

## Sample Contract

This example of a contract will help you understand the general structure of a contract. The sample contract begins with notes about sections that typically appear in contracts. A brief overview of basic contract law principles is provided. However, this example of contract is not legal advice. Finally, the examples used in the notes and the basic contract law principles are combined to produce a complete example contract. AbdulJaami, PLLC provides legal advice about contract law. Our attorneys will help you negotiate and write contracts.

### AbdulJaami, PLLC

Saboor H. AbdulJaami, Attorney and Counselor at Law

Most contracts, whether one page or one-hundred pages, follow the same basic format. Contracts typically begin with a preamble, and continue with recitals or an introduction. Shorter contracts may not include the recitals/introduction section. All contracts have a main section, the body of the contract, which addresses the reason why the contract is being entered into and terms of the agreement. After the body, many contracts contain a “boilerplate” section that contains common contract provisions that deal with administrative matters. Finally, contracts conclude with an ending and the signatures of the parties to the contract.

Similarly, all legally enforceable agreements are governed by basic contract law principles.

This example of a contract provides an introduction to the general structure of a contract. Contract provisions that typically appear in written agreements are briefly explained. The sample contract also quickly reviews key basic contract law principles and uses the sample contract provisions as examples. Finally, the contract provisions are assembled into the sample contract.

### Sample Contract – general contract structure; typical sections

#### **Preamble**

The sample contract’s Preamble (i) identifies the agreement through a title, (ii) identifies the parties to the agreement, and (iii) identifies the date on which the agreement was entered into.

*THIS SALES AGREEMENT made and entered into this [\_\_] day of [month] [year] (the “Effective Date”), by and between, [First Party], a \_\_\_\_\_ corporation having its principal office located at [street address], [Country] (“First Party”), and [Second Party], a New York corporation (“Second Party”).*

#### **Recitals/Introduction**

The sample contract then continues with Recitals that (i) provide an introduction to the agreement and why it is being entered into, and (ii) identify important terms and possibly third parties. Instead of the traditional recitals, some contracts have an introduction that serves a similar purpose. The recitals/introduction are not considered to be part of the agreement and are therefore typically not enforceable.

#### WITNESSETH

*WHEREAS, First Party is engaged in the manufacture of products described on Schedule A (the “Products”);*

*WHEREAS Second Party is engaged in the business of marketing, selling and distributing products within [Country] (the “TERRITORY”); and*

*WHEREAS First Party desires that Second Party market, sell and distribute the Products in the Territory;*

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## Body

The body of the sample contract contains the heart of the agreement – the reason why the contract was entered into. Topics such as the key terms of the agreement, the type and amount of “consideration” (see below for more on “consideration”), and the parties’ ongoing rights, duties and responsibilities are discussed in the body of the contract.

*NOW THEREFORE in consideration of the mutual covenants herein contained, and other good and valuable consideration, the parties hereto mutually agree as follows:*

- 1.1 *First Party hereby appoints Second Party as First Party’s exclusive partner in the Territory, and grants Second Party the exclusive right to promote, market, sell and distribute the Products in the Territory under First Party’s Brand name(s) and Trademark(s).*
- 1.2 *Second Party accepts such appointment and agrees to use its commercially reasonable efforts to promote, develop and increase sales of the Products within the Territory.*
- 1.3 *Second Party shall not actively sell the Products in territories that (i) First Party allocated exclusively to a third party or (ii) First Party reserves for itself or an affiliate.*

## Boilerplate

“Boilerplate” is ready-made, all-purpose language than is inserted in many kinds of contracts. Despite being commonplace, boilerplate terms play key administrative roles. If something goes wrong and the parties to a contract end up in arbitration or court, a boilerplate term may be at the center of the dispute. The sample contract includes two boilerplate terms, (i) force majeure, and (ii) governing law.

- 2.1 *Neither party shall be in default hereunder by reason of any failure or delay in the performance of any obligation under this Agreement where such failure or delay arises out of any cause beyond the reasonable control and without the fault or negligence of such party.*
- 2.2 *The provisions of this Agreement shall be construed and the performance thereof governed in accordance with the laws of the State of New York, USA.*

## Ending and Signatures

The sample contract concludes with a statement of the parties’ intention to create a legally binding agreement and signature blocks for the parties to the agreement.

*IN WITNESS THEREOF, the parties, intending to be legally bound, have executed this Agreement as of the date first above written.*

FIRST PARTY

SECOND PARTY

By: \_\_\_\_\_  
Name  
Title

By: \_\_\_\_\_  
Name  
Title

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## Sample Contract – basic contract law principles

In order to be legally enforceable, a contract must contain certain basic elements. These elements are:

**Agreement** – the parties to the contract must agree to enter into the contract. Legally, the agreement consists of one party's offer to enter into the contract and the other party's acceptance of the terms of the offer.

In the sample contract, through language in the Body of the contract and at the Ending of the contract, the parties show that they agree to enter into the contract. Their respective signatures seal the deal.

*“the parties hereto mutually agree as follows”*

and

*“the parties, intending to be legally bound”*

**Contractual capacity** – both parties must be legally able to enter into a contract. Usually, minors and mentally incompetent individuals lack contractual capacity. Depending on the situation, a contract entered into by someone who lacks contractual capacity may or may not be enforceable.

In the sample contract, both parties are corporations. Assuming the corporations are valid legal entities and the officers who sign on behalf of the corporations are legally competent, contractual capacity should not be an issue.

**Legality** – the subject matter of the contract should not be against the law or against public policy. For example, a contract to commit a crime would not be legally enforceable. Contracts that call for the violation of usury laws would also not be legally enforceable. An example of a contract that would be unenforceable because it is against public policy is a contract that unreasonably restrains trade.

The sample contract deals with the sale of goods. As long as the goods can be sold legally and there are no other legal issues, the legality of the subject matter of the contract should not be an issue.

**Consideration** – in the context of contract law, the term “consideration” has a very specific meaning. “Consideration” is the value given in return for a promise. For “consideration” to exist, one party must give something of legal value to a second party in exchange for the second party's promise, and there must be a bargained-for exchange. The “consideration” must also either be legally detrimental to the party that receives the promise, or legally beneficial to the party that makes the promise.

In the sample contract, the parties exchange bargained-for promises and agree to enter into a legally-enforceable relationship. This should satisfy the requirement that there be “consideration.” In the sample contract, “consideration” is addressed in the body of the agreement.

*“NOW THEREFORE in consideration of the mutual covenants herein contained, and other good and valuable consideration, the parties hereto mutually agree as follows:*

- 1.1 *First Party hereby appoints Second Party as First Party's exclusive partner in the Territory, and grants Second Party the exclusive right to promote, market, sell and distribute the Products in the Territory under First Party's Brand name(s) and Trademark(s).*

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1.2 *Second Party accepts such appointment and agrees to use its commercially reasonable efforts to promote, develop and increase sales of the Products within the Territory...*

**Sample Contract – putting it all together; an example**

**SAMPLE CONTRACT**

*THIS SALES AGREEMENT made and entered into this [\_\_] day of [month] [year] (the “Effective Date”), by and between, [First Party], a \_\_\_\_\_ corporation having its principal office located at [street address], [Country] (“First Party”), and [Second Party], a New York corporation (“Second Party”).*

**WITNESSETH**

*WHEREAS First Party is engaged in the manufacture of products described on Schedule A (the “Products”);*

*WHEREAS Second Party is engaged in the business of marketing, selling and distributing products within [Country] (the “TERRITORY”); and*

*WHEREAS First Party desires that Second Party market, sell and distribute the Products in the Territory.*

*NOW THEREFORE in consideration of the mutual covenants herein contained, and other good and valuable consideration, the parties hereto mutually agree as follows:*

- 1.1 *First Party hereby appoints Second Party as First Party’s exclusive partner in the Territory, and grants Second Party the exclusive right to promote, market, sell and distribute the Products in the Territory under First Party’s Brand name(s) and Trademark(s).*
- 1.2 *Second Party accepts such appointment and agrees to use its commercially reasonable efforts to promote, develop and increase sales of the Products within the Territory.*
- 1.3 *Second Party shall not actively sell the Products in territories that (i) First Party allocated exclusively to a third party or (ii) First Party reserves for itself or an affiliate.*
- 2.1 *Neither party shall be in default hereunder by reason of any failure or delay in the performance of any obligation under this Agreement where such failure or delay arises out of any cause beyond the reasonable control and without the fault or negligence of such party.*
- 2.2 *The provisions of this Agreement shall be construed and the performance thereof governed in accordance with the laws of the State of New York, USA.*

*IN WITNESS THEREOF, the parties, intending to be legally bound, have executed this Agreement as of the date first above written.*

**FIRST PARTY**

**SECOND PARTY**

By: \_\_\_\_\_  
Name  
Title

By: \_\_\_\_\_  
Name  
Title

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**AbdulJaami, PLLC**

**International Commercial Transactions**

## Conclusion

This example of a contract is an introduction to the general structure of a contract. The sample contract introduces common sections that appear in contracts and provides a quick introduction to select contract law principles. While the sample contract is not legal advice, AbdulJaami, PLLC provides legal advice about contract law. We will help you negotiate and write agreements.

If this Sample Contract was helpful, please forward the link to a friend or colleague.

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