

**UNIFORM COMMERCIAL CODE (EXCERPT)**  
**Act 174 of 1962**

**440.2977 Default; disposition of goods; damages based on new lease agreement; rights of subsequent good faith buyer or lessee; accounting for profit.**

Sec. 2A527. (1) After a default by a lessee under the lease contract of the type described in section 2A523(1) or 2A523(3), or after the lessor refuses to deliver or takes possession of goods under section 2A525 or 2A526, or, if agreed, after other default by a lessee, the lessor may dispose of the goods concerned or the undelivered balance thereof by lease, sale, or otherwise.

(2) Except as otherwise provided with respect to damages liquidated in the lease agreement under section 2A504 or otherwise determined pursuant to agreement of the parties under sections 1302 and 2A503, if the disposition is by lease agreement substantially similar to the original lease agreement and the new lease agreement is made in good faith and in a commercially reasonable manner, the lessor may recover from the lessee as damages (i) accrued and unpaid rent as of the date of the commencement of the term of the new lease agreement, (ii) the present value, as of the same date, of the total rent for the then remaining lease term of the original lease agreement minus the present value, as of the same date, of the rent under the new lease agreement applicable to that period of the new lease term which is comparable to the then remaining term of the original lease agreement, and (iii) any incidental damages allowed under section 2A530, less expenses saved in consequence of the lessee's default.

(3) If the lessor's disposition is by lease agreement that for any reason does not qualify for treatment under subsection (2), or is by sale or otherwise, the lessor may recover from the lessee as if the lessor had elected not to dispose of the goods and section 2A528 governs.

(4) A subsequent buyer or lessee who buys or leases from the lessor in good faith for value as a result of a disposition under this section takes the goods free of the original lease contract and any rights of the original lessee even though the lessor fails to comply with 1 or more of the requirements of this article.

(5) The lessor is not accountable to the lessee for any profit made on any disposition. A lessee who has rightfully rejected or justifiably revoked acceptance shall account to the lessor for any excess over the amount of the lessee's security interest (section 2A508(5)).

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992;—Am. 2012, Act 86, Eff. July 1, 2013.