



## Making Sense of Contract Terms

For the average individual without a legal background, a contract can read like something written in a language only partially related to English, with much of its meaning obscured behind inscrutable terms or phrases. That's why most of us have likely signed off on an agreement or 10 without fully reading through what we were agreeing to – reading the contract in full wouldn't help it make sense.

[If you don't have a trusted attorney to help make sense of contracts](#), check out the following guide on the terms most frequently seen in contracts and what they mean, in language that doesn't require a law degree to understand.

- **Acceptance.** As the name suggests, acceptance is your agreement to the offer and terms of the contract as laid out or offered, thus binding you to the terms of the deal. If you're looking to alter the terms of the deal or qualify your acceptance, that is considered rejecting the offer and is actually a counteroffer.
- **Arbitration.** In the event of a dispute over the terms or performance of a contract, the contract may suggest that both parties are required to submit to arbitration, whereby a third party is brought in to determine a resolution. In some cases, that arbitration may be mandatory so read carefully.
- **Breach.** One or more parties to a contract are in breach if they fail to fulfill the terms of the contract; for example, failing to provide the promised good or service or failing to make timely, full payment would be considered a breach.
- **Choice of law and forum.** A contract may dictate the state laws that apply to interpretation and enforcement based upon a choice of law clause; if you stipulate Arizona in the contract, then Arizona law will be applied. A choice of forum (also called venue) clause sets the locale for any legal proceedings, notwithstanding arbitration or mediation.
- **Date(s).** No special meaning other than looking at the descriptive words before the date. For example, there is often a start date for a contract which can be different from the signing date.

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- **Force majeure.** Events beyond anyone's control can prevent one or both parties to a contract from living up to the deal terms. A force majeure clause lays out the situations or circumstances by which either party can be excused from its obligation to fulfill the contract.
- **Indemnification.** This clause, also called a hold harmless provision, protects one or both parties against any costs or damages arising from a breach of contract or misconduct by the other party. In essence, those who agree to an indemnity clause are responsible for their own issues, and cannot go after the other party.
- **Liquidated damages.** A pre-set amount of money to be paid should one party breach or fail to perform the contract. The amount is an estimation of the financial damage caused by the breach or non-performance.
- **Mediation.** Another type of dispute resolution, but unlike arbitration, the mediator is a neutral party who guides you to a solution.
- **Merger.** This means that all the previous discussions and negotiations are merged into this one contract; it's also referred to as the entire agreement clause.
- **Non-waiver.** A non-waiver clause preserves the right to enforce the terms of a contract even if you choose not to enforce those terms at one point. For example, if you're waiving a fee that would be imposed upon the other party, a non-waiver clause reserves your right to enforce those fees at a later time.
- **Offer.** A fundamental element of a contract is an offer: a good or service or whatever it might be that two parties have agreed to exchange or deliver. The offer portion of the contract details exactly what it is that is being provided, with a price and a time of delivery.
- **Parties.** These are the people or companies that are listed at the beginning as being "party" to the contract. Often the parties are given other titles, like "Buyer," "Lessor," or "Employee" but whenever the contract talks about rights and responsibilities of the parties, it's those defined entities.
- **Severability.** A severability clause dictates that if one or more of the clauses in the contract are found to be unenforceable or are rendered void, the remainder of the

Even with an explanation, contract language can be challenging to navigate on your own. With a LegalShield membership, you can have a provider law firm review a certain amount of documents a month, including contracts, with no additional charge. [Get started with a membership today.](#)

