[On Company Letterhead of PARTY 1]

[PARTY 2]

[Address Line 1]

[Date]

**Notice of Intent to Offset Damages Against Payment under [NAME OF AGREEMENT]**

**Dear [**ADDRESSEE]**,**

Reference is made to the [NAME OF AGREEMENT], dated [DATE], between [LEGAL NAME OF YOUR PARTY] (“**we**” or “**our**”) and [LEGAL NAME OF OTHER PARTY] (“**you**” or “**your**”) (the “**Agreement**”). Unless otherwise defined, capitalized terms in this letter shall have the meanings assigned in the Agreement.

Pursuant to Section [NUMBER] of the Agreement, we hereby notify you of our intent to offset damages amounting to [AMOUNT] against the payment of [AMOUNT] due on [DUE DATE]. This action is being taken as a result of [*DESCRIPTION OF DISPUTE OR DAMAGES, e.g., a failure to perform obligations under Section [NUMBER] of the Agreement, leading to damages or additional costs incurred by us*].

The Agreement permits the offset of amounts due against damages incurred when [*state relevant conditions under the Agreement, e.g., a breach of the Agreement results in financial loss*].

We reserve our right to withhold the payment in part or in full until the damages have been resolved and accounted for. We request that you provide [*specific actions required to address the issue, e.g., supporting documentation, corrective measures, or a meeting to resolve the dispute*] no later than [DATE].

Please direct any questions regarding this notice to [NAME], [TITLE], at [EMAIL ADDRESS] or [PHONE NUMBER].

This letter is issued without prejudice to any of our rights or remedies, all of which are expressly reserved.

Yours faithfully,

……………………………………………………….

**Name:** [NAME]

**Title:** [TITLE]