

**355.3-106 Unconditional promise or order.**

- (1) Except as provided in this section, for the purposes of KRS 355.3-104(1), a promise or order is unconditional unless it states:
  - (a) An express condition to payment;
  - (b) That the promise or order is subject to or governed by another record; or
  - (c) That rights or obligations with respect to the promise or order are stated in another record. A reference to another record does not of itself make the promise or order conditional.
- (2) A promise or order is not made conditional:
  - (a) By a reference to another record for a statement of rights with respect to collateral, prepayment, or acceleration; or
  - (b) Because payment is limited to resort to a particular fund or source.
- (3) If a promise or order requires, as a condition to payment, a countersignature by a person whose specimen signature appears on the promise or order, the condition does not make the promise or order conditional for the purposes of KRS 355.3-104(1). If the person whose specimen signature appears on an instrument fails to countersign the instrument, the failure to countersign is a defense to the obligation of the issuer, but the failure does not prevent a transferee of the instrument from becoming a holder of the instrument.
- (4) If a promise or order at the time it is issued or first comes into possession of a holder contains a statement, required by applicable statutory or administrative law, to the effect that the rights of a holder or transferee are subject to claims or defenses that the issuer could assert against the original payee, the promise or order is not thereby made conditional for the purposes of KRS 355.3-104(1); but if the promise or order is an instrument, there cannot be a holder in due course of the instrument.

**Effective:** July 12, 2006

**History:** Amended 2006 Ky. Acts ch. 242, sec. 34, effective July 12, 2006. -- Repealed and reenacted 1996 Ky. Acts ch. 130, sec. 6, effective January 1, 1997. -- Amended 1990 Ky. Acts ch. 478, sec. 1, effective July 13, 1990. -- Amended 1964 Ky. Acts ch. 130, secs. 24 and 25, effective July 1, 1964. -- Created 1958 Ky. Acts ch. 77, sec. 3-106.