



DEFINITION TRAPS

3 things you need to know
when reading a contract

HOW TO UNDERSTAND DEFINITIONS.

Skipping over definitions could cost you your company.



Agreement.

Agreement is defined as the Subcontract Agreement for Work in connection with the Project, together with all other Contract Documents.

There are four unique contract terms within this one definition!

Do you know what they all mean?

How to read a contract definition

Definitions are the foundation of any contract. Why? Because defined terms are the building blocks of every contract provision.

What does that mean?

Terms are the way the contract explains a word or phrase. Sometimes a single definition, as shown in this example, includes multiple terms that you have to determine the contract's explanation of, in order to fully comprehend the definition.

Looking at the image above, we examine the definition for Agreement. Within this one definition, there are four defined contract terms, as shown by the capitalized words or phrases within this sentence.



KNOW HOW THE TERM IS DEFINED IN THE CONTRACT.

Because your definition doesn't matter.



The definitions are often where the biggest traps lay within a contract.

If you want to protect your business, it is vital understand the contract. In order to understand the contract, you have to know the definitions. Most commercial subcontractors sign contracts blindly, hoping everything will work out, but as we know, hope is not a strategy.

The great news is we've developed a short course to teach you the definitions, how to use them and identify the traps, and make definitions work in your favor – for every contract you ever sign. All for much less than what it'd take to consult with your lawyer on one contract.



Signing a contract...

Without knowing the definitions, is like walking on to a job site blindfolded or agreeing to a project without ever having seen the job site. More than that, it's like signing a contract written in a language foreign to you. You wouldn't do that, would you?



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Unlike the definitions of words in an English dictionary, definitions in a contract can be made to mean something special to that particular contract.

In the example shown here, we see that the four terms each have a specific meaning in this contract. Take the third term for example. Red as listed in their contract, will mean the Pantone color value #281, which is actually a shade of blue.

Imagine if you just would have picked up some red paint, as you describe red. You can't take anything for granted when reading a contract. You must be certain to clarify the term definitions so that they don't take you by surprise.

"Damages" may not mean what you think it does

Depending on the definition, it could mean out of pocket expenses, or it could incorporate consequential damages and liquidated damages of \$10,000 per day from another document (like the Prime Contract, if you're a subcontractor). So when you sign off on a statement like *Contractor will be responsible for any Damages arising from the performance of its Work*, do you know what you're getting yourself into?



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