



# PROJECT MANAGEMENT III

## **WEEK #4:** *CREATING A CONTRACT*

# WHY HAVE A CONTRACT?

A contract exists to **protect you** as much as possible.

It also serves to outline **the responsibilities of yourself** and **your client**.

And if things go bad between yourself and your client, **it can be used by the courts to determine who is right, who is wrong, and what is owed.**



# WHEN DO YOU PRODUCE A CONTRACT?

When your client is  
ready to begin work.

**Not** during the  
negotiation stage!

**Not** during the quote  
finding stage!

**REMEMBER:** This is a  
legally binding  
document.



# ONE FINAL BIT OF ADVICE:

Contracts shouldn't be scary.

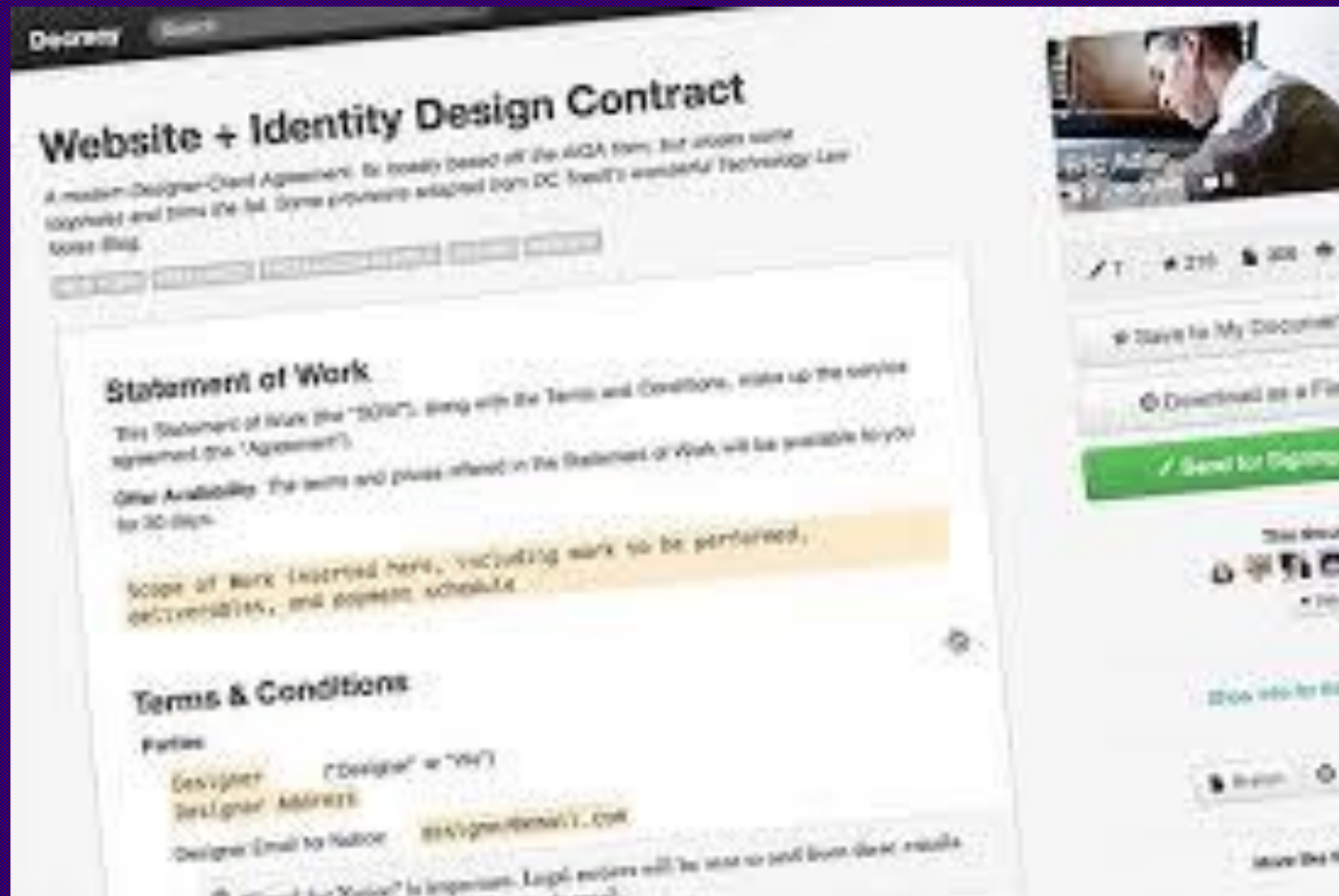
They exist to protect yourself.

They also serve to protect your client too.

# MAJOR SECTIONS OF A CONTRACT:

1. Definition of Work (aka Deliverables, aka Scope/Statement of Work)
2. Timetable, Payment Schedule
3. Terms & Conditions
4. Signature

# 1. DEFINITION OF WORK





# DEFINITION OF WORK:

- Outlines what you are promising the client for this project.
- Should have been gathered from your initial first meeting, and later revised in email or discussion.
- Lists down what the client expects to get, and what you are expected to give.
- Bulletpoints or numbers are fine to keep things organized & simple to understand.



# DEFINITION OF WORK:

- Bulletpoints or numbers are fine to keep things organized & simple to understand.
- In this section there should also be a clause for changes that the client may want that fall outside the scope of work.
- This “Additional Changes Request” clause will trigger your standard hourly rate for that extra work not originally included in the DOW. Be sure to include that rate here!



# HOW THIS PART HELPS YOU:

- If you ever have a disagreement with your client, the work that was promised is clearly stated in this portion of your contract.
- If you ever go to court, the judge will look at this part to determine what was promised & agreed upon.
- That's why it's important to have limits and extents of your work clearly communicated in this section.



## 2. TIMETABLE & PAYMENT SCHEDULE

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#### 1. Application Development

Stage	% of Purchase Order Price	%Cumulative Total
<u>Thirty (30) days from</u> a) the RELEASE DATE of each Release	50/n  where n is the number of Releases	50
<u>Thirty (30) days from</u> Commissioning Date	25	75
<u>Thirty (30) days from</u> PGP Date	15	90
<u>Thirty (30) days from</u> expiry of Software Warranty Period	10	100

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# TIMETABLE & PAYMENT SCHEDULE:

- Lists off when your client should expect to certain milestones to happen. For example:
  - Research & Copywriting  
Work begins after kickoff meeting  
Est. 4-6 weeks  
\$3,000 + GST due upon end of milestone
- Refer to your Gantt chart to identify your milestones / payment due dates. Make sure these are outlined here.

# TIMETABLE & PAYMENT SCHEDULE:

- You can also use a sentence that breaks payment due dates down even further:
- “Project as outlined will cost \$10,000 + GST. Payment to be broken down as follows:
  - 50% upon signing of contract (\$5,000 + GST)
  - 25% upon confirmation of wireframe design (MILESTONE 1) – 4-6 weeks from commencement
  - 25% upon delivery of website to client (MILESTONE 2) – 10-12 weeks from commencement”

### 3. TERMS & CONDITIONS



# TERMS & CONDITIONS (AKA THE LEGAL STUFF):

- This is the area that really protects you. Make sure that it meets your expectations!
- If you get sick, if you can't complete the project, if you need to delay it, if you need to assign some work to others...have it spelled out here.
- Keep it as flexible and as much possible in your favor.



# TERMS & CONDITIONS (AKA THE LEGAL STUFF):

- It is **HIGHLY RECOMMENDED** that you consult with a lawyer that specializes in freelance contract law to give your contract template an appraisal.
- Yes, it is **totally worth it** to have a lawyer look this stuff over!
- This is the area that will also be very valuable to the courts if you ever need to go to court...make sure that it protects you.

# TERMS & CONDITIONS (AKA THE LEGAL STUFF):

- Sections usually found in this area:
  - **Governing law** (where the agreement shall be governed)
  - **Payment terms** (how are they paying you, is it net 15, net 30, etc?)
  - **Definition of services** – this means that they are paying you for your services (website construction, development, etc) and not to make \$1 million dollars/new customers.
  - **Force majeure**: If something outside of your control happens (fire, earthquake, life event), they can't sue you if you can't continue to work.

# TERMS & CONDITIONS (AKA THE LEGAL STUFF):

- Sections usually found in this area:
  - **How long your quote is valid** for (usually 30 days from the date on the cover sheet)
  - **Who owns the rights** (usually the client gets full possession of the work after the final payment is received)
  - If you want to charge for **overdue payments**, it goes in here
  - **Supply of materials**: the client needs to give you certain assets to get your work done (copy, logo, photos, etc.)
  - **Additional costs** outside of the scope of work's boundary is to be carried by the client.

## 4. SIGNATURE



# SIGNATURE:

- Sign on the dotted line and date your signature.
- Have two copies: one for the client, one for yourself. **Sign and date both.**
- Make sure that the person signing has authority for the company.
- Keep your contract in a safe place! File it.
- Congratulations, you now have a legally binding document!

# NICE LITTLE THINGS THAT HELP YOUR CONTRACT:

- **A cover page** – with the date, your company logo/name, name of client that you're presenting the contract to.
- **Confidential information clause:** this keeps the contract info privy to yourself and just your client. You don't want people seeing your prices, language of contract & other proprietary info.
- **Thanking the person:** A quick intro sentence like "Magical Web Design would like to thank John Smith for considering our proposal for their website design and development."



# LINKS YOU CAN USE

- [Website Design Law](#)

Contains generic docs for creating a

- Letter of Agreement
- Project Proposal
- Full Terms & Conditions
- Condensed Terms & Conditions
- Invoice
- Overdue Payment & Collections letters

# LINKS YOU CAN USE

- [Contract Killer](#)

Contains a basic template for entering a website development or design contract

- Simple approach
- Not as much detail as Web Design Law's contracts
- Some humor sprinkled in contract
- You'll need to fill in the blanks

[Here's an even better formatted version of their contract.](#)

# LINKS YOU CAN USE

- [Gallantry Website Design](#)
  - Includes a section for “Website Maintenance”, which is optional
  - Also simplifies the contract process by numbering the provisions
  - Doesn’t include milestone dates section

# LINKS YOU CAN USE

- Andy Rutledge
  - Andy was a graphic designer but has gotten out of the biz
  - He's got a great looking contract template that outlines the deliverables cleanly

[Check out Andy's .zip file which contains the Word docs.](#)