13 possession.

14 4. Unless otherwise agreed, a security interest in a
15 security is terminated by transfer to the debtor or a person
16 designated by the debtor pursuant to a provision of section
17 554.8313, subsection 1. If a security is thus transferred,
18 the security interest, if not terminated, becomes unperfected
19 unless the security is certificated and is delivered to the
20 debtor for the purpose of ultimate sale or exchange or
21 presentation, collection, renewal, or registration of
22 transfer. In that case, the security interest becomes
23 unperfected twenty-one days unless, within that time, the
24 security (or securities for which it has been exchanged) is
25 transferred to the secured party or a person designated by the
26 secured party pursuant to a provision of section 554.8313,
27 subsection 1.

28 Sec. 37. Section 554.8401, Code 1989, is amended to read
29 as follows:

30 554.8401 DUTY OF ISSUER TO REGISTER TRANSFER, PLEDGE, OR
31 RELEASE.

32 1. Where if a certificated security in registered form is
33 presented to the issuer with a request to register transfer,
34 or an instruction is presented to the issuer with a request to
35 register transfer, pledge, or release the issuer is-under-a

1 ~~duty-to~~ shall register the transfer, pledge, or release as
2 requested if:

3 a. the security is endorsed or the instruction was
4 originated by the appropriate person or persons (section
5 554.8308); and

6 b. reasonable assurance is given that those endorsements
7 or instructions are genuine and effective (section 554.8402);
8 and

9 c. the issuer has no duty ~~to-inquire-into~~ as to adverse
10 claims or has discharged ~~any-such~~ the duty (section 554.8403);
11 and

12 d. any applicable law relating to the collection of taxes
13 has been complied with; and

14 e. the transfer, pledge, or release is in fact rightful or
15 is to a bona fide purchaser.

16 2. Where if an issuer is under a duty to register a
17 transfer, pledge, or release of a security, the issuer is also
18 liable to the person presenting it a certificated security or
19 an instruction for registration or that person's principal for
20 loss resulting from any unreasonable delay in registration or
21 from failure or refusal to register the transfer, pledge, or
22 release.

23 Sec. 38. Section 554.8402, Code 1989, is amended to read
24 as follows:

25 554.8402 ASSURANCE THAT ENDORSEMENTS AND INSTRUCTIONS ARE
26 EFFECTIVE.

27 1. The issuer may require the following assurance that
28 each necessary endorsement of a certificated security or each
29 instruction (section 554.8308) is genuine and effective:

30 a. in all cases, a guarantee of the signature (~~subsection~~
31 ~~1-of~~ section 554.8312, subsection 1 or 2) of the person
32 endorsing a certificated security or originating an
33 instruction including, in the case of an instruction, a
34 warranty of the taxpayer identification number or, in the
35 absence thereof, other reasonable assurance of identity; and

1 b. where if the endorsement is made or the instruction is
2 originated by an agent, appropriate assurance of authority to
3 sign;

4 c. where if the endorsement is made or the instruction is
5 originated by a fiduciary, appropriate evidence of appointment
6 or incumbency;

7 d. where if there is more than one fiduciary, reasonable
8 assurance that all who are required to sign have done so; and

9 e. where if the endorsement is made or the instruction is
10 originated by a person not covered by any of the foregoing,
11 assurance appropriate to the case corresponding as nearly as
12 may be to the foregoing.

13 2. A "guarantee of the signature" in subsection 1 means a
14 guarantee signed by or on behalf of a person reasonably
15 believed by the issuer to be responsible. The issuer may
16 adopt standards with respect to responsibility ~~provided-such~~
17 ~~standards~~ if they are not manifestly unreasonable.

18 3. "Appropriate evidence of appointment or incumbency" in
19 subsection 1 means

20 a. in the case of a fiduciary appointed or qualified by a
21 court, a certificate issued by or under the direction or
22 supervision of that court or an officer of that court and
23 dated within one hundred eighty days before the date of
24 presentation for transfer, pledge, or release; or

25 b. in any other case, a copy of a document showing the
26 appointment or a certificate issued by or on behalf of a
27 person reasonably believed by the issuer to be responsible or,
28 in the absence of ~~such-a~~ that document or certificate, other
29 evidence reasonably deemed by the issuer to be appropriate.
30 The issuer may adopt standards with respect to ~~such the~~
31 ~~evidence provided-such-standards~~ if they are not manifestly
32 unreasonable. The issuer is not charged with notice of the
33 contents of any document obtained pursuant to this paragraph
34 "b" except to the extent that the contents relate directly to
35 the appointment or incumbency.

1 4. The issuer may elect to require reasonable assurance
2 beyond that specified in this section, but if it does so and,
3 for a purpose other than that specified in subsection 3 "b",
4 both requires and obtains a copy of a will, trust, indenture,
5 articles of copartnership, bylaws, or other controlling
6 instrument, it is charged with notice of all matters contained
7 therein affecting the transfer, pledge, or release.

8 Sec. 39. Section 554.8403, Code 1989, is amended to read
9 as follows:

10 554.8403 ~~LIMITED-DUTY-OF-INQUIRY~~ ISSUER'S DUTY AS TO
11 ADVERSE CLAIMS.

12 1. An issuer to whom a certificated security is presented
13 for registration ~~is-under-a-duty-to~~ shall inquire into adverse
14 claims if:

15 a. a written notification of an adverse claim is received
16 at a time and in a manner ~~which-affords~~ affording the issuer a
17 reasonable opportunity to act on it prior to the issuance of a
18 new, reissued, or registered certificated security, and the
19 notification identifies the claimant, the registered owner,
20 and the issue of which the security is a part, and provides an
21 address for communications directed to the claimant; or

22 b. the issuer is charged with notice of an adverse claim
23 from a controlling instrument ~~which~~ it has elected to require
24 under ~~subsection-4-of~~ section 554.8402, subsection 4.

25 2. The issuer may discharge any duty of inquiry by any
26 reasonable means, including notifying an adverse claimant by
27 registered or certified mail at the address furnished by the
28 adverse claimant or if there be no such address at the adverse
29 claimant's residence or regular place of business that the
30 certificated security has been presented for registration of
31 transfer by a named person, and that the transfer will be
32 registered unless within thirty days from the date of mailing
33 the notification, either:

34 a. an appropriate restraining order, injunction or other
35 process issues from a court of competent jurisdiction; or

1 b. there is filed with the issuer an indemnity bond,
2 sufficient in the issuer's judgment to protect the issuer and
3 any transfer agent, registrar, or other agent of the issuer
4 involved, from any loss which it or they may suffer by
5 complying with the adverse claim ~~is filed with the issuer.~~

6 3. Unless an issuer is charged with notice of an adverse
7 claim from a controlling instrument which it has elected to
8 require under ~~subsection 4 of~~ section 554.8402, subsection 4
9 or receives notification of an adverse claim under subsection
10 ~~1 of this section,~~ where if a certificated security presented
11 for registration is endorsed by the appropriate person or
12 persons the issuer is under no duty to inquire into adverse
13 claims. In particular:

14 a. an issuer registering a certificated security in the
15 name of a person who is a fiduciary or who is described as a
16 fiduciary is not bound to inquire into the existence, extent,
17 or correct description of the fiduciary relationship; and
18 thereafter the issuer may assume without inquiry that the
19 newly registered owner continues to be the fiduciary until the
20 issuer receives written notice that the fiduciary is no longer
21 acting as such with respect to the particular security;

22 b. an issuer registering transfer on an endorsement by a
23 fiduciary is not bound to inquire whether the transfer is made
24 in compliance with a controlling instrument or with the law of
25 the state having jurisdiction of the fiduciary relationship,
26 including any law requiring the fiduciary to obtain court
27 approval of the transfer; and

28 c. the issuer is not charged with notice of the contents
29 of any court record or file or other recorded or unrecorded
30 document even though the document is in its possession and
31 even though the transfer is made on the endorsement of a
32 fiduciary to the same fiduciary or to the fiduciary's nominee.

33 4. An issuer is under no duty as to adverse claims with
34 respect to an uncertificated security except:

35 a. claims embodied in a restraining order, injunction, or

1 other legal process served upon the issuer if the process was
2 served at a time and in a manner affording the issuer a
3 reasonable opportunity to act on it in accordance with the
4 requirements of subsection 5;

5 b. claims of which the user has received a written
6 notification from the registered owner or the registered
7 pledgee if the notification was received at a time and in a
8 manner affording the issuer a reasonable opportunity to act on
9 it in accordance with the requirements of subsection 5;

10 c. claims (including restrictions on transfer not imposed
11 by the issuer) to which the registration of transfer to the
12 present registered owner was subject and were so noted in the
13 initial transaction statement sent to the issuer; and

14 d. claims as to which an issuer is charged with notice
15 from a controlling instrument it has elected to require under
16 section 554.8402, subsection 4.

17 5. If the issuer of an uncertificated security is under a
18 duty as to an adverse claim, the issuer discharges that duty
19 by:

20 a. including a notation of the claim in any statements
21 sent with respect to the security under section 554.8408,
22 subsections 3, 6, and 7; and

23 b. refusing to register the transfer or pledge of the
24 security unless the nature of the claim does not preclude
25 transfer or pledge subject thereto.

26 6. If the transfer or pledge of the security is registered
27 subject to an adverse claim, a notation of the claim must be
28 included in the initial transaction statement and all
29 subsequent statements sent to the transferee and pledgee under
30 section 554.8408.

31 7. Notwithstanding subsections 4 and 5, if an
32 uncertificated security was subject to a registered pledge at
33 the time the issuer first came under a duty as to a particular
34 adverse claim, the issuer has no duty as to that claim if
35 transfer of the security is requested by the registered

1 pledgee or an appropriate person acting for the registered
2 pledgee unless:

3 a. the claim was embodied in legal process which expressly
4 provides otherwise;

5 b. the claim was asserted in a written notification from
6 the registered pledgee;

7 c. the claim was one as to which the issuer was charged
8 with notice from a controlling instrument it required under
9 section 554.8402, subsection 4 in connection with the
10 pledgee's request for transfer; or

11 d. the transfer requested is to the registered owner.

12 Sec. 40. Section 554.8404, Code 1989, is amended to read
13 as follows:

14 554.8404 LIABILITY AND NONLIABILITY FOR REGISTRATION.

15 1. Except as otherwise provided in any law relating to the
16 collection of taxes, the issuer is not liable to the owner,
17 pledgee, or any other person suffering loss as a result of the
18 registration of a transfer, pledge, or release of a security
19 if:

20 a. there were on or with the a certificated security the
21 necessary endorsements or the issuer had received an
22 instruction originated by an appropriate person (section
23 554.8308); and

24 b. the issuer had no duty to-inquire-into as to adverse
25 claims or has discharged any-such the duty (section 554.8403).

26 2. Where If an issuer has registered a transfer of a
27 certificated security to a person not entitled to it, the
28 issuer on demand must shall deliver a like security to the
29 true owner unless:

30 a. the registration was pursuant to subsection 1; or

31 b. the owner is precluded from asserting any claim for
32 registering the transfer under subsection-1-of-the-following
33 section 554.8405, subsection 1; or

34 c. such the delivery would result in overissue, in which
35 case the issuer's liability is governed by section 554.8104.

1 3. If an issuer has improperly registered a transfer,
2 pledge, or release of an uncertificated security, the issuer
3 on demand from the injured party shall restore the records as
4 to the injured party to the condition that would have obtained
5 if the improper registration had not been made unless:

- 6 a. the registration was pursuant to subsection 1; or
7 b. the registration would result in overissue, in which
8 case the issuer's liability is governed by section 554.8104.

9 Sec. 41. Section 554.8405, Code 1989, is amended to read
10 as follows:

11 554.8405 LOST, DESTROYED, AND STOLEN CERTIFICATED
12 SECURITIES.

13 1. Where If a certificated security has been lost,
14 apparently destroyed, or wrongfully taken, and the owner fails
15 to notify the issuer of that fact within a reasonable time
16 after the owner has notice of it and the issuer registers a
17 transfer of the security before receiving ~~such-a~~ notification,
18 the owner is precluded from asserting against the issuer any
19 claim for registering the transfer under ~~the-preceding~~ section
20 554.8404 or any claim to a new security under this section.

21 2. Where If the owner of a security claims that the a
22 certificated security has been lost, destroyed, or wrongfully
23 taken, the issuer must shall issue a new certificated security
24 or, at the option of the issuer, an equivalent uncertificated
25 security in place of the original security if the owner:

- 26 a. so requests before the issuer has notice that the
27 security has been acquired by a bona fide purchaser; and
28 b. files with the issuer a sufficient indemnity bond; and
29 c. satisfies any other reasonable requirements imposed by
30 the issuer.

31 3. If, after the issue of the a new certificated or
32 uncertificated security, a bona fide purchaser of the original
33 certificated security presents it for registration of
34 transfer, the issuer must shall register the transfer unless
35 registration would result in overissue, in which event the

1 issuer's liability is governed by section 554.8104. In
2 addition to any rights on the indemnity bond, the issuer may
3 recover the new certificated security from the person to whom
4 it was issued or any person taking under the person to whom it
5 was issued except a bona fide purchaser or may cancel the
6 uncertificated security unless a bona fide purchaser or any
7 person taking under a bona fide purchaser is then the
8 registered owner or registered pledgee thereof.

9 Sec. 42. Section 554.8406, Code 1989, is amended to read
10 as follows:

11 554.8406 DUTY OF AUTHENTICATING TRUSTEE, TRANSFER AGENT OR
12 REGISTRAR.

13 1. Where If a person acts as authenticating trustee,
14 transfer agent, registrar, or other agent for an issuer in the
15 registration of transfers of its certificated securities or in
16 the registration of transfers, pledges, and releases of its
17 uncertificated securities, in the issue of new securities, or
18 in the cancellation of surrendered securities:

19 a. that person is under a duty to the issuer to exercise
20 good faith and due diligence in performing that person's
21 functions; and

22 b. ~~that person has~~ with regard to the particular functions
23 that person performs, that person has the same obligation to
24 the holder or owner of the a certificated security or to the
25 owner or pledgee of an uncertificated security and has the
26 same rights and privileges as the issuer has in regard to
27 those functions.

28 2. Notice to an authenticating trustee, transfer agent,
29 registrar or other ~~such~~ agent is notice to the issuer with
30 respect to the functions performed by the agent.

31 Sec. 43. NEW SECTION. 554.8407 EXCHANGEABILITY OF
32 SECURITIES.

33 1. No issuer is subject to the requirements of this
34 section unless it regularly maintains a system for issuing the
35 class of securities involved under which both certificated and

1 uncertificated securities are regularly issued to the category
2 of owners, which includes the person in whose name the new
3 security is to be registered.

4 2. Upon surrender of a certificated security with all
5 necessary endorsements and presentation of a written request
6 by the person surrendering the security, the issuer, if the
7 issuer has no duty as to adverse claims or has discharged the
8 duty (section 554.8403), shall issue to the person or a person
9 designated by that person an equivalent uncertificated
10 security subject to all liens, restrictions, and claims that
11 were noted on the certificated security.

12 3. Upon receipt of a transfer instruction originated by an
13 appropriate person who so requests, the issuer of an
14 uncertificated security shall cancel the uncertificated
15 security and issue an equivalent certificated security on
16 which must be noted conspicuously any liens and restrictions
17 of the issuer and any adverse claims (as to which the issuer
18 has a duty under section 554.8403, subsection 4) to which the
19 uncertificated security was subject. The certificated
20 security shall be registered in the name of and delivered to:

21 a. the registered owner, if the uncertificated security
22 was not subject to a registered pledge; or

23 b. the registered pledgee, if the uncertificated security
24 was subject to a registered pledge.

25 Sec. 44. NEW SECTION. 554.8408 STATEMENTS OF
26 UNCERTIFICATED SECURITIES.

27 1. Within two business days after the transfer of an
28 uncertificated security has been registered, the issuer shall
29 send to the new registered owner and, if the security has been
30 transferred subject to a registered pledge, to the registered
31 pledgee a written statement containing:

32 a. a description of the issue of which the uncertificated
33 security is a part;

34 b. the number of shares or units transferred;

35 c. the name and address and any taxpayer identification

1 number of the new registered owner and, if the security has
2 been transferred subject to a registered pledge, the name and
3 address and any taxpayer identification number of the
4 registered pledgee;

5 d. a notation of any liens and restrictions of the issuer
6 and any adverse claims (as to which the issuer has a duty
7 under section 554.8103, subsection 1) to which the
8 uncertificated security is or may be subject at the time of
9 registration or a statement that there are none of those
10 liens, restrictions, or adverse claims; and

11 e. the date the transfer was registered.

12 2. Within two business days after the pledge of an
13 uncertificated security has been registered, the issuer shall
14 send to the registered owner and the registered pledgee a
15 written statement containing:

16 a. a description of the issue of which the uncertificated
17 security is a part;

18 b. the number of shares or units pledged;

19 c. the name and address and any taxpayer identification
20 number of the registered owner and the registered pledgee;

21 d. a notation of any liens and restrictions of the issuer
22 and any adverse claims (as to which the issuer has a duty
23 under section 554.8403, subsection 4) to which the

24 uncertificated security is or may be subject at the time of
25 registration or a statement that there are none of those
26 liens, restrictions, or adverse claims; and

27 e. the date the pledge was registered.

28 3. Within two business days after the release from pledge
29 of an uncertificated security has been registered, the issuer
30 shall send to the registered owner and the pledgee whose
31 interest was released a written statement containing:

32 a. a description of the issue of which the uncertificated
33 security is a part;

34 b. the number of shares or units released from pledge;

35 c. the name and address and any taxpayer identification

1 number of the registered owner and the pledgee whose interest
2 was released;

3 d. a notation of any liens and restrictions of the issuer
4 and any adverse claims (as to which the issuer has a duty
5 under section 554.8403, subsection 4) to which the
6 uncertificated security is or may be subject at the time of
7 registration or a statement that there are none of those
8 liens, restrictions, or adverse claims; and

9 e. the date the release was registered.

10 4. An "initial transaction statement" is the statement
11 sent to:

12 a. the new registered owner and, if applicable, to the
13 registered pledgee pursuant to subsection 1;

14 b. the registered pledgee pursuant to subsection 2; or

15 c. the registered owner pursuant to subsection 3. Each
16 initial transaction statement shall be signed by or on behalf
17 of the issuer and must be identified as "initial transaction
18 statement".

19 5. Within two business days after the transfer of an
20 uncertificated security has been registered, the issuer shall
21 send to the former registered owner and the former registered
22 pledgee, if any, a written statement containing:

23 a. a description of the issue of which the uncertificated
24 security is a part;

25 b. the number of shares or units transferred;

26 c. the name and address and any taxpayer identification
27 number of the former registered owner and of any former
28 registered pledgee; and

29 d. the date the transfer was registered.

30 6. At periodic intervals no less frequent than annually
31 and at any time upon the reasonable written request of the
32 registered owner, the issuer shall send to the registered
33 owner of each uncertificated security a dated written
34 statement containing:

35 a. a description of the issue of which the uncertificated

1 security is a part;

2 b. the name and address and any taxpayer identification
3 number of the registered owner;

4 c. the number of shares or units of the uncertificated
5 security registered in the name of the registered owner on the
6 date of the statement;

7 d. the name and address and any taxpayer identification
8 number of any registered pledgee and the number of shares or
9 units subject to the pledge; and

10 e. a notation of any liens and restrictions of the issuer
11 and any adverse claims (as to which the issuer has a duty
12 under section 554.8403, subsection 4) to which the
13 uncertificated security is or may be subject or a statement
14 that there are none of those liens, restrictions, or adverse
15 claims.

16 7. At periodic intervals no less frequent than annually
17 and at any time upon the reasonable written request of the
18 registered pledgee, the issuer shall send to the registered
19 pledgee of each uncertificated security a dated written
20 statement containing:

21 a. a description of the issue of which the uncertificated
22 security is a part;

23 b. the name and address and any taxpayer identification
24 number of the registered owner;

25 c. the name and address and any taxpayer identification
26 number of the registered pledgee;

27 d. the number of shares or units subject to the pledge;
28 and

29 e. a notation of any liens and restrictions of the issuer
30 and any adverse claims (as to which the issuer has a duty
31 under section 554.8403, subsection 4) to which the
32 uncertificated security is or may be subject or a statement
33 that there are none of those liens, restrictions, or adverse
34 claims.

35 8. If the issuer sends the statements described in

1 subsections 6 and 7 at periodic intervals no less frequent
2 than quarterly, the issuer is not obliged to send additional
3 statements upon request unless the owner or pledgee requesting
4 them pays to the issuer the reasonable cost of furnishing
5 them.

6 9. Each statement sent pursuant to this section must bear
7 a conspicuous legend reading substantially as follows: "This
8 statement is merely a record of the rights of the addressee as
9 of the time of its issuance. Delivery of this statement, of
10 itself, confers no rights on the recipient. This statement is
11 neither a negotiable instrument nor a security."

12 Sec. 45. Section 554.9103, subsection 3, paragraph a, Code
13 1989, is amended to read as follows:

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

25 Sec. 46. Section 554.9103, Code 1989, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 6. UNCERTIFICATED SECURITIES. The law
28 (including the conflict of laws rules) of the jurisdiction of
29 organization of the issuer governs the perfection and the
30 effect of perfection or nonperfection of a security interest
31 in uncertificated securities.

32 Sec. 47. Section 554.9105, subsection 1, paragraph i, Code
33 1989, is amended to read as follows:

34 i. "Instrument" means a negotiable instrument (defined in
35 section 554.3104), or a certificated security (defined in

1 section 554.8102) or any other writing which evidences a right
2 to the payment of money and is not itself a security agreement
3 or lease and is of a type which is in ordinary course of
4 business transferred by delivery with any necessary
5 endorsement or assignment;

6 Sec. 48. Section 554.9203, subsection 1, Code 1989, is
7 amended to read as follows:

8 1. Subject to the provisions of section 554.4208 on the
9 security interest of a collecting bank, section 554.8321 on
10 security interests in securities and section 554.9113 on a
11 security interest arising under the Article on Sales, a
12 security interest is not enforceable against the debtor or
13 third parties with respect to the collateral and does not
14 attach unless:

15 a. the collateral is in the possession of the secured
16 party pursuant to agreement, or the debtor has signed a
17 security agreement which contains a description of the
18 collateral and in addition, when the security interest covers
19 crops growing or to be grown or timber to be cut, a
20 description of the land concerned; and

21 b. value has been given; and

22 c. the debtor has rights in the collateral.

23 Sec. 49. Section 554.9302, subsection 1, paragraph f, Code
24 1989, is amended to read as follows:

25 f. a security interest of a collecting bank (section
26 554.4208) or in securities (section 554.8321) or arising under
27 the Article on Sales (see section 554.9113) or covered in
28 subsection 3 of this section;

29 Sec. 50. Section 554.9304, subsections 1, 4, and 5, Code
30 1989, are amended to read as follows:

31 1. A security interest in chattel paper or negotiable
32 documents may be perfected by filing. A security interest in
33 money or instruments (other than certificated securities or
34 instruments which constitute part of chattel paper) can be
35 perfected only by the secured party's taking possession,

1 except as provided in subsections 4 and 5 of this section and
2 section 554.9306, subsections 2 and 3, on proceeds.

3 4. A security interest in instruments (other than
4 certificated securities) or negotiable documents is perfected
5 without filing or the taking of possession for a period of
6 twenty-one days from the time it attaches to the extent that
7 it arises for new value given under a written security
8 agreement.

9 5. A security interest remains perfected for a period of
10 twenty-one days without filing where a secured party having a
11 perfected security interest in an instrument (other than
12 certificated securities), a negotiable document or goods in
13 possession of a bailee other than one who has issued a
14 negotiable document therefor

15 a. makes available to the debtor the goods or documents
16 representing the goods for the purpose of ultimate sale or
17 exchange or for the purpose of loading, unloading, storing,
18 shipping, transshipping, manufacturing, processing or
19 otherwise dealing with them in a manner preliminary to their
20 sale or exchange, but priority between conflicting security
21 interests in the goods is subject to section 554.9312,
22 subsection 3; or

23 b. delivers the instrument to the debtor for the purpose
24 of ultimate sale or exchange or of presentation, collection,
25 renewal, or registration of transfer.

26 Sec. 51. Section 554.9305, Code 1989, is amended to read
27 as follows:

28 554.9305 WHEN POSSESSION BY SECURED PARTY PERFECTS
29 SECURITY INTEREST WITHOUT FILING.

30 A security interest in letters of credit and advices of
31 credit (subsection 2 "a" of section 554.5116), goods,
32 instruments (other than certificated securities), money,
33 negotiable documents or chattel paper may be perfected by the
34 secured party's taking possession of the collateral. If such
35 collateral other than goods covered by a negotiable document

1 is held by a bailee, the secured party is deemed to have
2 possession from the time the bailee receives notification of
3 the secured party's interest. A security interest is
4 perfected by possession from the time possession is taken
5 without relation back and continues only so long as possession
6 is retained, unless otherwise specified in this Article. The
7 security interest may be otherwise perfected as provided in
8 this Article before or after the period of possession by the
9 secured party.

10 Sec. 52. Section 554.9309, Code 1989, is amended to read
11 as follows:

12 554.9309 PROTECTION OF PURCHASERS OF INSTRUMENTS AND
13 DOCUMENTS AND SECURITIES.

14 Nothing in this Article limits the rights of a holder in
15 due course of a negotiable instrument (section 554.3302) or a
16 holder to whom a negotiable document of title has been duly
17 negotiated (section 554.7501) or a bona fide purchaser of a
18 security (section ~~554.8301~~ 554.8302) and such holders or
19 purchasers take priority over an earlier security interest
20 even though perfected. Filing under this Article does not
21 constitute notice of the security interest to such holders or
22 purchasers.

23 Sec. 53. Section 554.9312, subsection 7, Code 1989, is
24 amended to read as follows:

25 7. If future advances are made while a security interest
26 is perfected by filing, or the taking of possession, or under
27 section 554.8321 on securities, the security interest has the
28 same priority for the purposes of subsection 5 with respect to
29 the future advances as it does with respect to the first
30 advance. If a commitment is made before or while the security
31 interest is so perfected, the security interest has the same
32 priority with respect to advances made pursuant thereto. In
33 other cases a perfected security interest has priority from
34 the date the advance is made.

35 Sec. 54. Section 554.1201, subsections 5, 14, and 20, Code

1 1989, are amended to read as follows:

2 5. "Bearer" means the person in possession of an
3 instrument, document of title, or certificated security
4 payable to bearer or endorsed in blank.

5 14. "Delivery" with respect to instruments, documents of
6 title, chattel paper, or certificated securities means
7 voluntary transfer of possession.

8 20. "Holder" means a person who is in possession of a
9 document of title or an instrument or ~~an~~ a certificated
10 investment security drawn, issued, or endorsed to that person
11 or to that person's order or to bearer or in blank.

12 Sec. 55. Section 554.5114, subsection 2, Code 1989, is
13 amended to read as follows:

14 2. Unless otherwise agreed when documents appear on their
15 face to comply with the terms of a credit but a required
16 document does not in fact conform to the warranties made on
17 negotiation or transfer of a document of title (section
18 554.7507) or of a certificated security (section 554.8306) or
19 is forged or fraudulent or there is fraud in the transaction:
20 a. the issuer must honor the draft or demand for payment
21 if honor is demanded by a negotiating bank ~~of~~ or other holder
22 of the draft or demand which has taken the draft or demand
23 under the credit and under circumstances which would make it a
24 holder in due course (section 554.3302) and in an appropriate
25 case would make it a person to whom a document of title has
26 been duly negotiated (section 554.7502) or a bona fide
27 purchaser of a certificated security (section 554.8302); and
28 b. in all other cases as against its customer, an issuer
29 acting in good faith may honor the draft or demand for payment
30 despite notification from the customer of fraud, forgery or
31 other defect not apparent on the face of the documents but a
32 court of appropriate jurisdiction may enjoin such honor.

33

EXPLANATION

34 This bill adopts amendments to Article 8, the uniform
35 commercial code - investment securities chapter, recommended

1 by the national conference of commissioners on uniform state
2 laws in 1977. The scope of the title is broadened by the
3 amendments to include both securities which are "reified",
4 i.e., represented by certificates or other instruments, and
5 those which are not. Reified securities are termed
6 "certificated securities" and constitute the entire subject
7 matter of Article 8 as currently in the Code. The latter
8 group are termed "uncertificated securities" and are not now
9 expressly covered by the uniform commercial code. The revised
10 Article 8 governs the relationships, rights, and duties of the
11 issuers of and the parties that deal with both certificated
12 and uncertificated securities to the same extent that present
13 Article 8 governs such relationships, rights, and duties with
14 respect to certificated securities alone.

15 The Article does not purport to determine whether a
16 particular issue of securities should be represented by
17 certificates, in whole or in part. It is contemplated by the
18 commissioners who drafted the revisions to Article 8 that the
19 determination of form will be made by the issuer under
20 appropriate state Blue Sky Laws or federal law. It is further
21 contemplated that a particular issue of securities may be
22 partly certificated and partly uncertificated, in which event
23 the determination will be at the option of the owner to the
24 extent that the issuer permits.

25 The basic form of the Article has not been disturbed. Only
26 four new sections are included: 554.8108; 554.8321; 554.8407;
27 and 554.8408.

28 Conforming amendments are also made to Articles 1, 5, and
29 9.

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SENATE FILE 475

AN ACT
RELATING TO ARTICLE 8 OF THE UNIFORM COMMERCIAL CODE, BY
INCLUDING BOTH CERTIFICATED AND UNCERTIFICATED SECURITIES
WITHIN THE SCOPE OF ARTICLE 8, AND BY MAKING CONFORMING
AMENDMENTS TO ARTICLES 1, 5, AND 9.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 554.8102, Code 1989, is amended to read
as follows:

554.8102 DEFINITIONS AND INDEX OF DEFINITIONS.

1. In this Article, unless the context otherwise requires
~~it is a "security" if it is an instrument which~~
~~is issued in bearer or registered form; and~~
~~it is of a type commonly dealt in upon securities~~
~~exchanges or markets or commonly recognized in any area in~~
~~which it is issued or dealt in as a medium for investment; and~~
~~it is either one of a class or series or by its terms is~~
~~divisible into a class or series of instruments; and~~
~~it evidences a share, participation or other interest in~~
~~property or in an enterprise or evidences an obligation of the~~
~~issuer:~~

a. A "certificated security" is a share, participation, or
other interest in property of or an enterprise of the issuer
or an obligation of the issuer which is

i. represented by an instrument issued in bearer or
registered form;

ii. of a type commonly dealt in on securities exchanges or
markets or commonly recognized in any area in which it is
issued or dealt in as a medium for investment; and

iii. either one of a class or series or by its terms
divisible into a class or series of shares, participations,
interests, or obligations.

b. An "uncertificated security" is a share, participation,
or other interest in property or an enterprise of the issuer
or an obligation of the issuer which is

i. not represented by an instrument and the transfer of
which is registered upon books maintained for that purpose by
or on behalf of the issuer;

ii. of a type commonly dealt in on securities exchanges or
markets; and

iii. either one of a class or series or by its terms
divisible into a class or series of shares, participations,
interests, or obligations.

b. c. A "security" is either a certificated or an
uncertificated security. If a security is certificated, the
terms "security" and "certificated security" may mean either the
intangible interest, the instrument representing that
interest, or both, as the context requires. A writing which
that is a certificated security is governed by this Article
and not by uniform commercial code commercial paper Article
3 even though it also meets the requirements of that Article.
This Article does not apply to money. If a certificated
security has been retained by or surrendered to the issuer or
its transfer agent for reasons other than registration of
transfer, other temporary purpose, payment, exchange, or
acquisition by the issuer, that security shall be treated as
an uncertificated security for purposes of this Article.

c. d. A certificated security is in "registered form" when
if:

i. it specifies a person entitled to the security or to
the rights it evidences represents, and when

ii. its transfer may be registered upon books maintained
for that purpose by or on behalf of an the issuer, or the
security so states.

d. e. A certificated security is in "bearer form" when if
it runs to bearer according to its terms and not by reason of
any endorsement.

2. A "subsequent purchaser" is a person who takes other than by original issue.

3. A "clearing corporation" is a corporation registered as a "clearing agency" as under federal securities laws or a corporation:

a. At least ninety percent of the whose capital stock of which is held by or for one or more persons, other than individuals, organizations, none of which, other than a national securities exchange or association, holds in excess of twenty percent of the capital stock of the corporation, each of whom which is

i. is subject to supervision or regulation pursuant to the provisions of federal or state banking laws or state insurance laws, or

ii. is a broker or dealer or investment company registered under the Securities-Exchange-Act-of-1934-(48-Stat-801, 15 U.S.C.-78a-et-seq)-or-the-Investment-Company-Act-of-1940-(54 Stat-789, 15 U.S.C.-80a-1-et-seq) federal securities laws, or

iii. is a national securities exchange or association registered under a statute of the United States such as the Securities-Exchange-Act-of-1934 the federal securities laws, and none of whom, other than a national securities exchange or association, holds in excess of twenty percent of the capital stock of such corporation; and

b. Any remaining capital stock of which is held by individuals who have purchased such capital stock it at or prior to the time of their taking office as directors of such the corporation and who have purchased only so much of such capital stock as may be is necessary to permit them to qualify as such directors.

4. A "custodian bank" is any a bank or trust company which that is supervised and examined by state or federal authority having supervision over banks and which is acting as custodian for a clearing corporation.

5. Other definitions applying to this Article or to specified Parts thereof and the sections in which they appear are:

| | |
|----------------------------------|-------------------|
| "Adverse claim". | Section 554.8302. |
| "Bona fide purchaser". | Section 554.8302. |
| "Broker". | Section 554.8303. |
| "Debtor". | Section 554.9105. |
| "Financial Intermediary". | Section 554.8313. |
| "Guarantee of the signature". | Section 554.8402. |
| "Initial transaction statement". | Section 554.8408. |
| "Instruction". | Section 554.8308. |
| "Intermediary bank". | Section 554.4105. |
| "Issuer". | Section 554.8201. |
| "Overissue". | Section 554.8104. |
| "Secured party". | Section 554.9105. |
| "Security agreement". | Section 554.9105. |

6. In addition Article 1 contains general definitions and principles of construction and interpretation applicable throughout this Article.

Sec. 2. Section 554.8103, Code 1989, is amended to read as follows:

554.8103 ISSUER'S LIEN.

A lien upon a security in favor of an issuer thereof is valid against a purchaser only if:

a. the security is certificated and the right of the issuer to such the lien is noted conspicuously on the security thereon; or

b. the security is uncertificated and a notation of the right of the issuer to the lien is contained in the initial transaction statement sent to the purchaser or, if the purchaser's interest is transferred to the purchaser other than by registration of transfer, pledge, or release, the initial transaction statement sent to the registered owner or the registered pledgee.

Sec. 3. Section 554.8104, Code 1989, is amended to read as follows:

554.8104 EFFECT OF OVERISSUE -- "OVERISSUE."

1. The provisions of this Article which validate a security or compel its issue or reissue do not apply to the extent that validation, issue or reissue would result in overissue; but if:

a. if an identical security which does not constitute an overissue is reasonably available for purchase, the person entitled to issue or validation may compel the issuer to purchase ~~and deliver such a~~ the security to for that person and either to deliver a certificated security or to register the transfer of an uncertificated security to that person against surrender of the any certificated security, if any which that person holds; or

b. if a security is not so available for purchase, the person entitled to issue or validation may recover from the issuer the price that person or the last purchaser for value paid for it with interest from the date of that person's demand.

2. "Overissue" means the issue of securities in excess of the amount which the issuer has corporate power to issue.

Sec. 4. Section 554.8105, Code 1989, is amended to read as follows:

554.8105 CERTIFICATED SECURITIES NEGOTIABLE -- STATEMENTS AND INSTRUCTIONS NOT NEGOTIABLE -- PRESUMPTIONS.

1. ~~Securities~~ Certificated securities governed by this Article are negotiable instruments.

2. Statements (section 554.8408), notices, or the like, sent by the issuer of uncertificated securities and instructions (section 554.8308) are neither negotiable instruments nor certificated securities.

3. In any action on a security:

a. unless specifically denied in the pleadings, each signature on the a certificated security or, in a necessary

endorsement, on an initial transaction statement, or on an instruction, is admitted;

b. when if the effectiveness of a signature is put in issue, the burden of establishing it is on the party claiming under the signature, but the signature is presumed to be genuine or authorized;

c. when if signatures on a certificated security are admitted or established, production of the instrument security entitles a holder to recover on it unless the defendant establishes a defense or a defect going to the validity of the security; and

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

e. after it is shown that a defense or defect exists, the plaintiff has the burden of establishing that the plaintiff or some person under whom the plaintiff claims is a person against whom the defense or defect is ineffective (section 554.8202).

Sec. 5. Section 554.8106, Code 1989, is amended to read as follows:

554.8106 APPLICABILITY.

The law (including the conflict of laws rules) of the jurisdiction of organization of the issuer governs

The validity of a security, the effectiveness of registration by the issuer, and the rights and duties of the issuer with respect to:

a. registration of transfer of a certificated security; are governed by the law (including the conflict of laws rules) of the jurisdiction of organization of the issuer;

b. registration of transfer, pledge, or release of an uncertificated security; and

c. sending of statements of uncertificated securities.

Sec. 6. Section 554.8107, Code 1989, is amended to read as follows:

554.8107 SECURITIES BEING TRANSFERABLE -- ACTION FOR PRICE.

1. Unless otherwise agreed and subject to any applicable law or regulation respecting short sales, a person obligated to deliver transfer securities may deliver transfer any certificated security of the specified issue in bearer form or registered in the name of the transferee, or endorsed to the transferee, or in blank, or the transferor may transfer an equivalent uncertificated security to the transferee or a person designated by the transferee.

2. When if the buyer fails to pay the price as it comes due under a contract of sale, the seller may recover the price of:

- a. of certificated securities accepted by the buyer; and
- b. uncertificated securities that have been transferred to the buyer or a person designated by the buyer; and
- b c. of other securities if efforts at their resale would be unduly burdensome or if there is no readily available market for their resale.

Sec. 7. NEW SECTION. 554.8108 REGISTRATION OF PLEDGE AND RELEASE OF UNCERTIFICATED SECURITIES.

A security interest in an uncertificated security may be evidenced by the registration of pledge to the secured party or a person designated by the secured party. There can be no more than one registered pledge of an uncertificated security at any time. The registered owner of an uncertificated security is the person in whose name the security is registered, even if the security is subject to a registered pledge. The rights of a registered pledgee of an uncertificated security under this Article are terminated by the registration of release.

Sec. 8. Section 554.8201, Code 1989, is amended to read as follows:

554.8201 "ISSUER."

1. With respect to obligations on or defenses to a security "issuer" includes a person who:

a. places or authorizes the placing of that person's name on a certificated security (otherwise than as authenticating trustee, registrar, transfer agent, or the like) to evidence that it represents a share, participation, or other interest in that person's property or in an enterprise or to evidence that person's duty to perform an obligation evidenced represented by the certificated security; or

b. creates shares, participations or other interests in the person's property or in an enterprise or undertakes obligations, which shares, participations, interests, or obligations are uncertificated securities;

b c. directly or indirectly creates fractional interests in that person's rights or property, which fractional interests are evidenced represented by certificated securities; or

c d. becomes responsible for or in place of any other person described as an issuer in this section.

2. With respect to obligations on or defenses to a security, a guarantor is an issuer to the extent of the guarantor's guaranty, whether or not the guarantor's obligation is noted on the a certificated security or on statements of uncertificated securities sent pursuant to section 554.8408.

3. With respect to registration of transfer, pledge, or release (Part 4 of this Article), "issuer" means a person on whose behalf transfer books are maintained.

Sec. 9. Section 554.8202, Code 1989, is amended to read as follows:

554.8202 ISSUER'S RESPONSIBILITY AND DEFENSES -- NOTICE OF DEFECT OR DEFENSE.

1. Even against a purchaser for value and without notice, the terms of a security include:

a. if the security is certificated, those stated on the security;

b. if the security is uncertificated, those contained in the initial transaction statement sent to such purchaser, or if the purchaser's interest is transferred to the purchaser other than by registration of transfer, pledge, or release, the initial transaction statement sent to the registered owner or registered pledgee; and

c. those made part of the security by reference, on the certificated security or in the initial transaction statement, to another instrument, indenture, or document or to a constitution, statute, ordinance, rule, regulation, order or the like, to the extent that the terms so referred to do not conflict with the stated terms stated on the certificated security or contained in the initial statement. Such a A reference under this paragraph does not of itself charge a purchaser for value with notice of a defect going to the validity of the security, even though the certificated security or statement expressly states that a person accepting it admits such notice.

2. as A certificated security in the hands of a purchaser for value or an uncertificated security as to which an initial transaction statement has been sent to a purchaser for value, other than one a security issued by a government or governmental agency or unit, even though issued with a defect going to its validity, is valid in-the-hands-of-a with respect to the purchaser for-value-and if the purchaser is without notice of the particular defect unless the defect involves a violation of constitutional provisions, in which case the security is valid in-the-hands-of with respect to a subsequent purchaser for value and without notice of the defect.

br--The rule of subparagraph "a" This subsection applies to an issuer which that is a government or governmental agency or unit only if either there has been substantial compliance with the legal requirements governing the issue or the issuer has

received a substantial consideration for the issue as a whole or for the particular security and a stated purpose of the issue is one for which the issuer has power to borrow money or issue the security.

3. Except as otherwise provided in the case of certain unauthorized signatures on-issue (section 554.0205), lack of genuineness of a certificated security or an initial transaction statement is a complete defense, even against a purchaser for value and without notice.

4. All other defenses of the issuer of a certificated or uncertificated security, including nondelivery and conditional delivery of the a certificated security, are ineffective against a purchaser for value who has taken without notice of the particular defense.

5. Nothing in this section shall be construed to affect the right of a party to a "when, as and if issued" or a "when distributed" contract to cancel the contract in the event of a material change in the character of the security which that is the subject of the contract or in the plan or arrangement pursuant to which such the security is to be issued or distributed.

Sec. 10. Section 554.0203, Code 1989, is amended to read as follows:

554.0203 STALENESS AS NOTICE OF DEFECTS OR DEFENSES.

1. After an act or event which-creates creating a right to immediate performance of the principal obligation evidenced represented by the a certificated security or which that sets a date on or after which the security is to be presented or surrendered for redemption or exchange, a purchaser is charged with notice of any defect in its issue or defense of the issuer if:

a. if the act or event is one requiring the payment of money or, the delivery of certificated securities, the registration of transfer of uncertificated securities, or both any of these on presentation or surrender of the certificated

security and such, the funds or securities are available on the date set for payment or exchange, and the purchaser takes the security more than one year after that date; and

b. if the act or event is not covered by paragraph "a" and the purchaser takes the security more than two years after the date set for surrender or presentation or the date on which such performance became due.

2. A call which that has been revoked is not within subsection 1.

Sec. 11. Section 554.8204, Code 1989, is amended to read as follows:

554.8204 EFFECT OF ISSUER'S RESTRICTIONS ON TRANSFER.

~~Unless noted conspicuously on the security~~ A restriction on transfer of a security imposed by the issuer, even though otherwise lawful, is ineffective except against a any person with without actual knowledge of it, unless:

a. the security is certificated and the restriction is noted conspicuously thereon; or

b. the security is uncertificated and a notation of the restriction is contained in the initial transaction statement sent to the person or, if the person's interest is transferred to the person other than by registration of transfer, pledge, or release, the initial transaction statement sent to the registered owner or the registered pledgee.

Sec. 12. Section 554.8205, Code 1989, is amended to read as follows:

554.8205 EFFECT OF UNAUTHORIZED SIGNATURE ON ~~ISSUE~~ CERTIFICATED SECURITY OR INITIAL TRANSACTION STATEMENT.

An unauthorized signature placed on a certificated security prior to or in the course of issue or placed on an initial transaction statement is ineffective, except that but the signature is effective in favor of a purchaser for value and of the certificated security or a purchaser for value of an uncertificated security to whom such initial transaction statement has been sent, if the purchaser is without notice of the lack of authority and if the signing has been done by:

a. an authenticating trustee, registrar, transfer agent or other person entrusted by the issuer with the signing of the security or, of similar securities, or of initial transactions statements or their the immediate preparation for signing of any of them; or

b. an employee of the issuer, or of any of the foregoing, entrusted with responsible handling of the security or initial transaction statement.

Sec. 13. Section 554.8206, Code 1989, is amended to read as follows:

554.8206 COMPLETION OR ALTERATION OF INSTRUMENT CERTIFICATED SECURITY OR INITIAL TRANSACTION STATEMENT.

1. Where If a certificated security contains the signatures necessary to its issue or transfer but is incomplete in any other respect:

a. any person may complete it by filling in the blanks as authorized; and

b. even though the blanks are incorrectly filled in, the security as completed is enforceable by a purchaser who took it for value and without notice of such the incorrectness.

2. A complete certificated security which that has been improperly altered, even though fraudulently, remains enforceable, but only according to its original terms.

3. If an initial transaction statement contains the signatures necessary to its validity, but is incomplete in any other respect:

a. any person may complete it by filling in the blanks as authorized; and

b. even though the blanks are incorrectly filled in, the statement as completed is effective in favor of the person to whom it is sent if the person purchased the security referred to therein for value and without notice of the incorrectness.

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

Sec. 14. Section 554.8207, Code 1989, is amended to read as follows:

554.8207 RIGHTS OF ISSUER WITH RESPECT TO REGISTERED OWNERS.

1. Prior to due presentment for registration of transfer of a certificated security in registered form, the issuer or indenture trustee may treat the registered owner as the person exclusively entitled to vote, to receive notifications, and otherwise to exercise all the rights and powers of an owner.

2. Subject to the provisions of subsections 3, 4, and 6, the issuer or indenture trustee may treat the registered owner of an uncertificated security as the person exclusively entitled to vote, to receive notifications, and otherwise to exercise all the rights and powers of an owner.

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

4. Upon due presentment of a transfer instruction from the registered pledgee of an uncertificated security, the issuer shall:

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

b. register the transfer of the security to the new owner subject to the interest of the existing pledgee, if the instruction specifies a new owner and the existing pledgee; or

c. register the release of the security from the existing pledge and register the pledge of the security to the other pledgee, if the instruction specifies the existing owner and another pledgee.

5. Continuity of perfection of a security interest is not broken by registration of transfer under subsection (4)(b) or

by registration of release and pledge under subsection (4)(c), if the security interest is assigned.

6. If an uncertificated security is subject to a registered pledge:

a. any uncertificated securities issued in exchange for or distributed with respect to the pledged security shall be registered subject to the pledge;

b. any certificated securities issued in exchange for or distributed with respect to the pledged security shall be delivered to the registered pledgee; and

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

7. Nothing in this Article shall be construed to affect the liability of the registered owner of a security for calls, assessments, or the like.

Sec. 15. Section 554.8206, Code 1989, is amended to read as follows:

554.8206 EFFECT OF SIGNATURE OF AUTHENTICATING TRUSTEE, REGISTRAR OR TRANSFER AGENT.

1. A person placing that person's signature upon a certificated security or an initial transaction statement as authenticating trustee, registrar, transfer agent, or the like, warrants to a purchaser for value of the certificated security or a purchaser for value of an uncertificated security to whom the initial transaction statement has been sent, if the purchaser is without notice of the particular defect, that:

a. the certificated security or initial transaction statement is genuine; and

b. that person's own participation in the issue or registration of transfer, pledge, or release of the security is within that person's capacity and within the scope of the authorization authority received by that person from the issuer; and

c. that person has reasonable grounds to believe that the security is in the form and within the amount the issuer is authorized to issue.

2. Unless otherwise agreed, a person by so placing that person's signature does not assume responsibility for the validity of the security in other respects.

Sec. 16. Section 554.8301, Code 1989, is amended to read as follows:

554.8301 RIGHTS ACQUIRED BY PURCHASER ---"ADVBRBB-EBAEM"---
--TITBB-ACQUIRBB-BY-BONA-FIDBB-PURCHASER.

1. Upon delivery transfer of a security to a purchaser (section 554.8313), the purchaser acquires the rights in the security which the purchaser's transferor had or had actual authority to convey ~~except that a purchaser who has personally been a party to any fraud or illegality affecting the security or who as a prior holder had notice of an adverse claim cannot improve that purchaser's position by taking from a later bona fide purchaser.~~ "Adverse claim" includes a claim that a transfer was or would be wrongful or that a particular adverse person is the owner of or has an interest in the security unless the purchaser's rights are limited by section 554.8302, subsection 4.

2. ~~A bona fide purchaser in addition to acquiring the rights of a purchaser also acquires the security free of any adverse claim.~~

3. 2. A purchaser transferee of a limited interest acquires rights only to the extent of the interest purchased transferred. The creation or release of a security interest in a security is the transfer of a limited interest in that security.

Sec. 17. Section 554.8302, Code 1989, is amended to read as follows:

554.8302 "BONA FIDE PURCHASER" -- "ADVERSE CLAIM" -- TITLE ACQUIRED BY BONA FIDE PURCHASER.

1. A "bona fide purchaser" is a purchaser for value in good faith and without notice of any adverse claim:

a. who takes delivery of a certificated security in bearer form or of one in registered form, issued to that purchaser or endorsed to that purchaser or in blank;

b. to whom the transfer, pledge, or release of an uncertificated security is registered on the books of the issuer; or

c. to whom a security is transferred under the provisions of paragraph (c), (d)(1), or (g) of section 554.8313, subsection 1.

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

3. A bona fide purchaser in addition to acquiring the rights of a purchaser (section 554.8301) also acquires interest in the security free of any adverse claim.

4. Notwithstanding section 554.8301, subsection 1, the transferee of a particular certificated security who has been a party to any fraud or illegality affecting the security, or who as a prior holder of that certificated security had notice of an adverse claim, cannot improve the transferee's position by taking from a bona fide purchaser.

Sec. 18. Section 554.8303, Code 1989, is amended to read as follows:

554.8303 "BROKER."

"Broker" means a person engaged for all or part of the person's time in the business of buying and selling securities, who in the transaction concerned acts for, or buys a security from, or sells a security to, a customer. Nothing in this Article determines the capacity in which a person acts for purposes of any other statute or rule to which such the person is subject.

Sec. 19. Section 554.8304, Code 1989, is amended to read as follows:

554.8304 NOTICE TO PURCHASER OF ADVERSE CLAIMS.

1. A purchaser (including a broker for the seller or buyer but excluding an intermediary bank) of a certificated security is charged with notice of adverse claims if:

- a. the security, whether in bearer or registered form, has been endorsed "for collection" or "for surrender" or for some other purpose not involving transfer; or
- b. the security is in bearer form and has on it an unambiguous statement that it is the property of a person other than the transferor. The mere writing of a name on a security is not such a statement.

2. A purchaser (including a broker for the seller or buyer, but excluding an intermediary bank) to whom the transfer, pledge, or release of an uncertificated security is registered is charged with notice of adverse claims as to which the issuer has a duty under section 554.8403, subsection 4 at the time of registration and which are noted in the initial transaction statement sent to the purchaser or, if the purchaser's interest is transferred to the purchaser other than by registration of transfer, pledge, or release, the initial transaction statement sent to the registered owner or the registered pledgee.

3. The fact that the purchaser (including a broker for the seller or buyer) of a certificated or uncertificated security has notice that the security is held for a third person or is registered in the name of or endorsed by a fiduciary does not create a duty of inquiry into the rightfulness of the transfer or constitute constructive notice of adverse claims. ~~§7-however~~ However, if the purchaser (excluding an intermediary bank) has knowledge that the proceeds are being used or that the transaction is for the individual benefit of the fiduciary or otherwise in breach of duty, the purchaser is charged with notice of adverse claims.

Sec. 20. Section 554.8305, Code 1989, is amended to read as follows:

554.8305 STALENESS AS NOTICE OF ADVERSE CLAIMS.

An act or event which that creates a right to immediate performance of the principal obligation evidenced represented by the a certificated security or which sets a date on or after which the a certificated security is to be presented or surrendered for redemption or exchange does not of itself constitute any notice of adverse claims except in the case of a purchase transfer:

- a. after one year from any date set for such presentment or surrender for redemption or exchange; or
- b. after six months from any date set for payment of money against presentation or surrender of the security if funds are available for payment on that date.

Sec. 21. Section 554.8306, Code 1989, is amended to read as follows:

554.8306 WARRANTIES ON PRESENTMENT AND TRANSFER OF CERTIFICATED SECURITIES -- WARRANTIES OF ORIGINATORS OF INSTRUCTIONS.

1. A person who presents a certificated security for registration of transfer or for payment or exchange, warrants to the issuer that the person is entitled to the registration, payment or exchange. But, a purchaser for value and without notice of adverse claims who receives a new, reissued, or reregistered certificated security on registration or transfer or receives an initial transaction statement confirming the registration of transfer of an equivalent uncertificated security to that purchaser warrants only that that purchaser has no knowledge of any unauthorized signature (section 554.8311) in a necessary endorsement.

2. A person by transferring a certificated security to a purchaser for value warrants only that:

- a. the person's transfer is effective and rightful; and
- b. the security is genuine and has not been materially altered; and
- c. the person knows of no fact which might impair the validity of the security.

3. Where if a certificated security is delivered by an intermediary known to be entrusted with delivery of the security on behalf of another or with collection of a draft or other claim against such delivery, the intermediary by such delivery warrants only the intermediary's own good faith and authority, even though the intermediary has purchased or made advances against the claim to be collected against the delivery.

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

5. A person who originates an instruction warrants to the issuer that:

a. the originator is an appropriate person to originate the instruction; and

b. at the time the instruction is presented to the issuer the originator will be entitled to the registration of transfer, pledge, or release.

6. A person who originates an instruction warrants to any person specially guaranteeing the originator's signature (section 554.8312, subsection 3) that:

a. the originator is an appropriate person to originate the instruction; and

b. at the time the instruction is presented to the issuer
i. the originator will be entitled to the registration of transfer, pledge, or release; and

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

7. A person who originates an instruction warrants to a purchaser for value and to any person guaranteeing the instruction (section 554.8312, subsection 6) that:

a. the originator is an appropriate person to originate the instruction;

b. the uncertificated security referred to therein is valid; and

c. at the time the instruction is presented to the issuer
i. the transferor will be entitled to the registration of transfer, pledge, or release;

ii. the transfer, pledge, or release requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions, and claims other than those specified in the instruction; and

iii. the requested transfer, pledge, or release will be rightful.

8. If a secured party is the registered pledgee or the registered owner of an uncertificated security, a person who originates an instruction of release or transfer to the debtor or, after payment and on order of the debtor, a transfer instruction to a third person, warrants to the debtor or the third person only that the secured party is an appropriate person to originate the instruction and at the time the instruction is presented to the issuer, the transferor will be entitled to the registration of release or transfer. If a transfer instruction to a third person who is a purchaser for value is originated on order of the debtor, the debtor makes to the purchaser the warranties of paragraphs "b", "c", ii, and "c" iii of subsection 7.

9. A person who transfers an uncertificated security to a purchaser for value and does not originate an instruction in connection with the transfer warrants only that:

a. The person's transfer is effective and rightful; and

b. The uncertificated security is valid.

10. A broker gives to the broker's customer and to the issuer and a purchaser the applicable warranties provided in this section and has the rights and privileges of a purchaser under this section. The warranties of and in favor of the

broker acting as an agent are in addition to applicable warrants given by and in favor of the broker's customer.

Sec. 22. Section 554.8307, Code 1989, is amended to read as follows:

554.8307 EFFECT OF DELIVERY WITHOUT ENDORSEMENT -- RIGHT TO COMPEL ENDORSEMENT.

Where if a certificated security in registered form has been delivered to a purchaser without a necessary endorsement the purchaser may become a bona fide purchaser only as of the time the endorsement is supplied; but against the transferor, the transfer is complete upon delivery and the purchaser has a specifically enforceable right to have any necessary endorsement supplied.

Sec. 23. Section 554.8308, Code 1989, is amended to read as follows:

554.8308 ~~ENDORSEMENT; HOW MADE --- SPECIAL ENDORSEMENT --- ENDORSER NOT A GUARANTOR --- PARTIAL ASSIGNMENT~~ ENDORSEMENTS -- INSTRUCTIONS.

1. An endorsement of a certificated security in registered form is made when an appropriate person signs on it or on a separate document an assignment or transfer of the security or a power to assign or transfer it or when the person's signature of such person is written without more upon the back of the security.

2. An endorsement may be in blank or special. An endorsement in blank includes an endorsement to bearer. A special endorsement specifies the person to whom the security is to be transferred, or who has power to transfer it. A holder may convert a blank endorsement into a special endorsement.

3. An endorsement purporting to be only of part of a certificated security representing units intended by the issuer to be separately transferable is effective to the extent of the endorsement.

4. An "instruction" is an order to the issuer of an uncertificated security requesting that the transfer, pledge, or release from pledge of the uncertificated security specified therein be registered.

5. An instruction originated by an appropriate person is:
 a. a writing signed by an appropriate person; or
 b. a communication to the issuer in any form agreed upon in a writing signed by the issuer and an appropriate person.

If an instruction has been originated by an appropriate person but is incomplete in any other respect, any person may complete it as authorized and the issuer may rely on it as completed even though it has been completed incorrectly.

6. "An appropriate person" in subsection 1 means
 a. the person specified by the certificated security or by special endorsement to be entitled to the security; or

7. "An appropriate person" in subsection 5 means:
 a. for an instruction to transfer or pledge an uncertificated security which is then not subject to a registered pledge, the registered owner; or
 b. for an instruction to transfer or release an uncertificated security which is then subject to a registered pledge, the registered pledgee.

8. In addition to the persons designated in subsections 6 and 7, "an appropriate person" in subsections 1 and 5 includes:

a. where if the person so-specified designated is described as a fiduciary but is no longer serving in the described capacity, -- either that person or that person's successor; or

b. where if the security-or-endorsement-so-specifies persons designated are described as more than one person as fiduciaries and one or more are no longer serving in the described capacity, -- the remaining fiduciary or fiduciaries, whether or not a successor has been appointed or qualified; or

d c. where if the person so-specified designated is an individual and is without capacity to act by virtue of death, incompetence, infancy, or otherwise, -- that person's executor, administrator, guardian, or like fiduciary; or

e d. where if the security-or-endorsement-so-specifies persons designated are described as more than one person as tenants by the entirety or with right of survivorship and by reason of death all cannot sign, -- the survivor or survivors; or

f e. a person having power to sign under applicable law or controlling instrument; or and

g f. to the extent that the person designated or any of the foregoing persons may act through an agent, -- that person's authorized agent.

4 9. Unless otherwise agreed, the endorser of a certificated security by the endorser's endorsement or the originator of an instruction by the originator's origination assumes no obligation that the security will be honored by the issuer but only the obligations provided in section 554.8306.

5:--An-endorsement-purporting-to-be-only-of-part-of-a security-representing-units-intended-by-the-issuer-to-be separately-transferable-is-effective-to-the-extent-of-the endorsement:

6 10. Whether the person signing is appropriate is determined as of the date of signing and an endorsement made by or an instruction originated by such-a the person does not become unauthorized for the purposes of this Article by virtue of any subsequent change of circumstances.

7 11. Failure of a fiduciary to comply with a controlling instrument or with the law of the state having jurisdiction of the fiduciary relationship, including any law requiring the fiduciary to obtain court approval of the transfer, pledge, or release, does not render the fiduciary's endorsement or an instruction originated by the fiduciary unauthorized for the purposes of this Article.

Sec. 24. Section 554.8309, Code 1989, is amended to read as follows:

554.8309 EFFECT OF ENDORSEMENT WITHOUT DELIVERY.

An endorsement of a certificated security, whether special or in blank, does not constitute a transfer until delivery of the certificated security on which it appears or, if the endorsement is on a separate document, until delivery of both the document and the certificated security.

Sec. 25. Section 554.8310, Code 1989, is amended to read as follows:

554.8310 ENDORSEMENT OF CERTIFICATED SECURITY IN BEARER FORM.

An endorsement of a certificated security in bearer form may give notice of adverse claims (section 554.8304) but does not otherwise affect any right to registration the holder may possess possesses.

Sec. 26. Section 554.8311, Code 1989, is amended to read as follows:

554.8311 EFFECT OF UNAUTHORIZED ENDORSEMENT OR INSTRUCTION.

Unless the owner or pledgee has ratified an unauthorized endorsement or instruction or is otherwise precluded from asserting its ineffectiveness:

a. the owner may assert its ineffectiveness against the issuer or any purchaser other than a purchaser for value and without notice of adverse claims, who has in good faith received a new, reissued, or reregistered certificated security on registration of transfer or received an initial transaction statement confirming the registration of transfer, pledge, or release of an equivalent uncertificated security to the purchaser; and

b. an issuer who registers the transfer of a certificated security upon the unauthorized endorsement or who registers the transfer, pledge, or release of an uncertificated security upon the unauthorized instruction is subject to liability for improper registration (section 554.8404).

Sec. 27. Section 554.8312, Code 1989, is amended to read as follows:

554.8312 EFFECT OF GUARANTEEING SIGNATURE OR ENDORSEMENT OR INSTRUCTION.

1. Any person guaranteeing a signature of an endorser of a certificated security warrants that at the time of signing
 - a. the signature was genuine; and
 - b. the signer was an appropriate person to endorse (section 554.8308); and
 - c. the signer had legal capacity to sign.

~~But the guarantor does not otherwise warrant the rightfulness of the particular transfer:~~

2. Any person guaranteeing a signature of the originator of an instruction warrants that at the time of signing:
 - a. the signature was genuine;
 - b. the signer was an appropriate person to originate the instruction (section 554.8308) if the person specified in the instruction as the registered owner or registered pledgee of the uncertificated security was, in fact, the registered owner or registered pledgee of such security, as to which fact the signature guarantor makes no warranty;
 - c. the signer had legal capacity to sign; and
 - d. the taxpayer identification number, if any, appearing on the instruction as that of the registered owner or registered pledgee was the taxpayer identification number of the signer or of the owner or pledgee for whom the signer was acting.

3. Any person specially guaranteeing the signature of the originator of an instruction makes not only the warranties of a signature guarantor (subsection 2) but also warrants that at the time the instruction is presented to the issuer:

- a. the person specified in the instruction as the registered owner or registered pledgee of the uncertificated security will be the registered owner or registered pledgee; and

b. the transfer, pledge, or release of the uncertificated security requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions, and claims other than those specified in the instruction.

4. The guarantor under subsections 1 and 2 or the special guarantor under subsection 3 does not otherwise warrant the rightfulness of the particular transfer, pledge, or release.

5. Any person may guarantee guaranteeing an endorsement of a certificated security and-by-so-doing-warrants-not-only the signature-(subsection-3) makes not only the warranties of a signature guarantor under subsection 1 but also warrants the rightfulness of the particular transfer in all respects. But no issuer may require a guarantee of endorsement as a condition to registration of transfer:

6. Any person guaranteeing an instruction requesting the transfer, pledge, or release of an uncertificated security makes not only the warranties of a special signature guarantor under subsection 3, but also warrants the rightfulness of the particular transfer, pledge, or release in all respects.

7. No issuer may require a special guarantee of signature (subsection 3), a guarantee of endorsement (subsection 5), or a guarantee of instruction (subsection 6) as a condition to registration of transfer, pledge, or release.

8. The foregoing warranties are made to any person taking or dealing with the security in reliance on the guarantee and the guarantor is liable to such the person for any loss resulting from breach of the warranties.

Sec. 28. Section 554.8313, Code 1989, is amended to read as follows:

554.8313 WHEN DELIVERY TRANSFER TO THE PURCHASER OCCURS: --PURCHASER'S-BROKER-AS-HOLDER FINANCIAL INTERMEDIARY AS BONA FIDE PURCHASER -- "FINANCIAL INTERMEDIARY".

1. Delivery Transfer of a security or a limited interest (including a security interest) therein to a purchaser occurs when only:

a. at the time the purchaser or a person designated by the purchaser acquires possession of a certificated security; or

b. at the time the transfer, pledge, or release of an uncertificated security is registered to the purchaser or a person designated by the purchaser;

b c. at the time the purchaser's broker financial intermediary acquires possession of a certificated security specially endorsed to or issued in the name of the purchaser;
or

c d. the-purchaser's-broker at the time a financial intermediary, not a clearinghouse, sends the purchaser confirmation of the purchase and also by book entry or otherwise identifies a-specific-security-in-the-broker's possession as belonging to the purchaser;-or

i. a specific certificated security in the financial intermediary's possession;

ii. a quantity of securities that constitute or are part of a fungible bulk of certificated securities in the financial intermediary's possession or of uncertificated securities registered in the name of the financial intermediary; or

iii. a quantity of securities that constitute or are part of a fungible bulk of securities shown on the account of the financial intermediary on the books of another financial intermediary;

d e. with respect to an identified certificated security to be delivered while still in the possession of a third person, when not a financial intermediary, at the time that person acknowledges that that person holds for the purchaser;
or

f. with respect to a specific uncertificated security the pledge or transfer of which has been registered to a third person, not a financial intermediary, at the time that person acknowledges that that person holds for the purchaser;

e g. at the time appropriate entries to the account of the purchaser or a person designated by the purchaser on the books of a clearing corporation are made under section 554.8320;

h. with respect to the transfer of a security interest where the debtor has signed a security agreement containing a description of the security, at the time a written notification, which, in the case of the creation of the security interest, is signed by the debtor (which may be a copy of the security agreement) or which, in the case of the release or assignment of the security interest created pursuant to this paragraph, is signed by the secured party, is received by

i. a financial intermediary on whose books the interest of the transferor in the security appears;

ii. a third person, not a financial intermediary, in possession of the security, if it is certificated;

iii. a third person, not a financial intermediary, who is the registered owner of the security, if it is uncertificated and not subject to a registered pledge; or

iv. a third person, not a financial intermediary, who is the registered pledgee of the security, if it is uncertificated and subject to a registered pledge;

1. with respect to the transfer of a security interest where the transferor has signed a security agreement containing a description of the security, at the time new value is given by the secured party; or

j. with respect to the transfer of a security interest where the secured party is a financial intermediary and the security has already been transferred to the financial intermediary under paragraph "a", "b", "c", "d", or "g", at the time the transferor has signed a security agreement containing a description of the security and value is given by the secured party.

2. The purchaser is the owner of a security held for the purchaser by the-purchaser's-broker a financial intermediary, but is-not-the-holder cannot be a bona fide purchaser of a security so held except as in circumstances specified in subparagraphs-"b", paragraphs "c", "d"(i), and "e" "g" of

subsection 1. Where if a security so held is part of a fungible bulk, as in the circumstances specified in paragraphs "d"(ii) and "d"(iii) of subsection 1, the purchaser is the owner of a proportionate property interest in the fungible bulk.

3. Notice of an adverse claim received by the broker financial intermediary or by the purchaser after the broker financial intermediary takes delivery of a certificated security as a holder for value or after the transfer, pledge, or release of an uncertificated security has been registered free of the claim to a financial intermediary who has given value is not effective either as to the broker financial intermediary or as to the purchaser. However, as between the broker financial intermediary and the purchaser the purchaser may demand delivery transfer of an equivalent security as to which no notice of an adverse claim has been received.

4. A "financial intermediary" is a bank, broker, clearing corporation or other person (or the nominee of any of them) which in the ordinary course of its business maintains security accounts for its customers and is acting in that capacity. A financial intermediary may have a security interest in securities held in account for its customer.

Sec. 29. Section 554.8314, Code 1989, is amended to read as follows:

554.8314 DUTY TO DELIVER TRANSFER, WHEN COMPLETED.

1. Unless otherwise agreed where if a sale of a security is made on an exchange or otherwise through brokers:

a. the selling customer fulfills that customer's duty to deliver-when transfer at the time that customer:

i. places such a certificated security in the possession of the selling broker or of a person designated by the broker;

ii. causes an uncertificated security to be registered in the name of the selling broker or a person designated by the broker; or

iii. if requested, causes an acknowledgment to be made to the selling broker that it a certificated or uncertificated security is held for that broker; and or

iv. places in the possession of the selling broker or of a person designated by the broker a transfer instruction for an uncertificated security, providing the issuer does not refuse to register the requested transfer if the instruction is presented to the issuer for registration within thirty days thereafter; and

b. the selling broker, including a correspondent broker acting for a selling customer, fulfills that broker's duty to deliver-by-placing-the transfer at the time that broker

i. places a certificated security or a like security in the possession of the buying broker or a person designated by the buying broker;

ii. causes an uncertificated security to be registered in the name of the buying broker or a person designated by the buying broker;

iii. places in the possession of the buying broker or of a person designated by the buying broker a transfer instruction for an uncertificated security, providing the issuer does not refuse to register the requested transfer if the instruction is presented to the issuer for registration within thirty days thereafter; or

iv. or-by-effecting effects clearance of the sale in accordance with the rules of the exchange on which the transaction took place.

2. Except as otherwise provided in this section and unless otherwise agreed, a transferor's duty to deliver transfer a security under a contract of purchase is not fulfilled until the transferor:

a. places the certificated security in form to be negotiated by the purchaser in the possession of the purchaser or of a person designated by the purchaser; or

b. at-the-purchaser's-request causes an uncertificated security to be registered in the name of the purchaser or a person designated by the purchaser; or

c. if the purchaser requests, causes an acknowledgment to be made to the purchaser that it a certificated or uncertificated security is held for the purchaser.

3. Unless made on an exchange, a sale to a broker purchasing for the broker's own account is within this subsection 2 and not within subsection 1.

Sec. 30. Section 554.8315, Code 1989, is amended to read as follows:

554.8315 ACTION AGAINST PURCHASER TRANSFEREE BASED UPON WRONGFUL TRANSFER.

1. Any person against whom the transfer of a security is wrongful for any reason, including the person's incapacity, may as against anyone except a bona fide purchaser, may:

a. reclaim possession of the certificated security wrongfully transferred; or

b. obtain possession of any new certificated security evidencing representing all or part of the same rights; or

c. compel the origination of an instruction to transfer to the person or a person designated by that person an uncertificated security constituting all or part of the same rights; or

d. have damages.

2. If the transfer is wrongful because of an unauthorized endorsement of a certificated security, the owner may also reclaim or obtain possession of the security or a new certificated security, even from a bona fide purchaser, if the ineffectiveness of the purported endorsement can be asserted against the purchaser under the provisions of this Article on unauthorized endorsements (section 554.8311).

3. The right to obtain or reclaim possession of a certificated security or to compel the origination of a transfer instruction may be specifically enforced and its the

transfer of a certificated or uncertificated security enjoined and the a certificated security impounded pending the litigation.

Sec. 31. Section 554.8316, Code 1989, is amended to read as follows:

554.8316 PURCHASER'S RIGHT TO REQUISITES FOR REGISTRATION OF TRANSFER, PLEDGE, OR RELEASE ON BOOKS.

Unless otherwise agreed, the transferor must of a certificated security or the transferor, pledgor, or pledgee of an uncertificated security on due demand must supply the transferor's, pledgor's, or pledgee's purchaser with any proof of the transferor's authority to transfer, pledge, or release or with any other requisite which may-be necessary to obtain registration of the transfer, pledge, or release of the security; but if the transfer, pledge, or release is not for value, a transferor, pledgor, or pledgee need not do so unless the purchaser furnishes the necessary expenses. Failure within a reasonable time to comply with a demand made-within-a reasonable-time gives the purchaser the right to reject or rescind the transfer, pledge, or release.

Sec. 32. Section 554.8317, Code 1989, is amended to read as follows:

554.8317 ATTACHMENT-OR-LEVY-UPON-SECURITY CREDITORS' RIGHTS.

1. No Subject to the exceptions in subsections 3 and 4, no attachment or levy upon a certificated security or any share or other interest evidenced represented thereby which is outstanding shall-be is valid until the security is actually seized by the officer making the attachment or levy, but a certificated security which has been surrendered to the issuer may be attached-or-levied-upon-at-the-source reached by a creditor by legal process at the issuer's chief executive office in the United States.

2. An uncertificated security registered in the name of the debtor may not be reached by a creditor except by legal

process at the issuer's chief executive office in the United States.

3. The interest of a debtor in a certificated security that is in the possession of a secured party not a financial intermediary or in an uncertificated security registered in the name of a secured party not a financial intermediary (or in the name of a nominee of the secured party) may be reached by a creditor by legal process upon the secured party.

4. The interest of a debtor in a certificated security that is in the possession of or registered in the name of a financial intermediary or in an uncertificated security registered in the name of a financial intermediary may be reached by a creditor by legal process upon the financial intermediary on whose books the interest of the debtor appears.

5. Unless otherwise provided by law, a creditor's lien upon the interest of a debtor in a security obtained pursuant to subsection 3 or 4 is not a restraint on the transfer of the security, free of the lien, to a third party for new value; but in the event of a transfer, the lien applies to the proceeds of the transfer in the hands of the secured party or financial intermediary, subject to any claims having priority.

6. A creditor whose debtor is the owner of a security shall be is entitled to such aid from courts of appropriate jurisdiction, by injunction or otherwise, in reaching such the security or in satisfying the claim by means thereof as is allowed at law or in equity in regard to property which that cannot readily be attached or levied upon reached by ordinary legal process.

Sec. 33. Section 554.8318, Code 1989, is amended to read as follows:

554.8318 NO CONVERSION BY GOOD FAITH MISFEASANCE CONDUCT.

An agent or bailee who in good faith (including observance of reasonable commercial standards if the agent or bailee is in the business of buying, selling or otherwise dealing with

securities) has received certificated securities and sold, pledged, or delivered them or has sold or caused the transfer or pledge of uncertificated securities over which the agent or bailee had control according to the instructions of the agent's or bailee's principal, is not liable for conversion or for participation in breach of fiduciary duty although the principal had no right to dispose of them so to deal with the securities.

Sec. 34. Section 554.8319, Code 1989, is amended to read as follows:

554.8319 STATUTE OF FRAUDS.

A contract for the sale of securities is not enforceable by way of action or defense unless:

a. there is some writing signed by the party against whom enforcement is sought or by that party's authorized agent or broker sufficient to indicate that a contract has been made for sale of a stated quantity of described securities at a defined or stated price; or

b. delivery of the a certificated security or transfer instruction has been accepted or transfer of an uncertificated security has been registered and the transferee has failed to send written objection to the issuer within ten days after receipt of the initial transaction statement confirming the registration, or payment has been made, but the contract is enforceable under this provision only to the extent of such the delivery or payment; or

c. within a reasonable time a writing in confirmation of the sale or purchase and sufficient against the sender under paragraph "a" has been received by the party against whom enforcement is sought and that party has failed to send written objection to its contents within ten days after its receipt; or

d. the party against whom enforcement is sought admits in that party's pleading, testimony, or otherwise in court that a contract was made for the sale of a stated quantity of described securities at a defined or stated price.

Sec. 35. Section 554.8320, Code 1989, is amended to read as follows:

554.8320 TRANSFER OR PLEDGE WITHIN A CENTRAL DEPOSITORY SYSTEM.

1. If a security in addition to other methods, a transfer, pledge, or release of a security or any interest therein may be effected by the making of appropriate entries on the books of a clearing corporation reducing the account of the transferor, pledgor, or pledgee and increasing the account of the transferee, pledgee, or pledgor by the amount of the obligation, or the number of shares or rights transferred, pledged, or released, if the security is shown on the account of a transferor, pledgor, or pledgee on the books of the clearing corporation; is subject to the control of the clearing corporation; and

a. if certificated,

i. is in the custody of a the clearing corporation, another clearing corporation, or of a custodian bank or a nominee of either subject to the instructions of the clearing corporation any of them; and

b. ii. is in bearer form or endorsed in blank by an appropriate person or registered in the name of the clearing corporation, or a custodian bank, or a nominee of either any of them; and or

b. if uncertificated, is registered in the name of the clearing corporation, another clearing corporation, a custodian bank, or a nominee of any of them;

or is shown on the account of a transferor or pledgor on the books of the clearing corporation; then, in addition to other methods, a transfer or pledge of the security or any interest therein may be effected by the making of appropriate entries on the books of the clearing corporation reducing the account of the transferor or pledgor and increasing the account of the transferee or pledgee by the amount of the obligation or the number of shares or rights transferred or pledged.

2. Under this section entries may be made with respect to like securities or interests therein as a part of a fungible bulk and may refer merely to a quantity of a particular security without reference to the name of the registered owner, certificate or bond number, or the like, and, in appropriate cases, may be on a net basis taking into account other transfers, or pledges, or releases of the same security.

3. A transfer or pledge under this section ~~has the effect of a delivery of a security in bearer form or duly endorsed in blank (section 554.8301) representing the amount of the obligation or the number of shares or rights transferred or pledged is effective (section 554.8313) and the purchaser acquires the rights of the transferor (section 554.8301). A pledge or release under this section is the transfer of a limited interest.~~ If a pledge or the creation of a security interest is intended, ~~the making of entries has the effect of a taking of delivery by the pledgee or a secured party (sections 554.9304 and 554.9305) the security interest is perfected at the time when both value is given by the pledgee and the appropriate entries are made (section 554.8321).~~ A transferee or pledgee under this section is a holder may be a bona fide purchaser (section 554.8302).

4. A transfer or pledge under this section ~~does is~~ not constitute a registration of transfer under Part 4 of this Article.

5. That entries made on the books of the clearing corporation as provided in subsection 1 are not appropriate does not affect the validity or effect of the entries nor or the liabilities or obligations of the clearing corporation to any person adversely affected thereby.

Sec. 36. NEW SECTION. 554.8321 ENFORCEABILITY, ATTACHMENT, PERFECTION, AND TERMINATION OF SECURITY INTERESTS.

1. A security interest in a security is enforceable and can attach only if it is transferred to the secured party or a person designated by the secured party pursuant to a provision of section 554.8313, subsection 1.

2. A security interest so transferred pursuant to agreement by a transferor who has rights in the security to a transferee who has given value is a perfected security interest, but a security interest that has been transferred solely under paragraph "1" of section 554.8313, subsection 1 becomes unperfected after twenty-one days unless, within that time, the requirements for transfer under any other provision of section 554.8313, subsection 1 are satisfied.

3. A security interest in a security is subject to the provisions of Article 9, but:

a. no filing is required to perfect the security interest; and

b. no written security agreement signed by the debtor is necessary to make the security interest enforceable, except as otherwise provided in paragraph "h", "i", or "j" of section 554.8313, subsection 1. The secured party has the rights and duties provided under section 554.9207, to the extent they are applicable, whether or not the security is certificated, and, if certificated, whether or not it is in the secured party's possession.

4. Unless otherwise agreed, a security interest in a security is terminated by transfer to the debtor or a person designated by the debtor pursuant to a provision of section 554.8313, subsection 1. If a security is thus transferred, the security interest, if not terminated, becomes unperfected unless the security is certificated and is delivered to the debtor for the purpose of ultimate sale or exchange or presentation, collection, renewal, or registration of transfer. In that case, the security interest becomes unperfected after twenty-one days unless, within that time, the security (or securities for which it has been exchanged) is transferred to the secured party or a person designated by the secured party pursuant to a provision of section 554.8313, subsection 1.

Sec. 37. Section 554.8401, Code 1989, is amended to read as follows:

554.8401 DUTY OF ISSUER TO REGISTER TRANSFER, PLEDGE, OR RELEASE.

1. Where if a certificated security in registered form is presented to the issuer with a request to register transfer or an instruction is presented to the issuer with a request to register transfer, pledge, or release the issuer ~~is under a duty to shall~~ register the transfer, pledge, or release as requested if:

a. the security is endorsed or the instruction was originated by the appropriate person or persons (section 554.8308); and

b. reasonable assurance is given that those endorsements or instructions are genuine and effective (section 554.8402); and

c. the issuer has no duty ~~to inquire into as to~~ adverse claims or has discharged ~~any such the~~ duty (section 554.8403); and

d. any applicable law relating to the collection of taxes has been complied with; and

e. the transfer, pledge, or release is in fact rightful or is to a bona fide purchaser.

2. Where if an issuer is under a duty to register a transfer, pledge, or release of a security, the issuer is also liable to the person presenting it a certificated security or an instruction for registration or that person's principal for loss resulting from any unreasonable delay in registration or from failure or refusal to register the transfer, pledge, or release.

Sec. 38. Section 554.8402, Code 1989, is amended to read as follows:

554.8402 ASSURANCE THAT ENDORSEMENTS AND INSTRUCTIONS ARE EFFECTIVE.

1. The issuer may require the following assurance that each necessary endorsement of a certificated security or each instruction (section 554.8308) is genuine and effective:

a. In all cases, a guarantee of the signature (subsection ~~1~~ of section 554.8312, subsection 1 or 2) of the person endorsing a certificated security or originating an instruction including, in the case of an instruction, a warranty of the taxpayer identification number or, in the absence thereof, other reasonable assurance of identity; and

b. where if the endorsement is made or the instruction is originated by an agent, appropriate assurance of authority to sign;

c. where if the endorsement is made or the instruction is originated by a fiduciary, appropriate evidence of appointment or incumbency;

d. where if there is more than one fiduciary, reasonable assurance that all who are required to sign have done so; and

e. where if the endorsement is made or the instruction is originated by a person not covered by any of the foregoing, assurance appropriate to the case corresponding as nearly as may be to the foregoing.

2. A "guarantee of the signature" in subsection 1 means a guarantee signed by or on behalf of a person reasonably believed by the issuer to be responsible. The issuer may adopt standards with respect to responsibility provided-such standards if they are not manifestly unreasonable.

3. "Appropriate evidence of appointment or incumbency" in subsection 1 means

a. In the case of a fiduciary appointed or qualified by a court, a certificate issued by or under the direction or supervision of that court or an officer of that court and dated within one hundred eighty days before the date of presentation for transfer, pledge, or release; or

b. in any other case, a copy of a document showing the appointment or a certificate issued by or on behalf of a

person reasonably believed by the issuer to be responsible or, in the absence of such-a that document or certificate, other evidence reasonably deemed by the issuer to be appropriate. The issuer may adopt standards with respect to such the evidence provided-such-standards if they are not manifestly unreasonable. The issuer is not charged with notice of the contents of any document obtained pursuant to this paragraph "b" except to the extent that the contents relate directly to the appointment or incumbency.

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

Sec. 39. Section 554.8403, Code 1989, is amended to read as follows:

554.8403 LIMITED-DUTY-OF-INQUIRY ISSUER'S DUTY AS TO ADVERSE CLAIMS.

1. An issuer to whom a certificated security is presented for registration is-under-a-duty-to shall inquire into adverse claims if:

a. a written notification of an adverse claim is received at a time and in a manner which-affords affording the issuer a reasonable opportunity to act on it prior to the issuance of a new, reissued, or registered certificated security, and the notification identifies the claimant, the registered owner, and the issue of which the security is a part, and provides an address for communications directed to the claimant; or

b. the issuer is charged with notice of an adverse claim from a controlling instrument which it has elected to require under subsection-4-of section 554.8402, subsection 4.

2. The issuer may discharge any duty of inquiry by any reasonable means, including notifying an adverse claimant by

registered or certified mail at the address furnished by the adverse claimant or if there be no such address at the adverse claimant's residence or regular place of business that the certificated security has been presented for registration of transfer by a named person, and that the transfer will be registered unless within thirty days from the date of mailing the notification, either:

- a. an appropriate restraining order, injunction or other process issues from a court of competent jurisdiction; or
- b. there is filed with the issuer an indemnity bond, sufficient in the issuer's judgment to protect the issuer and any transfer agent, registrar, or other agent of the issuer involved, from any loss which it or they may suffer by complying with the adverse claim ~~is filed with the issuer.~~

3. Unless an issuer is charged with notice of an adverse claim from a controlling instrument which it has elected to require under ~~subsection 4 of~~ section 554.8402, subsection 4 or receives notification of an adverse claim under subsection 1 ~~of this section,~~ where if a certificated security presented for registration is endorsed by the appropriate person or persons the issuer is under no duty to inquire into adverse claims. In particular:

- a. an issuer registering a certificated security in the name of a person who is a fiduciary or who is described as a fiduciary is not bound to inquire into the existence, extent, or correct description of the fiduciary relationship; and thereafter the issuer may assume without inquiry that the newly registered owner continues to be the fiduciary until the issuer receives written notice that the fiduciary is no longer acting as such with respect to the particular security;
- b. an issuer registering transfer on an endorsement by a fiduciary is not bound to inquire whether the transfer is made in compliance with a controlling instrument or with the law of the state having jurisdiction of the fiduciary relationship, including any law requiring the fiduciary to obtain court approval of the transfer; and

c. the issuer is not charged with notice of the contents of any court record or file or other recorded or unrecorded document even though the document is in its possession and even though the transfer is made on the endorsement of a fiduciary to the same fiduciary or to the fiduciary's nominee.

4. An issuer is under no duty as to adverse claims with respect to an uncertificated security except:

a. claims embodied in a restraining order, injunction, or other legal process served upon the issuer if the process was served at a time and in a manner affording the issuer a reasonable opportunity to act on it in accordance with the requirements of subsection 5;

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

c. claims (including restrictions on transfer not imposed by the issuer) to which the registration of transfer to the present registered owner was subject and were so noted in the initial transaction statement sent to the issuer; and

d. claims as to which an issuer is charged with notice from a controlling instrument it has elected to require under section 554.8402, subsection 4.

5. If the issuer of an uncertificated security is under a duty as to an adverse claim, the issuer discharges that duty by:

a. including a notation of the claim in any statements sent with respect to the security under section 554.8408, subsections 3, 6, and 7; and

b. refusing to register the transfer or pledge of the security unless the nature of the claim does not preclude transfer or pledge subject thereto.

6. If the transfer or pledge of the security is registered subject to an adverse claim, a notation of the claim must be

included in the initial transaction statement and all subsequent statements sent to the transferee and pledgee under section 554.8408.

7. Notwithstanding subsections 4 and 5, if an uncertificated security was subject to a registered pledge at the time the issuer first came under a duty as to a particular adverse claim, the issuer has no duty as to that claim if transfer of the security is requested by the registered pledgee or an appropriate person acting for the registered pledgee unless:

- a. the claim was embodied in legal process which expressly provides otherwise;
- b. the claim was asserted in a written notification from the registered pledgee;
- c. the claim was one as to which the issuer was charged with notice from a controlling instrument it required under section 554.8402, subsection 4 in connection with the pledgee's request for transfer; or
- d. the transfer requested is to the registered owner.

Sec. 40. Section 554.8404, Code 1989, is amended to read as follows:

554.8404 LIABILITY AND NONLIABILITY FOR REGISTRATION.

1. Except as otherwise provided in any law relating to the collection of taxes, the issuer is not liable to the owner, pledgee, or any other person suffering loss as a result of the registration of a transfer, pledge, or release of a security if:

- a. there were on or with the a certificated security the necessary endorsements or the issuer had received an instruction originated by an appropriate person (section 554.8308); and
 - b. the issuer had no duty to-inquire-into as to adverse claims or has discharged any-such the duty (section 554.8403).
2. Where if an issuer has registered a transfer of a certificated security to a person not entitled to it, the

issuer on demand must shall deliver a like security to the true owner unless:

- a. the registration was pursuant to subsection 1; or
 - b. the owner is precluded from asserting any claim for registering the transfer under subsection-1-of-the-following section 554.8405, subsection 1; or
 - c. such the delivery would result in overissue, in which case the issuer's liability is governed by section 554.8104.
3. If an issuer has improperly registered a transfer, pledge, or release of an uncertificated security, the issuer on demand from the injured party shall restore the records as to the injured party to the condition that would have obtained if the improper registration had not been made unless:

- a. the registration was pursuant to subsection 1; or
- b. the registration would result in overissue, in which case the issuer's liability is governed by section 554.8104.

Sec. 41. Section 554.8405, Code 1989, is amended to read as follows:

554.8405 LOST, DESTROYED, AND STOLEN CERTIFICATED SECURITIES.

1. Where if a certificated security has been lost, apparently destroyed, or wrongfully taken, and the owner fails to notify the issuer of that fact within a reasonable time after the owner has notice of it and the issuer registers a transfer of the security before receiving such-a notification, the owner is precluded from asserting against the issuer any claim for registering the transfer under the-preceding section 554.8404 or any claim to a new security under this section.

2. Where if the owner of a security claims that the a certificated security has been lost, destroyed, or wrongfully taken, the issuer must shall issue a new certificated security or, at the option of the issuer, an equivalent uncertificated security in place of the original security if the owner:
- a. so requests before the issuer has notice that the security has been acquired by a bona fide purchaser; and
 - b. files with the issuer a sufficient indemnity bond; and

c. satisfies any other reasonable requirements imposed by the issuer.

3. If, after the issue of the a new certificated or uncertificated security, a bona fide purchaser of the original certificated security presents it for registration of transfer, the issuer must shall register the transfer unless registration would result in overissue, in which event the issuer's liability is governed by section 554.8104. In addition to any rights on the indemnity bond, the issuer may recover the new certificated security from the person to whom it was issued or any person taking under the person to whom it was issued except a bona fide purchaser or may cancel the uncertificated security unless a bona fide purchaser or any person taking under a bona fide purchaser is then the registered owner or registered pledgee thereof.

Sec. 42. Section 554.8406, Code 1989, is amended to read as follows:

554.8406 DUTY OF AUTHENTICATING TRUSTEE, TRANSFER AGENT OR REGISTRAR.

1. Where if a person acts as authenticating trustee, transfer agent, registrar, or other agent for an issuer in the registration of transfers of its certificated securities or in the registration of transfers, pledges, and releases of its uncertificated securities, in the issue of new securities, or in the cancellation of surrendered securities:

a. that person is under a duty to the issuer to exercise good faith and due diligence in performing that person's functions; and

b. ~~that person has~~ with regard to the particular functions that person performs, that person has the same obligation to the holder or owner of the a certificated security or to the owner or pledgee of an uncertificated security and has the same rights and privileges as the issuer has in regard to those functions.

2. Notice to an authenticating trustee, transfer agent, registrar or other such agent is notice to the issuer with respect to the functions performed by the agent.

Sec. 43. NEW SECTION. 554.8407 EXCHANGEABILITY OF SECURITIES.

1. No issuer is subject to the requirements of this section unless it regularly maintains a system for issuing the class of securities involved under which both certificated and uncertificated securities are regularly issued to the category of owners, which includes the person in whose name the new security is to be registered.

2. Upon surrender of a certificated security with all necessary endorsements and presentation of a written request by the person surrendering the security, the issuer, if the issuer has no duty as to adverse claims or has discharged the duty (section 554.8403), shall issue to the person or a person designated by that person an equivalent uncertificated security subject to all liens, restrictions, and claims that were noted on the certificated security.

3. Upon receipt of a transfer instruction originated by an appropriate person who so requests, the issuer of an uncertificated security shall cancel the uncertificated security and issue an equivalent certificated security on which must be noted conspicuously any liens and restrictions of the issuer and any adverse claims (as to which the issuer has a duty under section 554.8403, subsection 4) to which the uncertificated security was subject. The certificated security shall be registered in the name of and delivered to:

a. the registered owner, if the uncertificated security was not subject to a registered pledge; or

b. the registered pledgee, if the uncertificated security was subject to a registered pledge.

Sec. 44. NEW SECTION. 554.8408 STATEMENTS OF UNCERTIFICATED SECURITIES.

1. Within two business days after the transfer of an uncertificated security has been registered, the issuer shall send to the new registered owner and, if the security has been transferred subject to a registered pledge, to the registered pledgee a written statement containing:

a. a description of the issue of which the uncertificated security is a part;

b. the number of shares or units transferred;

c. the name and address and any taxpayer identification number of the new registered owner and, if the security has been transferred subject to a registered pledge, the name and address and any taxpayer identification number of the registered pledgee;

d. a notation of any liens and restrictions of the issuer and any adverse claims (as to which the issuer has a duty under section 554.8403, subsection 4) to which the uncertificated security is or may be subject at the time of registration or a statement that there are none of those liens, restrictions, or adverse claims; and

e. the date the transfer was registered.

2. Within two business days after the pledge of an uncertificated security has been registered, the issuer shall send to the registered owner and the registered pledgee a written statement containing:

a. a description of the issue of which the uncertificated security is a part;

b. the number of shares or units pledged;

c. the name and address and any taxpayer identification number of the registered owner and the registered pledgee;

d. a notation of any liens and restrictions of the issuer and any adverse claims (as to which the issuer has a duty under section 554.8403, subsection 4) to which the uncertificated security is or may be subject at the time of registration or a statement that there are none of those liens, restrictions, or adverse claims; and

e. the date the pledge was registered.

3. Within two business days after the release from pledge of an uncertificated security has been registered, the issuer shall send to the registered owner and the pledgee whose interest was released a written statement containing:

a. a description of the issue of which the uncertificated security is a part;

b. the number of shares or units released from pledge;

c. the name and address and any taxpayer identification number of the registered owner and the pledgee whose interest was released;

d. a notation of any liens and restrictions of the issuer and any adverse claims (as to which the issuer has a duty under section 554.8403, subsection 4) to which the uncertificated security is or may be subject at the time of registration or a statement that there are none of those liens, restrictions, or adverse claims; and

e. the date the release was registered.

4. An "initial transaction statement" is the statement sent to:

a. the new registered owner and, if applicable, to the registered pledgee pursuant to subsection 1;

b. the registered pledgee pursuant to subsection 2; or

c. the registered owner pursuant to subsection 3. Each initial transaction statement shall be signed by or on behalf of the issuer and must be identified as "initial transaction statement".

5. Within two business days after the transfer of an uncertificated security has been registered, the issuer shall send to the former registered owner and the former registered pledgee, if any, a written statement containing:

a. a description of the issue of which the uncertificated security is a part;

b. the number of shares or units transferred;

c. the name and address and any taxpayer identification number of the former registered owner and of any former registered pledgee; and

d. the date the transfer was registered.

6. At periodic intervals no less frequent than annually and at any time upon the reasonable written request of the registered owner, the issuer shall send to the registered owner of each uncertificated security a dated written statement containing:

a. a description of the issue of which the uncertificated security is a part;

b. the name and address and any taxpayer identification number of the registered owner;

c. the number of shares or units of the uncertificated security registered in the name of the registered owner on the date of the statement;

d. the name and address and any taxpayer identification number of any registered pledgee and the number of shares or units subject to the pledge; and

e. a notation of any liens and restrictions of the issuer and any adverse claims (as to which the issuer has a duty under section 554.8403, subsection 4) to which the uncertificated security is or may be subject or a statement that there are none of those liens, restrictions, or adverse claims.

7. At periodic intervals no less frequent than annually and at any time upon the reasonable written request of the registered pledgee, the issuer shall send to the registered pledgee of each uncertificated security a dated written statement containing:

a. a description of the issue of which the uncertificated security is a part;

b. the name and address and any taxpayer identification number of the registered owner;

c. the name and address and any taxpayer identification number of the registered pledgee;

d. the number of shares or units subject to the pledge; and

e. a notation of any liens and restrictions of the issuer and any adverse claims (as to which the issuer has a duty under section 554.8403, subsection 4) to which the uncertificated security is or may be subject or a statement that there are none of those liens, restrictions, or adverse claims.

8. If the issuer sends the statements described in subsections 6 and 7 at periodic intervals no less frequent than quarterly, the issuer is not obliged to send additional statements upon request unless the owner or pledgee requesting them pays to the issuer the reasonable cost of furnishing them.

9. Each statement sent pursuant to this section must bear a conspicuous legend reading substantially as follows: "This statement is merely a record of the rights of the addressee as of the time of its issuance. Delivery of this statement, of itself, confers no rights on the recipient. This statement is neither a negotiable instrument nor a security."

Sec. 45. Section 554.9103, subsection 3, paragraph a, Code 1989, is amended to read as follows:

a. This subsection applies to accounts (other than an account described in subsection 5 on minerals) and general intangibles (other than uncertificated securities) and to goods which are mobile and which are of a type normally used in more than one jurisdiction, such as motor vehicles, trailers, rolling stock, airplanes, shipping containers, road building and construction machinery and commercial harvesting machinery and the like, if the goods are equipment or are inventory leased or held for lease by the debtor to others, and are not covered by a certificate of title described in subsection 2.

Sec. 46. Section 554.9103, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 6. UNCERTIFICATED SECURITIES. The law (including the conflict of laws rules) of the jurisdiction of

organization of the issuer governs the perfection and the effect of perfection or nonperfection of a security interest in uncertificated securities.

Sec. 47. Section 554.9105, subsection 1, paragraph i, Code 1989, is amended to read as follows:

1. "Instrument" means a negotiable instrument (defined in section 554.3104), or a certificated security (defined in section 554.8102) or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is in ordinary course of business transferred by delivery with any necessary endorsement or assignment;

Sec. 48. Section 554.9203, subsection 1, Code 1989, is amended to read as follows:

1. Subject to the provisions of section 554.4208 on the security interest of a collecting bank, section 554.8321 on security interests in securities and section 554.9113 on a security interest arising under the Article on Sales, a security interest is not enforceable against the debtor or third parties with respect to the collateral and does not attach unless:

a. the collateral is in the possession of the secured party pursuant to agreement, or the debtor has signed a security agreement which contains a description of the collateral and in addition, when the security interest covers crops growing or to be grown or timber to be cut, a description of the land concerned; and

b. value has been given; and

c. the debtor has rights in the collateral.

Sec. 49. Section 554.9302, subsection 1, paragraph f, Code 1989, is amended to read as follows:

f. a security interest of a collecting bank (section 554.4208) or in securities (section 554.8321) or arising under the Article on Sales (see section 554.9113) or covered in subsection 3 of this section;

Sec. 50. Section 554.9304, subsections 1, 4, and 5, Code 1989, are amended to read as follows:

1. A security interest in chattel paper or negotiable documents may be perfected by filing. A security interest in money or instruments (other than certificated securities or instruments which constitute part of chattel paper) can be perfected only by the secured party's taking possession, except as provided in subsections 4 and 5 of this section and section 554.9306, subsections 2 and 3, on proceeds.

4. A security interest in instruments (other than certificated securities) or negotiable documents is perfected without filing or the taking of possession for a period of twenty-one days from the time it attaches to the extent that it arises for new value given under a written security agreement.

5. A security interest remains perfected for a period of twenty-one days without filing where a secured party having a perfected security interest in an instrument (other than certificated securities), a negotiable document or goods in possession of a bailee other than one who has issued a negotiable document therefor

a. makes available to the debtor the goods or documents representing the goods for the purpose of ultimate sale or exchange or for the purpose of loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with them in a manner preliminary to their sale or exchange, but priority between conflicting security interests in the goods is subject to section 554.9312, subsection 3; or

b. delivers the instrument to the debtor for the purpose of ultimate sale or exchange or of presentation, collection, renewal, or registration of transfer.

Sec. 51. Section 554.9305, Code 1989, is amended to read as follows:

554.9305 WHEN POSSESSION BY SECURED PARTY PERFECTS
SECURITY INTEREST WITHOUT FILING.

A security interest in letters of credit and advices of credit (subsection 2 "a" of section 554.5116), goods, instruments [other than certificated securities], money, negotiable documents or chattel paper may be perfected by the secured party's taking possession of the collateral. If such collateral other than goods covered by a negotiable document is held by a bailee, the secured party is deemed to have possession from the time the bailee receives notification of the secured party's interest. A security interest is perfected by possession from the time possession is taken without relation back and continues only so long as possession is retained, unless otherwise specified in this Article. The security interest may be otherwise perfected as provided in this Article before or after the period of possession by the secured party.

Sec. 52. Section 554.9309, Code 1989, is amended to read as follows:

554.9309 PROTECTION OF PURCHASERS OF INSTRUMENTS AND DOCUMENTS AND SECURITIES.

Nothing in this Article limits the rights of a holder in due course of a negotiable instrument (section 554.3302) or a holder to whom a negotiable document of title has been duly negotiated (section 554.7501) or a bona fide purchaser of a security (section ~~554.8302~~ 554.8302) and such holders or purchasers take priority over an earlier security interest even though perfected. Filing under this Article does not constitute notice of the security interest to such holders or purchasers.

Sec. 53. Section 554.9312, subsection 7, Code 1989, is amended to read as follows:

7. If future advances are made while a security interest is perfected by filing, or the taking of possession, or under section 554.8321 on securities, the security interest has the

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

Sec. 54. Section 554.1201, subsections 5, 14, and 20, Code 1989, are amended to read as follows:

5. "Bearer" means the person in possession of an instrument, document of title, or certificated security payable to bearer or endorsed in blank.

14. "Delivery" with respect to instruments, documents of title, chattel paper, or certificated securities means voluntary transfer of possession.

20. "Holder" means a person who is in possession of a document of title or an instrument or an certificated investment security drawn, issued, or endorsed to that person or to that person's order or to bearer or in blank.

Sec. 55. Section 554.5114, subsection 2, Code 1989, is amended to read as follows:

2. Unless otherwise agreed when documents appear on their face to comply with the terms of a credit but a required document does not in fact conform to the warranties made on negotiation or transfer of a document of title (section 554.7507) or of a certificated security (section 554.8306) or is forged or fraudulent or there is fraud in the transaction;

a. the issuer must honor the draft or demand for payment if honor is demanded by a negotiating bank or or other holder of the draft or demand which has taken the draft or demand under the credit and under circumstances which would make it a holder in due course (section 554.3302) and in an appropriate case would make it a person to whom a document of title has been duly negotiated (section 554.7502) or a bona fide purchaser of a certificated security (section 554.8302); and

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

JO ANN ZIMMERMAN
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 475, Seventy-third General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved _____, 1989

TERRY E. BRANSTAD
Governor