



Can You Give That To Me In Words I Can Understand?

By **Joe Leo**, BrownWinick Attorney
leo@brownwinick.com

Recently I was working with a client on a large and complicated transaction. We were discussing the legal relationship between several different agreements. The client gave me one of the best compliments I have ever received as an attorney when he told me he appreciated that I could explain the agreements in terms he could understand. That is really my goal as an attorney. I want my clients to understand the legal impact of the business decisions they make and be able to make better decisions by having all of the facts they need. In order to make good business decisions, it is crucial that my clients understand the agreements they sign in terms they can understand. One tool I use is a summary of the most material terms of large contracts, written in language that makes sense to my clients. The intent of these summaries is not to provide every legal nuance of the rights and responsibilities in the agreement but instead to give a roadmap that my clients can understand and use. These summaries should function like an FAQ section of a website or a summary of commonly asked questions.

In order for these summaries to be useful, they should act as a reference manual. They should include a one or two word summary of the material term of the agreement along with a brief summary of what that term of the agreement says. In addition, the summary should include a reference to the actual section of the agreement if more in depth analysis is required. For example, in my summary, I might include a heading for a loan agreement that says "Interest Rate." In the next column, I would write, "Variable interest at a rate of 3% above LIBOR." Finally, in the last column I would write "Section 3.4" which relates to the actual interest rate provision in the agreement. I also like to add an introductory paragraph that explains the context of the agreement, including a list of other related contracts, and the business purpose for the agreement.

These summaries can be very beneficial if you have key employees leave the company. It is all too common to rely on the institutional knowledge of certain individuals in your company without documenting that information. In the event a key employee leaves your company, either on a temporary or permanent basis, the learning curve can be steep. Having good summaries of your company's material agreements will allow you to avoid missing key terms of those agreements after the agreement is signed and filed away.

666 Grand Avenue, Suite 2000
Des Moines, IA 50309
515-242-2400
www.brownwinick.com

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