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## **6 Contracts Every Business Needs**

Contracts are the backbone of every business venture. They detail the rights and obligations of each party and provide for a means to protect your rights if one party decides not to perform as agreed.

The first contract that each business should have is an entity agreement. If your business has incorporated or formed a limited liability company (an LLC), you need a shareholder agreement (for corporations) or an operating agreement (for LLCs). Nothing is more stressful than having a disagreement with your business partner. Having a shareholder/operating agreement spells out what each owner is responsible for, who gets what percentage of profits and losses, and how to resolve differences. A good shareholder/operating agreement should also contain clauses on what to do if one partner gets disabled, dies, or wants out. No matter how much it costs to have a lawyer draw up a shareholder/operating agreement, it will cost you much more to face problems when things between you and your partners go sour. If you started out as a single person owner of your business and have added new shareholders/ members, you should get a shareholder/operating agreement signed as soon as possible.

The next contract your business should have is a sales agreement for your services or products. The agreement should be used with every customer you have. A typical sales agreement describes the product or service you are providing, the price for your service/product, how and when it will be delivered, and when your fee/payment is due. If you are extending credit, the agreement should also include whether you will charge interest and whether there will be a late charge and collection fees for late payments.

Since every business buys goods and services, you should also have a contract with each supplier. Although you may think you cannot change any preprinted contract, you should try to negotiate each agreement to make it as fair for your company as you can.

As we know, there is little loyalty from employees these days. If you don't want your employees quitting your business and working with your competitors, you want to have them sign a non-compete agreement when you hire them. A non-compete agreement should be somewhat limited in geography and time in order to be enforceable as judges will not allow you to prevent an employee from earning a living.

Just about every business has a list of customers or other business secrets. You want your employees not to betray your business secrets so you need to have them sign a non-disclosure or a confidentiality agreement. The contract should be signed either when each employee is hired or receives some other significant new compensation (either a bonus or a promotion). The non-disclosure agreement should

be as broad as possible to include any confidential trade secrets, business methods, customer lists, and unpublished patent applications, as well as the period that the confidential information must be kept secret.

Computers are in widespread business use and most of your employees will have access to the use of a computer. You should have a written policy of what limitations you are placing on computer use and internet access. Some businesses do not allow an employee to use its computers for any non-business use (no personal emails, no online shopping at the office, no checking stock prices). Others give their employees a laptop or tablet for use outside of the office and permit limited use outside of business hours or for non-business purposes. Some of my clients block access to certain websites and others install monitoring software to review what kind of use their employees are making of their business computers. Spell out your policies in writing so your employees do not have to guess what is allowed and what is prohibited. Have each employee sign a document acknowledging that he has received a copy of the policy.

You may think that your handshake or an oral discussion should be enough to form an agreement between you and others you deal with in your business. If this were true, we wouldn't need lawyers, would we?

Robin M. Gronsky concentrates her practice in small business law, real estate and estate planning. Visit her website at [www.gronskylaw.com](http://www.gronskylaw.com) and read her blog at [www.gronskylaw.wordpress.com](http://www.gronskylaw.wordpress.com) to learn more legal tips.