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# **TEN THINGS YOU MUST KNOW BEFORE ENTERING INTO A CONTRACT**

While litigation may sometimes be your only recourse, many times it is a result of signing a bad contract or not fully examining the contract you have signed. Here are ten things to know before entering into a contract that can help protect your business and your assets:

## **1. Know the Other Party**

Be sure that the business you are contracting with is registered to do business in the state in which you operate your business. Should there be a problem later on, it will be much easier to institute a lawsuit as the states maintain addresses for service of process on registered corporations. In addition, if the business is not properly registered in the state, there could be legal issues with your contract. The business should also be licensed in the specific type of business it conducts, if this is required.

## **2. Pricing Issues**

If you are a buyer or a seller, know what you are paying or getting paid, when the money is due, how it is to be paid, where it is being paid to.

## **3. What is the Exact Product or Service**

While this may seem obvious there are thousands of lawsuits on just this issue. Be sure you and the other party are on the same page, literally and figuratively.

## **4. Delivery of the Goods or Services**

Specify exact time frames for delivery of the product or service and when payment is due in relation to this time frame.

## **5. Condition of the Product or Service**

Are the items new or used? If used, how much. If new, is it in original packaging or repackaged? If a service contract, specify who will be doing the service and his or her credentials

## **6. Warranties**

What are the guaranties on the product or service? What period of time do they cover? What is the procedure for repairing or replacing an item or correcting a service mistake?

## **7. Getting out of the Contract**

While most contracts are made to avoid getting out of them, you can sometimes negotiate an “out” clause for poor performance or lack of proper delivery or other essential things.

## **8. Renewal of the Contract**

Is there an automatic renewal? Is there any option to renew?

## **9. Default**

There are several ways to default on a contract. Two prevalent ways are non-payment and non-performance. Non-payment can include not getting paid in full, on time or at all. Non-performance can be not doing the job properly, in full, or not how you expected it to be done. All of these can be combated with remedies in the contract.

## **10. Remedies**

Make sure the contract has a section dealing with remedies for defaults. Remedies are compensation to the injured party for such defaults. Outside of the contract there are other ways to be compensated for default in contracts, including state statutes, federal statutes like the UCC, fraud actions and illegality of the contract, dealing with minors, duress, undue influences, etc.