

# What Is Contract Rejection, When Does It Happen, and What are the Consequences?

## Creditor's Rights Toolkit

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An executory contract is a contract where both sides have material ongoing obligations, where nonperformance by either side would constitute a breach. If the debtor wants to discontinue the benefits or burdens of such a contract, Section 365 of the Bankruptcy Code allows for the debtor to reject the contract. The nondebtor contract party then holds a rejection claim which must be timely asserted in the bankruptcy case.

This article briefly explains the key issues of contract rejection in a bankruptcy case. To access this article and read other insights from our Creditor's Rights Toolkit, [please click here](#).

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