

**355.2A-511 Merchant lessee's duties as to rightfully rejected goods.**

- (1) Subject to any security interest of a lessee (subsection (5) of KRS 355.2A-508), if a lessor or a supplier has no agent or place of business at the market of rejection, a merchant lessee, after rejection of goods in his possession or control, shall follow any reasonable instructions received from the lessor or the supplier with respect to the goods. In the absence of those instructions, a merchant lessee shall make reasonable efforts to sell, lease, or otherwise dispose of the goods for the lessor's account if they threaten to decline in value speedily. Instructions are not reasonable if on demand indemnity for expenses is not forthcoming.
- (2) If a merchant lessee (subsection (1)) or any other lessee (KRS 355.2A-512) disposes of goods, he is entitled to reimbursement either from the lessor or the supplier or out of the proceeds for reasonable expenses of caring for and disposing of the goods and, if the expenses include no disposition commission, to such commission as is usual in the trade, or if there is none, to a reasonable sum not exceeding ten percent (10%) of the gross proceeds.
- (3) In complying with this section or KRS 355.2A-512, the lessee is held only to good faith. Good faith conduct hereunder is neither acceptance or conversion nor the basis of an action for damages.
- (4) A purchaser who purchases in good faith from a lessee pursuant to this section or KRS 355.2A-512 takes the goods free of any rights of the lessor and the supplier even though the lessee fails to comply with one (1) or more of the requirements of this article.

**Effective:** January 1, 1991

**History:** Created 1990 Ky. Acts ch. 363, sec. 58, effective January 1, 1991.