TRANSACTION STATEMENT SENT TO THE REGISTERED OWNER OR REGISTERED PLEDGEE; AND

(C) [those] 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 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) [(a)] 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 HE 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.

[(b) 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] (§ 8-205), 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