CONTRACTS EVERY NEW BUSINESS NEEDS

The agreements that protect you with customers, vendors, contractors and partners, and what each should cover.

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AT A GLANCE

- A **contract** is a written agreement about who does what, for how much, and what happens if something goes wrong.
- Most small businesses need a few core contracts: **customer agreements, contractor agreements, vendor agreements and confidentiality agreements**, plus website terms if you sell online.
- Get them right once with a lawyer, then reuse them as templates.

WATCH OUT

General information only, not legal advice. Contract law differs by state and country. Have a lawyer review your core templates.

Why it matters

Handshake deals feel friendly until there's a disagreement about price, timing, quality or ownership. A clear contract prevents most disputes and makes the rest easier to settle. Lenders and investors also review your key contracts.

The core contracts

Contract	Who it's with	What it should cover
Customer agreement or terms of service	Customers	What you deliver, price, payment terms, deposits, cancellations, refunds, limits on your liability
Independent contractor agreement	Freelancers and contractors	Work to be done, pay, deadlines, that they're not employees, confidentiality, **assignment of work to your business**
Vendor or supplier agreement	Suppliers	Products, prices, delivery, quality, payment terms, what happens if they're late
Nondisclosure agreement (NDA)	Anyone you share private information with	What's confidential, how long, and allowed uses
Website terms and privacy policy	Website and app users	Rules for using your site, and how you collect and use personal data
Co-founder or operating agreement	Your co-owners	Ownership, roles, decisions, what happens if someone leaves. See **B-10 Co-Founder Agreements: Splitting Ownership Fairly** and **B-11 Operating Agreements and Bylaws Explained**
Lease	Landlord	See **B-13 Renting Your First Space: Leases Explained (Main Street)**

What every contract should include

1. **Who** the parties are, using the business's legal name
2. **What** each side will do
3. **Money**: price, when it's due, late fees
4. **Timing**: start, deadlines, end
5. **Changes**: how changes are agreed
6. **Ending it**: how either side can end the agreement
7. **Problems**: what happens if someone doesn't deliver, and how disputes are handled
8. **Signatures** from people authorized to sign

> KEY POINT
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> Sign contracts **in the business's name**, as an officer or member, for example "Rosa's Cleaning Co. LLC, by Rosa Martinez, Member." Signing in your own name can make you personally responsible.

> EXAMPLE
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> **Grace** started catering corporate lunches with no written terms. A client canceled a 60-person order the morning of the event. After that, she used a one-page catering agreement: 50% deposit, full payment due 3 days before, no refund within 72 hours. Cancellations dropped, and her cash flow steadied.

Electronic signatures

In the US, electronic signatures are generally as valid as handwritten ones for most business contracts. Use a reputable e-signature tool and keep copies.

Common mistakes

- **Copying a template from the internet** without adapting it to your state and business.
- **No written agreement with friends and family.**
- **Contractors without IP assignment.** See **B-08 Trademarks, Copyrights and Patents in Plain Language**.
- **Signing without reading** auto-renewal, cancellation and personal guarantee clauses.

Your checklist

- ☐ List the contracts your business needs
- ☐ Get a lawyer to draft or review your core templates
- ☐ Put every customer, contractor and vendor relationship in writing
- ☐ Sign in the business's name
- ☐ Store signed contracts in one folder

Key words, explained

Word	What it means
Contract	A legally binding agreement.
NDA	Nondisclosure agreement: a promise to keep information private.
Terms of service	The rules customers agree to when they use your service or site.
Indemnity	A promise to cover the other side's losses in certain situations.
Limitation of liability	A cap on how much one side can owe if something goes wrong.

Where to go next

- **B-10 Co-Founder Agreements: Splitting Ownership Fairly**
- **B-12 Working With Lawyers and Accountants on a Budget**
- **O-02 Employees vs. Contractors**

IMPORTANT
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