



Next Level Contracts to Grow Your Business

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You've gotten your arms around the basic contracts for your small business but as your company grows, the complexity of the deals and types of agreements may morph beyond existing templates. As you move onto new stages of your business, you may need additional contracts. Here are some examples of contracts you might find necessary, depending upon your industry.

Employee Equity Agreements. You may be looking beyond salary, medical benefits, and vacation time when attracting talent to your team. Employee ownership is a useful recruiting incentive or as a means to reward existing employees. With an employee stock ownership plan, you can award common or preferred stock (or units for a LLC) to key members of your team, using an agreement between employee and your company.

However, details need to first be set in writing and documents filed with state and/or federal securities officials, all before offering anything to your employees. Securities lawyers are required to assist with the fine points such as whether the stock is granted or offered as stock options to be purchased; how to set a price for the stock options; the vesting period of the stock; and how that stock is affected in the event of termination or sale of the company.

Given everything involved, equity agreements and the setup documents run across several areas of law, including employment, taxation and securities, so they aren't something to try and create yourself.

Contracts for licensing and/or royalty agreements. All intellectual property (IP) is valuable, but some may offer the potential for you to monetize by licensing to others. Or you may be looking at contracting to use others' IP for your own business. In either case, **some common types of intellectual property licenses are:**

- ✓ **Exclusive license**, which offers the rights to the IP at the exclusion of any other entity; your company cannot use the IP, other than to collect the licensing or royalty;
- ✓ **Sole license**, which offers exclusivity to one company but retains your company's right to use the IP;
- ✓ **Non-exclusive license**, which grants a license to each company but leaves open the possibility of licensing to other parties.

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Royalties are often used to describe the licensing payments made for the use of the IP. Licensing contracts often set the type and manner of royalty payments as a variable or fixed percentage of the unit or dollar amount of sales or the use of the product created from the licensed IP. The basics surrounding sales and purchase agreements still apply but here and in the next type of agreement, the complexity has increased along with the need for professional advice.

Master services agreement. Some engagements or projects, by the nature of the work and the number of other companies involved, require flexibility when it comes to timelines and decisions. Construction projects are an example of contracted work, along with ongoing services type arrangements, that use a master service agreement (MSA). The MSA establishes the contractual relationship with all the terms and conditions that will govern each of the portions of the work, as well as how to resolve disputes along the way. Having a MSA in place allows for creation of multiple statements of work and captures both the scope details and the timetable. Also, the MSA makes the overall process of negotiating and signing each statement of work easier because the larger issues are already covered by the master terms and conditions.

Offering documents. With any luck your company will be in a growth position where funding is needed to take the business to the next level. There are many aspects to pitching for money and legal advice should be sought early on with respect to your presentations and anything given to potential investors, including the following legal documents:

- ✓ **Offering memorandum:** details the business objectives, financial details of the company, the terms offered for investment, and the risk involved with that investment.
- ✓ **Term sheet:** a non-binding agreement laying out the terms and conditions of a potential investment ahead of a contract adhering to the agreed-upon terms.
- ✓ **Subscription agreement:** wherein a person or company invests by agreeing to purchase a set number of shares (or units) of the company.

Given the implications and potential ramifications of running afoul of securities law, offering documents are best left to the steady hand of a seasoned securities lawyer along with support from your business lawyer.

A continued reliance upon solid contracts is critical for companies looking to take big next steps. And the greater complexity is nothing to worry about with LegalShield's help. Small Business Legal plans offer document review and flat-rate contract drafting up to 25 pages. [Sign up today to get started on the contracts](#) you'll need for your growing business.

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