

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

PART 4

PERFORMANCE OF LEASE CONTRACT: REPUDIATED, SUBSTITUTED, AND EXCUSED

**440.2931 Lease contract; demanding adequate assurance of due performance; repudiation; determination of adequacy; acceptance of nonconforming delivery or payment.**

Sec. 2A401. (1) A lease contract imposes an obligation on each party that the other's expectation of receiving due performance will not be impaired.

(2) If reasonable grounds for insecurity arise with respect to the performance of either party, the insecure party may demand in writing adequate assurance of due performance. Until the insecure party receives that assurance, if commercially reasonable the insecure party may suspend any performance for which he or she has not already received the agreed return.

(3) A repudiation of the lease contract occurs if assurance of due performance adequate under the circumstances of the particular case is not provided to the insecure party within a reasonable time, not to exceed 30 days after receipt of a demand by the other party.

(4) Between merchants, the reasonableness of grounds for insecurity and the adequacy of any assurance offered must be determined according to commercial standards.

(5) Acceptance of any nonconforming delivery or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance.

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.

**440.2932 Repudiation of lease contract.**

Sec. 2A402. If either party repudiates a lease contract with respect to a performance not yet due under the lease contract, the loss of which performance will substantially impair the value of the lease contract to the other, the aggrieved party may do any of the following:

(a) For a commercially reasonable time, await retraction of repudiation and performance by the repudiating party.

(b) Make demand pursuant to section 2A401 and await assurance of future performance adequate under the circumstances of the particular case.

(c) Resort to any right or remedy upon default under the lease contract or this article, even though the aggrieved party has notified the repudiating party that the aggrieved party would await the repudiating party's performance and assurance and has urged retraction. In addition, whether or not the aggrieved party is pursuing 1 of the foregoing remedies, the aggrieved party may suspend performance or, if the aggrieved party is the lessor, proceed in accordance with the provisions of this article on the lessor's right to identify goods to the lease contract notwithstanding default or to salvage unfinished goods (section 2A524).

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.

**440.2933 Retraction of repudiation.**

Sec. 2A403. (1) Until the repudiating party's next performance is due, the repudiating party can retract the repudiation unless, since the repudiation, the aggrieved party has canceled the lease contract or materially changed the aggrieved party's position or otherwise indicated that the aggrieved party considers the repudiation final.

(2) Retraction may be by any method that clearly indicates to the aggrieved party that the repudiating party intends to perform under the lease contract and includes any assurance demanded under section 2A401.

(3) Retraction reinstates a repudiating party's rights under a lease contract with due excuse and allowance to the aggrieved party for any delay occasioned by the repudiation.

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.

**440.2934 Substituted performance; tender and acceptance; failure of payment due to government regulation.**

Sec. 2A404. (1) If without fault of the lessee, the lessor and the supplier, the agreed berthing, loading, or unloading facilities fail or the agreed type of carrier becomes unavailable or the agreed manner of delivery otherwise becomes commercially impracticable, but a commercially reasonable substitute is available, the substitute performance must be tendered and accepted.

(2) If the agreed means or manner of payment fails because of domestic or foreign governmental regulation, then the following apply:

(a) The lessor may withhold or stop delivery or cause the supplier to withhold or stop delivery unless the lessee provides a means or manner of payment that is commercially a substantial equivalent.

(b) If delivery has already been taken, payment by the means or in the manner provided by the regulation discharges the lessee's obligation unless the regulation is discriminatory, oppressive, or predatory.

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.

#### **440.2935 Substituted performance; delay or nondelivery; allocating production and deliveries; notification.**

Sec. 2A405. Subject to section 2A404 on substituted performance, the following rules apply:

(a) Delay in delivery or nondelivery in whole or in part by a lessor or a supplier who complies with subdivisions (b) and (c) is not a default under the lease contract if performance as agreed has been made impracticable by the occurrence of a contingency the nonoccurrence of which was a basic assumption on which the lease contract was made or by compliance in good faith with any applicable foreign or domestic governmental regulation or order, whether or not the regulation or order later proves to be invalid.

(b) If the causes mentioned in subdivision (a) affect only part of the lessor's or the supplier's capacity to perform, he or she shall allocate production and deliveries among his or her customers but at his or her option may include regular customers not then under contract for sale or lease as well as his or her own requirements for further manufacture. He or she may so allocate in any manner that is fair and reasonable.

(c) The lessor seasonably shall notify the lessee and in the case of a finance lease the supplier seasonably shall notify the lessor and the lessee, if known, that there will be delay or nondelivery and, if allocation is required under subdivision (b), of the estimated quota thus made available for the lessee.

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.

#### **440.2936 Notification by lessor of delay or allocation; rights of lessee; lapse of lease contract.**

Sec. 2A406. (1) If the lessee receives notification of a material or indefinite delay or an allocation justified under section 2A405, the lessee may by written notification to the lessor as to any goods involved, and with respect to all of the goods if under an installment lease contract the value of the whole lease contract is substantially impaired (section 2A510) may do either of the following:

(a) Terminate the lease contract (section 2A505(2)).

(b) Except in a finance lease that is not a consumer lease, modify the lease contract by accepting the available quota in substitution, with due allowance from the rent payable for the balance of the lease term for the deficiency but without further right against the lessor.

(2) If, after receipt of a notification from the lessor under section 2A405, the lessee fails so to modify the lease agreement within a reasonable time not exceeding 30 days, the lease contract lapses with respect to any deliveries affected.

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.

#### **440.2937 Finance lease other than consumer lease; effect of lessee's promises; acceptance of goods by lessee; enforcement; validity.**

Sec. 2A407. (1) In the case of a finance lease that is not a consumer lease, the lessee's promises under the lease contract become irrevocable and independent upon the lessee's acceptance of the goods.

(2) A promise that has become irrevocable and independent under subsection (1) is (i) effective and enforceable between the parties, and by or against third parties including assignees of the parties, and (ii) not subject to cancellation, termination, modification, repudiation, excuse, or substitution without the consent of the party to whom the promise runs.

(3) This section does not affect the validity under any other law of a covenant in any lease contract making the lessee's promises irrevocable and independent upon the lessee's acceptance of the goods.

**History:** Add. 1992, Act 101, Eff. Sept. 30, 1992.