STATEMENT BY STUART S. ZISHOLTZ

Every AIA contract contains terms for termination for cause. In addition, many contracts between a general contractor and a subcontractor, when not using an AIA contract, include terms pertaining to termination for cause.

When terminating a contract, the contractor must adhere to the specific terms of the contract. Failure to abide by the specific terms could be detrimental to the contractor, even if the contractor had legitimate reasons for the termination.

The courts have ruled in favor of subcontractors after general contractors failed to abide by the specific terms set forth in the contract. For example, instead of serving a 7-day written notice before terminating the contract for cause, a general contractor served a notice seeking immediate termination. The Appellate Court found that the general contractor failed to properly terminate the contract and was held accountable for damages.

In that case, the subcontractor got lucky in that the general contractor failed to abide by the specific terms and conditions of the contract. Even though the general contractor may have had legitimate grounds for termination for cause, it failed to abide by the specific conditions precedent associated with termination for cause.

As I mentioned many times in previous articles, it is essential that you understand the terms and conditions of the contract. Failure to abide by the specific terms and conditions may result in the court ruling against you.

NEVER LET YOUR LIEN TIME RUN OUT!!!

For a free copy of a pamphlet pertaining to mechanic’s liens and payment bond claims, kindly contact me or the Association.