Fifty Tips for Writing the 21st Century Contract That Stays Out of Court (with Forms)
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James W. Martin

Let modern computer technology help you write the contract that stays out of court.

WELCOME TO THE 21ST CENTURY. To practice law successfully in this new century, you must not only wield the new tools of our trade, the computer and the Internet, well, but also accept that litigation costs will remain sky-high. Lawyers' bills of $10,000 a month are not unusual in a hotly contested breach of contract lawsuit. With every word, phrase, and sentence carrying the potential for winning or losing, the stakes are high. Prudence, therefore, mandates cautious and thoughtful drafting.

Drafting contracts is actually one of the simple pleasures of practicing law. In the May 1998 issue of this journal, I presented 50 tips for contract writing. Since then, the Internet and the computer have produced more efficient ways of
The federal RCRA program was always intended to be delegated to the state environmental agencies. Forty-eight of the 50 states now have the entire "compliance" program. The number of states that have the "corrective action" program is growing, and is now up to around 20. The EPA and the states operate under a "Memorandum of Agreement" that governs their relationship in this area. A regulated entity is far more likely to run into a state agency's RCRA enforcement and compliance group than the federal EPA.

Most hazardous wastes cannot be land-disposed unless they have been treated to meet a certain standard. (Land Disposal Restrictions, or "LDRs.") Each listed and characteristic waste has its own standard, either a descriptive treatment standard or a numerical concentration standard. The land ban requires a great deal of paperwork even when the waste is not destined for land disposal.

Permitted Treatment, Storage and Disposal Facilities ("TSDs") are facilities that treat, store, or dispose of hazardous waste.

- These facilities are subject to stringent regulation, not only by the prescriptions found for each kind of unit in the regulations themselves, but by the terms and conditions of their permits.
- Most TSDs are restricted to accepting only certain waste codes.
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preparing contracts. This article updates my tips in light of these changes. Following these tips could result in your writing a contract so clear that no one will want to litigate it, saving your client from the trials and tribulations of litigation, truly a good reason to write the contract that stays out of court.

These tips apply to writing all kinds of agreements: office leases, real estate contracts, sales agreements, employment contracts, equipment leases, prenuptial agreements. They even apply to stipulations and settlements in litigation, where you want an agreement so clear that it avoids future litigation. Wherever clarity and simplicity are important, these tips will guide you there. The Appendix provides a few sample forms to illustrate these tips.

BEFORE YOU WRITE THE FIRST WORD • Before preparing the contract, you will need to deal with the preliminaries:

• Ask your client to list the deal points. This can be in the form of a list, outline, or narration. Doing this will help the client focus on the terms of the agreement.

• Engage your client in “what if” scenarios. A good contract will anticipate many possible factual situations and express the parties’ understanding in case those facts arise. Talking to your client about this will generate many issues you may not otherwise consider.

• Ask your client for a similar contract. Frequently, clients have had similar transactions in the past or they have access to contracts for similar transactions.

• Search your office computer or the Internet for a similar form. Many times you can find a similar form on your computer. It may be one you prepared for another client or one you negotiated with another lawyer. Just remember to find and replace the old client’s name. Starting with an existing form saves time and avoids the errors of typing. Here are some web sites where you can find forms:
  —West Publishing: http://www.westgroup.com
  —Lexis: http://www.lexis.com/

• Obtain forms in books or CD-ROM. Typical forms of contracts can be found in form books, such as West’s Legal Forms (a nationwide set), as well as in treatises and state bar continuing legal education (“CLE”) publications. These can be used as the starting point for drafting the contract or as checklists of typical provisions and wording to include in the contract. Many treatises and form books now come with forms on disk or CD-ROM.

• Don’t let your client sign a letter of intent that doesn’t say that it is a letter of intent. Sometimes clients are anxious to sign something to show good faith before the contract is prepared. A properly worded letter of intent is useful at such times. Just be sure that the letter of intent clearly states that it is not a contract, but that it is merely an outline of possible terms for discussion purposes. See Appendix C.

WRITING THAT FIRST WORD • Once you have obtained the needed information and sample forms, you are ready to draft the contract.

• Start with a simple, generic contract form. The form in Appendix A is a simple, generic contract form. It provides a solid starting point for the structure of the contract. Like a house, a contract must have a good, solid foundation.

• State the correct legal names of the parties in the first paragraph. As obvious as this is, it is one of the most common problems in contracts. For individuals, include full first and last name, and
Identify the parties by nicknames. Giving each party a nickname in the first paragraph will make the contract easier to read. For example, James W. Martin would be nicknamed “Martin.”

Be careful when using legal terms for nicknames. Don’t use “Contractor” as a nickname unless that party is legally a contractor. Do not use “Agent” unless you intend for that party to be an agent, and if you do, then you better specify the scope of authority and other agency issues to avoid future disagreements.

Include a blank for the date in the first paragraph. Putting the date in the first paragraph makes it easy to find after the contract is signed. It also makes it easy to describe the contract in other documents in a precise way, such as the “December 20, 2000, Contract for Sale of Real Estate.”

Include recitals to provide background. Recitals are the “whereas” clauses that precede the body of a contract. They provide a simple way to bring the contract’s reader (party, judge, or jury) up to speed on what the contract is about, who the parties are, why they are signing a contract, and so forth. The first paragraph in the body of the contract can incorporate the recitals by reference and state that they are true and correct. This will avoid a later argument over whether the recitals are a legally binding part of the contract.

Outline the contract by writing out and underlining paragraph headings in their logical order. The paragraphs should flow in logical, organized fashion. It is not necessary to write them all at once; you can write them as you think of them. Try to group related concepts in the same paragraphs or in adjacent paragraphs. For example, write an employment contract’s initial paragraph headings like this:

—Recitals;
—Employment;
—Duties;
—Term; and
—Compensation.

Complete each paragraph by writing the contract terms that apply to that paragraph. This is simple. You learned this in elementary school. Just explain in words what the parties agree to do or not do paragraph by paragraph.

Keep a pad at hand to note clauses to add. It’s normal to think of additional clauses, wording, and issues while writing a contract. Jot these down on a pad as you write; they are easily forgotten. Also keep your client’s outline and other forms in front of you as you write, and check off items as you write them.

Repeat yourself only when repetition is necessary to improve clarity. Ambiguity is created by saying the same thing more than once; it is almost impossible to say it twice without creating ambiguity. Only if the concept is difficult should you write it in more than one way. In addition, if you use an example to clarify a difficult concept or formula, be sure that all possible meanings are considered and that the example is accurate and consistent with the concept as worded.

WHAT TO WATCH OUT FOR WHEN WRITING

The following suggestions will help you avoid some of the more common contract drafting errors.

Title it “Contract.” Don’t leave this one to chance. If your client wants a contract, call it a contract. A judge now sitting on the federal bench once ruled that a document entitled “Pro
posal" was not a contract even though signed by both parties. The lesson learned is,

- "Say what you mean." If you intend the document to be a legally binding contract, use the word "Contract" in the title.
- Write in short sentences. Short sentences are easier to understand than long ones.
- Write in active tense, rather than passive. Active tense sentences are shorter and use words more efficiently, and their meaning is more apparent. Example of active: "Sellers shall sell the Property to Buyer." Example of passive: "The Property shall be sold to Buyer by Seller."
- Don’t use the word "biweekly." It has two meanings: twice a week and every other week. The same applies to "bimonthly." Instead, write "every other week" or "twice a week."
- Don’t say things like "active termites and organisms." Avoid ambiguity by writing either "active termites and active organisms" or "organisms and active termites." When adding a modifier like "active" before a compound of nouns like "termites and organisms," be sure to clarify whether you intend the modifier to apply to both nouns or just the first one. If you intend it to apply to both, use parallel construction and write the modifier in front of each noun. If you intend it to apply to just one noun, place that one noun at the end of the list and the modifier directly in front of it.
- Don’t say "Lessor" and "Lessee." These are bad nicknames to use in a lease because they are easily reversed or mistyped. Use "Landlord" and "Tenant" instead. The same applies to lienor and lienee, mortgageor and mortgagee, grantor and grantee, licensor and licensee, party A and party B. This is where you can use your creativity to come up with a different nickname for a party, as long as you use it consistently throughout the contract.
- Watch out when using "herein." Does "wherever used herein" mean anywhere in the contract or anywhere in the paragraph? Clarify this ambiguity if it matters.
- Write numbers as both words and numerals: ten (10). This will reduce the chance for errors.
- When you write "including" consider adding "but not limited to." Unless you intend the list to be all-inclusive, you had better clarify your intent that it is merely an example.
- Don’t rely on the rules of grammar. The rules of grammar that you learned in school are not universal. The judge or jury interpreting the meaning of your contract may have learned different rules. Write the contract so that no matter what rules they learned, the contract is clear and unambiguous. Follow this test for clear writing: Remove all periods and commas, then read it. Choosing the right words and placing them in the right place makes the writing clear without punctuation.
- Don’t be creative with words. Contract writing is not creative writing and is not meant to provoke reflective thoughts or controversies about nuances of meaning. Contract writing is clear, direct, and precise. Therefore, use common words and common meanings. Write for the common person.
- Be consistent in word usage. If you refer to the subject matter of a sales contract as "goods" use that term throughout the contract; do not alternately call them "goods" and "items." Maintaining consistency is more important than avoiding repetition. Don’t worry about putting the reader to sleep; worry about the opposing lawyer a year from now hunting for ambiguities to get your contract into court.
- Be consistent in grammar and punctuation. The rules of grammar and punctuation you learned may differ from others, but you had better be consistent in your use of them. Be aware of such things as where you put ending quote marks, whether you place commas after years and states, and similar variations in style.
Consider including choice of law, venue selection, and attorneys’ fee clauses. If your contract gets litigated, you might as well give your client some “ammunition” for the fight. Examples of these clauses appear in Appendices A and C.

Write for the judge and jury, assume the reader is a knowledgeable layperson. If your writing is so clear that a layperson could understand it, then it is less likely it will end up in court.

Define a word by capitalizing it and putting it in quotes. Capitalizing a word indicates that you intend it to have a special meaning. The following are two sample clauses for defining terms:

Wherever used in this contract, the word “Goods” shall mean the goods that Buyer has agreed to purchase from Seller under this contract.

Buyer hereby agrees to purchase from Seller ten (10) frying pans, hereinafter called the “Goods.”

Define words when first used. Instead of writing a section of definitions at the beginning or end of a contract, consider defining terms and concepts as they first appear in the contract. This will make it easier for the reader to follow.

Explain technical terms and concepts. Remember that the parties might understand technical jargon, but the judge and jury who interpret and apply the contract do not. Therefore, explain the contract’s terms and concepts within the contract itself. Let the contract speak for itself from within its four corners.

KEEP YOUR CLIENT INFORMED WHILE YOU WRITE • Good attorney-client communication is the foundation of a successful legal practice. Communicating with your client is especially important when you are drafting contracts.

Never send a contract without a cover letter. The cover letter is a convenient way of instructing your client on how to use and sign the contract.

Tell your client the ideas that come as you write. Many ideas will occur to you as you write: things that could go wrong with the deal, things that might happen in the future, things that happened in the past, ways to structure things better. Write these in your letter to the client.

Inform your client of the risks. Writing a letter to the client as you write the contract is the perfect way to inform the client of the risks and rewards of entering into the contract. Frequently, problems do not become apparent until time is spent trying to word a contract.

WHAT TO DO AFTER THE FIRST DRAFT IS WRITTEN • After the first draft is written, do the following:

Check spelling, paragraph numbering, and cross references both manually and with your word processor’s spelling and grammar checker. This almost goes without saying today, especially since Microsoft Word now checks your spelling and grammar as you type. (Unfortunately it also changes “per stirpes” to “per stupid” if you fail to watch it closely.) And now there are even computer programs that check contract documents for undefined terms. DealProof is packaged with Corel WordPerfect for law offices, and DocProofReader is available for download for MS Word 97 and 2000.

Let your secretary or paralegal read it. Not only will your staff frequently find spelling and grammar errors missed by your word processor’s spell checker, but they will find inconsistencies and confusing areas that you missed when drafting.

Stamp “Draft #1 6/22/2000” on it. This may be the first of many drafts, so avoid confusion early by numbering and dating all drafts at the top of the first page. It is also a good idea to write “DRAFT” across the face of each page to preclude the possibility of an impatient client signing a draft rather than waiting for the final version.
Let your client read it. Letting the client in on reading the first draft assures that your drafting will stay in tune with the client’s wishes.

Save the drafts as multiple files on your computer. If you save the first draft on your computer as two files, you will have one file identified as the first draft and the other identified as the current version. This can be done by naming the current version “contract” and the first draft as “contract.d1.” Then, subsequent versions can be named “contract.d2,” “contract.d3,” etc., where the “d” in the extension indicates draft. (Of course, if you’re not using WordPerfect 5.1 for DOS, as I do, you can use long file names to show the contract name, draft number, and draft date, such as “Contract Smith Jones draft 2 dtd 6 22 2000.”)

Compare the current version to prior versions. If you save draft versions, it is very easy to compare one version to another using the word processor’s compare feature or using the Compare-Rite computer program. When you compare “contract.d1” to “contract.d2,” save the comparison as “contract.c21” and print it to show the client what changes were made.

HOW TO PRINT AND SIGN THE FINAL DRAFT • Too few attorneys appreciate the practical details of printing and signing the contract.

Print the contract on 24 pound bond paper instead of 20 pound copier paper. Using a heavy bond paper will make it easy to tell the original contract from copies. It will also last longer.

Print on pages using the same paper, and if pages are changed, reprint the document using the same paper. This will avoid an argument that pages were substituted after the contract was signed.

Sign the contract in blue ink, not black ink. This, too, will make it easier to differentiate the signed original contract from photocopies.

Initial every page of the contract. Having each party initial each page of the contract will make it less likely that anyone could claim a page was changed after the contract was signed.

Identify the parties and witnesses who sign by providing blank lines below their signature lines for their printed names and addresses. This will make it easier to find the witnesses if the contract is contested. And remember to include two witnesses for commercial leases.

Be sure that corporate officers include their titles, the corporation’s name, and the word “as.” Failure to do this can result in personal liability of the officer. The proper way to sign in a representative capacity is as follows:

ABC Corporation, a Florida corporation

By: __________________________

John Jones, as its President

Add a notary clause that complies with the notary law. The notary acknowledgment in Appendix B is such a clause.

CONCLUDING ADVICE • If these 50 tips don’t keep your contracts out of court, try mastering Strunk & White’s Elements of Style (Now available for free online at: http://www.bartleby.com/141/index.html.) I hear it’s real handy in appellate work.
APPENDIX A
Basic Form of Contract

CONTRACT

AGREEMENT made this ____ day of ________, 20____, between ________________________, hereinafter called "_________ __________", and ________________________, hereinafter called "_________ _________ WHEREAS, ________ ; WHEREAS, _________ ; and WHEREAS, _________ ; NOW THEREFORE, in consideration of their mutual promises made in this agreement, and for other good and valuable consideration, receipt of which is hereby acknowledged by each party, the parties, intending to be legally bound, hereby agree as follows:

1. Recitals. The parties agree that the foregoing recitals are true and correct and incorporated in this agreement by this reference. 2. ______________________.

__ Miscellaneous. Time is of the essence of this agreement. This agreement is made in the State of [_____] and shall be governed by [_____] law. This is the entire agreement between the parties and may not be modified or amended except by a written document signed by the party against whom enforcement is sought. This agreement may be signed in more than one counterpart, in which case each counterpart shall constitute an original of this agreement. Paragraph headings are for convenience only and are not intended to expand or restrict the scope or substance of the provisions of this agreement. Wherever used in this agreement, the singular shall include the plural, the plural shall include the singular, and pronouns shall be read as masculine, feminine or neuter as the context requires. The prevailing party in any litigation, arbitration or mediation relating to this agreement shall be entitled to recover its reasonable attorneys fees from the other party for all matters, including but not limited to appeals. [_____] County, [______], shall be proper venue for any litigation involving this agreement. This agreement may not be assigned or delegated by either party without the prior written consent of the other party.

IN WITNESS WHEREOF, the parties have signed this agreement as of the day and year first above written.

_________________ (Seal)

Witnesses

_________________ (Seal)

Witnesses
APPENDIX B

Basic Form of Notary Acknowledgment

STATE OF FLORIDA  
COUNTY OF __________

The foregoing instrument was acknowledged before me this ____ day of ________________, 20____, by ________.

Notary Public-State of Florida:
sign ____________________________
print ____________________________

Personally Known ____; OR Produced Identification _____

Type of Identification Produced: ____________________________

Affix Seal Below:

APPENDIX C

Sample Letter of Intent Form

LETTER OF INTENT FOR POSSIBLE
CONTRACT FOR SALE OF ASSETS

Possible Seller: ____________________________
Possible Buyer: ____________________________

Business: ____________________________

Date: _______________, 20____

This is a non-binding letter of intent that contains provisions that are being discussed for a possible sale of the Business named above from the possible Seller named above to the possible Buyer named above. This is not a contract. This is not a legally binding agreement. This is merely an outline of possible contract terms for discussion purposes only. This is being signed to enable the Possible Buyer to apply for financing of the purchase price. This letter of intent is confidential and shall not be disclosed to anyone other than the parties and their employees, attorneys and accountants and the possible lenders of the Possible Buyer. The terms of the transaction being discussed are attached hereto, but the terms (and the possible sale itself) are not binding unless and until they are set forth in a written contract signed by Possible Seller and Possible Buyer. The word “shall” is used in the attached terms only as an example of how a contract might read, and it does not mean that the attached terms are or ever will be legally binding.

______________________________  
Witnesses

______________________________
Witnesses
APPENDIX D

Sample Hourly Attorneys’ Fee Agreement for Probate

IN THE CIRCUIT COURT FOR _____________ COUNTY, FLORIDA
PROBATE DIVISION
FILE NUMBER ___________

IN RE: ____________________________

DECEASED.

ATTORNEYS’ HOURLY FEE AGREEMENT

AGREEMENT made between the following persons:

Personal Representative: __________________________
Attorney: __________________________
Residuary Beneficiaries: __________________________

Whereas, Attorney is about to undertake the performance of substantial legal services on behalf of the Personal Representative, for which Attorney shall be paid fees and costs, and the Florida Bar’s Rules of Professional Conduct encourage attorneys and clients to enter into fee agreements at the commencement of representation to avoid the possibility of misunderstandings, and the Florida Probate Code requires that attorneys’ fee agreements be signed by the Personal Representative and by the persons who will be affected by the fees;

Now therefore, in consideration of their mutual promises stated in this Agreement, the parties hereby agree that:

1. **Hourly Rates.** The Personal Representative has retained Attorney to provide legal services to the Personal Representative for administration of the above probate estate in Florida at hourly rates of $____ for attorney time and $____ for paralegal time for all matters handled, including but not limited to ordinary services and extraordinary services.

2. **Limitation on Fees.** Notwithstanding the foregoing, Attorney agrees not to bill fees for ordinary services of Attorney that would exceed the percentage fees provided for in Florida Statutes §733.6171.

3. **Monthly Bills.** Fees shall be billed by Attorney and paid by Personal Representative out of the assets of the Estate on a monthly basis. Costs incurred for copies, postage, long distance, fax, FedEx, filing fees, and other items shall also be billed and paid at least monthly.

4. **No Statutory Percentage Fees.** The parties agree that the provisions of this Fee Agreement replace the provisions of the applicable statutes and case law and that Attorney will not charge fees based upon a percentage of the assets or income of the probate estate. (Florida Statutes §733.6171 provides that the following is presumed to be reasonable compensation for ordinary services by the attorney for the Personal Representative: $1,500 for the first $40,000 plus $750 for the next $30,000 plus $750 for the next $30,000 plus three percent of the rest of the inventory value and income of the probate estate for ordinary services. The statute also provides that the attorney, personal representative, and persons bearing the impact of the compensation may agree to compensation determined in a different man-
ner. The statute also provides that attorneys are entitled to additional compensation for extraordinary services, such as real estate, adversary proceedings, homestead, tax matters, business, etc.)

5. **Fee Proceedings.** If the matter of fees and costs is submitted to the Court for review or determination at any time, fees and costs shall be billed by and paid to Attorney for that fee proceeding on the same basis as other fees under this Agreement; i.e., billed and paid at least monthly. In addition, attorneys testifying as expert witnesses on the matter of fees shall be entitled to fees at their usual hourly rates, which shall be paid out of the estate.

6. **Joint Representation.** The parties agree that Attorney represents _____________ in his or her capacity as Personal Representative of the Estate and also in his or her capacity as Successor Trustee of THE _____________ TRUST. The parties understand the potential conflict of interest arising from representation of multiple parties in multiple roles. They understand that if a conflict should ever develop between the multiple clients concerning the Estate or Trust, then Attorney would not be able to represent either of the clients in that conflict. The Personal Representative, Trustee and residuary beneficiaries are encouraged to engage his or her own separate lawyer before signing this agreement if they desire legal advice concerning this Fee Agreement or concerning any other aspect of the probate estate or Trust.

Under penalties of perjury, we declare that we have read the foregoing, and the facts alleged are true, to the best of our knowledge and belief.

Attorney:

______________________________ Date: __________, 20__

Personal Representative:

______________________________ Date: __________, 20__

Residuary Beneficiary:

______________________________ Date: __________, 20__
PRACTICE CHECKLIST FOR:
Fifty Tips for Writing the 21st Century Contract That Stays Out of Court (with Forms)

• Before preparing the contract, you will need to deal with the preliminaries:
  □ Ask your client to list the deal points.
  □ Engage your client in “what if” scenarios.
  □ Ask your client for a similar contract. Search your office computer or the Internet for a similar form. Obtain forms in books or CD-ROM.
  □ Don’t let your client sign a letter of intent that doesn’t explicitly state that it is a letter of intent.
• Once you have obtained the needed information and sample forms, you are ready to draft the contract.
  □ Start with a simple, generic contract form.
  □ State the correct legal names of the parties in the first paragraph.
  □ Include recitals to provide background.
  □ Outline the contract by writing out and underlining paragraph headings in their logical order. Complete each paragraph by writing the contract terms that apply to that paragraph.
• What to watch out for when writing:
  □ If you intend the document to be a legally binding contract, use the word “Contract” in the title.
  □ Write in short sentences. Write in active tense, rather than passive.
  □ Avoid ambiguous, vague, and potentially confusing terms.
  □ Write numbers as both words and numerals: ten (10).
  □ Don’t rely on the rules of grammar. The rules of grammar that you learned in school are not universal. Be consistent in word usage and in grammar and punctuation.
  □ Consider including choice of law, venue selection, and attorneys’ fee clauses
  □ Define a word by capitalizing it and putting it in quotes. Define words when first used. Explain technical terms and concepts.
• Communicating with your client is especially important when you are drafting contracts.
  □ All contracts should be sent with a cover letter.
  □ Tell your client the ideas that come as you write. Write these in your letter to the client.
  □ Inform your client of the risks.
• After the first draft is written, do the following:
  □ Check spelling, paragraph numbering, and cross references both manually and with your word processor’s spelling and grammar checker. Let your secretary or paralegal read it, then let your client read it.
  □ Save the drafts as multiple files on your computer. Compare the current version to prior versions.
• How to print and sign the final draft:
  □ Print the contract on 24 pound bond paper instead of 20 pound copier paper. Print on pages using the same paper, and if pages are changed, reprint the document using the same paper.
  □ Sign the contract in blue ink, not black ink. Initial every page of the contract.
  □ Identify the parties and witnesses who sign by providing blank lines below their signature lines for their printed names and addresses.
  □ Be sure that corporate officers include their titles, the corporation’s name, and the word “as.”