

UNLESS THE AMOUNT PAID BY THE BANK WITH RESPECT TO THE INSTRUMENT IS RECEIVED BY THE INDORSER OR APPLIED CONSISTENTLY WITH THE INDORSEMENT.

(3) A PAYOR BANK THAT IS ALSO THE DEPOSITARY BANK OR THAT TAKES THE INSTRUMENT FOR IMMEDIATE PAYMENT OVER THE COUNTER FROM A PERSON OTHER THAN A COLLECTING BANK CONVERTS THE INSTRUMENT UNLESS THE PROCEEDS OF THE INSTRUMENT ARE RECEIVED BY THE INDORSER OR APPLIED CONSISTENTLY WITH THE INDORSEMENT.

(4) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (3), A PAYOR BANK OR INTERMEDIARY BANK MAY DISREGARD THE INDORSEMENT AND IS NOT LIABLE IF THE PROCEEDS OF THE INSTRUMENT ARE NOT RECEIVED BY THE INDORSER OR APPLIED CONSISTENTLY WITH THE INDORSEMENT.

(D) EXCEPT FOR AN INDORSEMENT COVERED BY SUBSECTION (C), IF AN INSTRUMENT BEARS AN INDORSEMENT USING WORDS TO THE EFFECT THAT PAYMENT IS TO BE MADE TO THE INDORSEE AS AGENT, TRUSTEE, OR OTHER FIDUCIARY FOR THE BENEFIT OF THE INDORSER OR ANOTHER PERSON, THE FOLLOWING RULES APPLY:

(1) UNLESS THERE IS NOTICE OF BREACH OF FIDUCIARY DUTY AS PROVIDED IN § 3-307, A PERSON WHO PURCHASES THE INSTRUMENT FROM THE INDORSEE OR TAKES THE INSTRUMENT FROM THE INDORSEE FOR COLLECTION OR PAYMENT MAY PAY THE PROCEEDS OF PAYMENT OR THE VALUE GIVEN FOR THE INSTRUMENT TO THE INDORSEE WITHOUT REGARD TO WHETHER THE INDORSEE VIOLATES A FIDUCIARY DUTY TO THE INDORSER.

(2) A SUBSEQUENT TRANSFEREE OF THE INSTRUMENT OR PERSON WHO PAYS THE INSTRUMENT IS NEITHER GIVEN NOTICE NOR OTHERWISE AFFECTED BY THE RESTRICTION IN THE INDORSEMENT UNLESS THE TRANSFEREE OR PAYOR KNOWS THAT THE FIDUCIARY DEALT WITH THE INSTRUMENT OR ITS PROCEEDS IN BREACH OF FIDUCIARY DUTY.

(E) THE PRESENCE ON AN INSTRUMENT OF AN INDORSEMENT TO WHICH THIS SECTION APPLIES DOES NOT PREVENT A PURCHASER OF THE INSTRUMENT FROM BECOMING A HOLDER IN DUE COURSE OF THE INSTRUMENT UNLESS THE PURCHASER IS A CONVERTER UNDER SUBSECTION (C) OR HAS NOTICE OR KNOWLEDGE OF BREACH OF FIDUCIARY DUTY AS STATED IN SUBSECTION (D).

(F) IN AN ACTION TO ENFORCE THE OBLIGATION OF A PARTY TO PAY THE INSTRUMENT, THE OBLIGOR HAS A DEFENSE IF PAYMENT WOULD VIOLATE AN INDORSEMENT TO WHICH THIS SECTION APPLIES AND THE PAYMENT IS NOT PERMITTED BY THIS SECTION.

3-207.

REACQUISITION OF AN INSTRUMENT OCCURS IF IT IS TRANSFERRED TO A FORMER HOLDER, BY NEGOTIATION OR OTHERWISE. A FORMER HOLDER WHO REACQUIRES THE INSTRUMENT MAY CANCEL INDORSEMENTS MADE AFTER THE REACQUIRER FIRST BECAME A HOLDER OF THE INSTRUMENT. IF THE CANCELLATION CAUSES THE INSTRUMENT TO BE PAYABLE TO THE REACQUIRER