

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 (§ 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