

Cancellation for Breach, by Seller

You are hereby officially notified and put on notice that our contract dated _____, termed the _____ Agreement is cancelled for cause as a result of your breaches, as described in the Agreement itself.

Among the breaches are the following:

You are further notified and put on notice as required by UCC regulations that any obligation to make further performance under the Agreement is terminated, and that the right to proceed against you because of your breach of the Agreement is not waived.

You are further notified that as a result of your breach of the Agreement, we have suffered damages in the amount of \$ _____, computed as follows:

We expect you will make good on these damages and will expect to receive them within the next 30 days. If this is not possible, please contact us to set up a payment schedule so we can avoid legal expenses on both sides.

Yours very truly,

Authorized Employee

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Review List

This review list is provided to inform you about the document in question and assist you in its preparation.

1. Prepare this letter and send it, along with the underlying contract, to your lawyer. Rarely does an agreement cancellation go uncontested. Since litigation takes an extended period of time, unless settled along the way, it is very expensive to act in haste and repent at leisure, as the old cliché goes. This letter is generally used as the initial tactic to get out of an agreement. You need to consult your lawyer, and a litigation lawyer if suggested by your lawyer, about the best way to proceed. Please note that the letter itself is similar to that for Agreement Cancellation. The underlying approach, however, differs somewhat.
2. A seller's right to cancel an agreement is determined by the contract itself and the law in general. The governing law in most states is the Uniform Commercial Code (UCC). Make sure that you are legally entitled to cancel the contract before sending this notice. You need to consult a lawyer to get proper answers to this question. In many cases, as one would expect, the answers are ambiguous. In those cases, you must weigh the business and legal ramifications of your decision; consulting with your attorney on this is usually a vital component of a satisfactory conclusion. As the seller, however, you have certain advantages in cancellation because it is more unusual to be done (i.e., sellers generally need buyers more than the reverse, so your cancellation will stand out, which, to some extent will influence a court in your favor, should it come to that).
3. In summary, these kinds of letters tend to be tactical approaches to resolve a business situation. As a rule, no solution is satisfactory to both parties. You must try to seek out a solution that is the least painful and most acceptable to the parties. As we often say in our Negotiations Handbook CD, "It was a perfect compromise; both parties were equally unhappy with the result."

