

WHAT MAKES AN AGREEMENT ENFORCEABLE?

An entrepreneur should recognize the differences between different kinds of agreements. With a few exceptions, an oral agreement is enforceable but will often be hard to prove.

Without documentation of the agreement, understanding of any agreement will likely differ between two parties. If you want to make all the terms of an agreement enforceable, document it in writing.

Once a written agreement is prepared, make sure you understand what is actually enforceable. There are three basic types of written agreements, depending on the language of the agreement: agreements to agree, letters of intent, and a fully defined, binding agreement. Agreements to agree simply state the intent to continue negotiating.

While other terms might be tacked on, these agreements only commit the parties to continue to work towards a final agreement. Letters of intent, however, normally state the basic terms of an agreement, but leave the finer details for later.

With letters of intent, it is critical that you understand whether the agreed terms are immediately binding or if there will be no binding agreement until all terms are nailed down.

With a letter of intent, it's a good idea to include a clause that defines which provisions are presently enforceable and which are not. And when

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