

**355.2A-401 Insecurity: adequate assurance of performance.**

- (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 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 thirty (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.

**Effective:** January 1, 1991

**History:** Created 1990 Ky. Acts ch. 363, sec. 41, effective January 1, 1991.