

THINGS TO BE AWARE OF WHEN READING A CONTRACT

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If you have questions about hemp, or need general legal assistance, you should contact an attorney.

General questions to ask yourself before reading a contract

A written contract governs the relationship between your business and another business or person. Before looking at the contract, think about the following:

- What business objective am I trying to achieve with this relationship?
- What RISKS does this relationship create for my business?
- What RISKS does this relationship reduce for my business?
- What do I know about the other business or person with whom I would be signing a contract? Are they reputable? Do I want to have a business relationship with them?

What terms should I look for in a contract?

If another person or business gives you a contract, it is very important to set aside time to read it carefully. While every contract is different, think about whether the contract adequately and fairly addresses these concepts:

- **Proper names:** Does the contract include proper names of all parties, including the state where the businesses are organized?
- **Starting and Ending Dates:** When do the duties of each party start and end? When is the first payment due? When is the full payment due?
- **Getting out of the contract:** If things aren't going well, how or when can either party terminate the contract? Does the contract automatically renew? Will it cost money to terminate the contract?
- **Good or service:** Is the good or service, or whatever is being delivered, clearly identified and explained?
- **Quantity/scope:** If the deliverable is a **product**: is the quantity of the product to be delivered clearly identified? If the deliverable is a **service**: is the scope of the service clearly explained?
- **Ownership:** If the contract involves a product, does the contract clearly explain who possesses or owns the product during and after the term of the contract?
- **Price:** Is the price clear? When and how can prices change?
- **Payment terms:** When and how is payment made? How much is owed? When is payment late? Are there penalties for a late payment?
- **Remedies:** If a party doesn't fulfill its obligations under the contract, what happens? Does the contract permit recovery for specific kinds of damages?

- **Indemnification:** Indemnification means that, if one party suffers certain losses because of the contract, the other party may have to reimburse for these losses. Does the contract contain a duty to indemnify for either or both parties?
- **Confidentiality:** Does the contract state that the parties need to keep all business information confidential?
- **Non-competition:** Does the contract prohibit a party from competing with the other party? Or prohibit a party from selling goods or services to people and businesses that aren't signing the contract?
- **Prior approval:** Does the contract require either party to get permission from the other party to do certain things?
- **Amendment:** How can the contract be changed? Does any amendment have to be in writing and signed?
- **Assignment:** Can a party assign its obligations under the contract to someone else? Does it need to get the other party's permission to do so?
- **Applicable law:** Does the contract say whether Vermont law governs the contract? Does it say anything about a specific Court where a party would have to file suit against the other if things go wrong?
- **Notice:** Does the contract specify how notices are to be delivered to the other party? When are those notices effective?

If you decide to sign a contract...

If you decide to sign a contract, it is a good idea to take the following actions:

- **Authority:** Make sure the other person signing the contract actually has the AUTHORITY to sign the contract on behalf of the business or person you're contracting with. This is especially important when the contract is special or not in the ordinary course of business.
- **No blank spaces:** Fill in all blank spaces! NEVER sign a contract where blank lines have not been filled in with relevant information.
- **Exhibits should be complete and attached.** If the contract mentions exhibits, schedules, or annexes, make sure that the final version of the signed contract has complete copies of the exhibits, schedules or annexes attached. These items are part of the contract, and the contract is not complete without them.
- **Keep an original copy of the contract.** You may need it for future reference.
- **Talk to a lawyer.** If you have questions about any proposed contract, contact a lawyer. The lawyer may be able to help you review any proposed agreement, or put you in touch with someone who can assist you.