

## Categories of Contract Language Quick Reference

<b>Category of Contract Language</b>	<b>Verb Structure</b>	<b>Context</b>	<b>Example</b>	<b>Reference</b>
Agreement	<i>agree</i>	Used only in the lead-in	<i>The parties therefore agree as follows:</i>	
Performance	<i>hereby</i> + simple present	Expresses actions performed by signing the contract	<i>Acme hereby purchases the Assets from Doe</i>	
Obligation (Imposed on the Subject of the Sentence)	<i>shall</i> + infinitive	Imposes a duty on the subject of the sentence (if a party)	<i>Acme shall purchase the Shares from Doe.</i>	
Obligation (Imposed on Someone Other Than the Subject of the Sentence)	<i>must</i> + infinitive	The subject isn't a legal person and so cannot assume a duty	<i>The Closing must take place at Acme's offices.</i>	
	<i>must</i> + infinitive	The subject, although a legal person, isn't a party and so cannot assume a duty.	<i>The arbitrator must issue the award no later than 20 days after the last day of the hearing.</i>	
ALTERNATIVE	<i>shall cause</i>	Language of obligation imposed on the subject of the sentence—used if the subject is one or more parties and the object isn't a person.	<i>Parent shall cause the Closing to take place at Acme's offices.</i>	
	<i>shall cause</i>	Language of obligation imposed on the subject of the sentence—used if the subject is one or more parties and the object is an instrumentality of the subject.	<i>Parent shall cause Sub to sell the Widget Assets.</i>	
Discretion	<i>may</i> + infinitive	If the subject has the discretion to take or not take a specified action	<i>The Indemnified Party may at its expense retain separate co-counsel.</i>	
	<i>is not required to</i> + infinitive	Conveys absence of obligation.	<i>Acme is not required to replace the Widget Equipment.</i>	

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Prohibition	<i>shall not</i> + infinitive	Imposes a prohibition on the subject of the sentence.	<i>The Customer shall not modify the Equipment without Acme's prior written consent.</i>	
Policy	Simple present	Policies that apply on effectiveness of the contract.	<i>New York law governs this agreement.</i>	
	Simple present	Policies that state a time of effectiveness or lapsing of effectiveness.	<i>This agreement terminates on December 31, 2019.</i>	
	<i>will</i> + infinitive	Policies that relate to future events that might not take place or the timing of which is uncertain.	<i>This agreement will terminate upon the closing of a Qualified IPO.</i>	
	<i>will</i> + linking verb	Policies that relate to future events that might not take place or the timing of which is uncertain.	<i>Any attempted transfer of Shares in violation of this agreement will be void.</i>	
Condition (Generally)		A condition is a future and uncertain event or circumstance on which the existence of a legal relation depends.		
Condition (Using a Conditional Clause)	Simple present	Used in the conditional clause.	<i>If Jones ceases to be employed by the Company, ...</i> [continued in next row]	
	<i>will</i> + infinitive	Used in the matrix clause, if the verb in a matrix clause would, absent the conditional clause, be in the present tense. ( <i>Shall, may, and must</i> are unaffected by presence of a conditional clause.)	[continued from previous row] ... the Option will terminate.	
Condition (Using Language of Policy)	Simple present	Introduced with <i>that</i> -clause, whether single condition or part of a list	<i>The Buyer's obligations under this agreement are subject to satisfaction of the following conditions: ... that Acme's statements of fact are accurate ...</i>	

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	Present perfect	Introduced with <i>that</i> -clause, whether single condition or part of a list	<i>The Buyer's obligations under this agreement are subject to satisfaction of the following conditions: ... that the Buyer has received an opinion of Acme's counsel ... .</i>	
Condition (Using Language of Obligation)	<i>must</i>	Introduced with <i>to</i> infinitive clause or clause beginning with <i>for</i>	<i>To be reimbursed, Acme must submit to Widgetco</i>	
Declaration	<i>states</i>	Serves to assert accuracy of a fact the declaring party has knowledge of.	<i>Acme states that the Equipment is listed on schedule A.</i>	
	<i>acknowledges</i>	Serves to accept accuracy of a fact the other party has knowledge of.	<i>The Investor acknowledges that it has received a copy of each SEC Document.</i>	
Intention	<i>intends that + will</i>	Used instead of language of policy if a given status depends on circumstances what happens after the contract is signed.	<i>The parties intend that the Consultant will be an independent contractor.</i>	
Recommendation	<i>recommends, advises, or encourages + that</i>	Allows a party with greater bargaining power to avoid dispute by pointing out something the other party might otherwise miss.	<i>The Company recommends that the Participant consult a legal advisor if ...</i>	