

Contracts

Whether starting a new business, expanding an existing business or maintaining current operations, every deal comes with uncertainty. Contracts can help create an enforceable, written record of an agreement between two or more parties by specifying their respective obligations and addressing various contingencies.

What's in a Contract?

Contracts spell out key rights and obligations of each party. Here are some basic elements and provisions to consider when reviewing or negotiating a contract:

- **Effective date:** State when contractual obligations begin.
- **Entity or party names:** Use accurate legal names and addresses of the parties (individual or business) involved to establish who is legally bound to the agreement and who is responsible for performing the obligations set forth.
- **Service/goods/deliverables:** Describe what each party is providing or receiving under the contract.
- **Payment:** Specify all of the relevant payment details, (e.g., amount to pay, who pays whom, payment due date, means of payment, etc.).
- **Termination:** Establish how and why your agreement will end. This may be tied by a specific date or period of time. Many contracts also include termination rights for "cause" or "breach" (i.e., one side not fulfilling their obligations) or for "convenience" (i.e., a party terminating for any reason by providing notice).
- **Indemnification:** Declare how risk and liability will be allocated. Indemnification provisions typically outline the circumstances under which a party will "protect", "defend" and/or "hold harmless" the other party from liability, loss and/or damages, often including associated legal fees and costs, when something goes wrong.
- **Other provisions:** Other common provisions in a contract include confidentiality, insurance, and governing law.

When is a Contract Needed?

Contracts are used in numerous situations. Examples include:

- **Leases:** To secure use of real property (i.e., land or a building), such as office space, a manufacturing facility or an apartment; common provisions in a lease may include rent price, payment due dates, buy-outs, and/or maintenance responsibilities.
- **Business loans:** To borrow capital, such as from financial institutions; common provisions in a business loan may include repayment terms, interest rates, and down payments and escalation clauses.
- **Employment contract:** Establishes a formal employment relationship between an individual employee and an employer; common provisions in an employment agreement may include salary, benefits, and conditions for termination of employment..
- **Purchase Orders:** Part of the process of buying selling products or services; common contract provisions may include delivery requirements, timing, and payment terms; purchase orders are often made under and in connection with a principal agreement governing the relationship.

Drafting a Contract

Once you've determined that you want a contract, drafting can be handled by you, the counterparty or by your legal representative (i.e., lawyer). Every contract is unique to the circumstances; therefore, it is important to pay close attention to details so that it meets your specific needs and complies with applicable laws.

Please note that the information shared here is not intended to constitute legal advice; this information is for general informational purposes only. You should contact an attorney to obtain advice with respect to any particular legal matter.

