

(a) *infancy, to the extent that it is a defense to a simple contract; and*

(b) *such other incapacity, or duress, or illegality of the transaction, as renders the obligation of the party a nullity; and*

(c) *such misrepresentation as has induced the party to sign the instrument with neither knowledge nor reasonable opportunity to obtain knowledge of its character or its essential terms; and*

(d) *discharge in insolvency proceedings; and*

(e) *any other discharge of which the holder has notice when he takes the instrument.*

3—306. *Rights of One Not Holder in Due Course.*

Unless he has the rights of a holder in due course any person takes the instrument subject to

(a) *all valid claims to it on the part of any person; and*

(b) *all defenses of any party which would be available in an action on a simple contract; and*

(c) *the defenses of want or failure of consideration, non-performance of any condition precedent, non-delivery, or delivery for a special purpose (Section 3—408); and*

(d) *the defense that he or a person through whom he holds the instrument acquired it by theft, or that payment or satisfaction to such holder would be inconsistent with the terms of a restrictive indorsement. The claim of any third person to the instrument is not otherwise available as a defense to any party liable thereon unless the third person himself defends the action for such party.*

3—307. *Burden of Establishing Signatures, Defenses and Due Course.*

(1) *Unless specifically denied in the pleadings each signature on an instrument is admitted. When the effectiveness of a signature is put in issue*

(a) *the burden of establishing it is on the party claiming under the signature; but*

(b) *the signature is presumed to be genuine or authorized except where the action is to enforce the obligation of a purported signer who has died or become incompetent before proof is required.*

(2) *When signatures are admitted or established, production of the instrument entitles a holder to recover on it unless the defendant establishes a defense.*

(3) *After it is shown that a defense exists a person claiming the rights of a holder in due course has the burden of establishing that he or some person under whom he claims is in all respects a holder in due course.*