

Message From Chris....

Everyone commonly uses contracts (think insurance contracts, lease contracts, real estate purchase/sale contracts, business buy-sell contracts, etc...). However, contracts legally require that good and sufficient consideration be exchanged by and between the parties to the contract - lest the contract not be validly formed. This is good stuff for everybody to know so read on further below... (and don't forget to click on my Facebook or YouTube links below to also see my short video on this material).

The Importance of Consideration in Contracts

We've all seen language like the following at the top of contracts we've signed/used:

"In consideration of the facts set forth hereinabove, and for and in exchange of the consideration of ten and no/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties hereto, and the mutual promises set forth herein below, the parties hereto agree as follows...."

What is it? It's an important consideration recital; without which, the contract wouldn't be valid (**Note:** the law actually implies that, if the obligation is reduced to a writing, consideration was exchanged, however, a party wishing to get out of the contract could always contest the presumption that sufficient consideration was actually exchanged when the contract was entered into – accordingly, putting this recitation in the contract could save you a lot of heartache!).

Why wouldn't it be valid? Parties to contracts have to give something of value to the other party (which they're not already legally obligated to provide), or, in the alternative, refrain from doing something (which they're not otherwise legally refrained from doing).

Why are the words "...ten and no/100 Dollars (\$10.00)..." used above? They're used in situations where rights to real property are involved (e.g., the sale or purchase of real property, or the leasing of real property is at issue). By law, if real property rights are involved, then a **minimum of \$10.00** must be exchanged by the parties. Whether it's a \$5 Million Dollar house or a lease of a very small, vacant lot at the lake – a minimum of \$10.00 must change hands, otherwise, the contract would fail for the failure of the exchange of adequate consideration.

Are there other minimum amounts that apply in other circumstances? Yes, the transfer of personal property (such as cars, boats, tractors, furniture, clothing, etc...) requires that **at least \$1.00** be exchanged by and between the parties.

Are there any exceptions? Yes, if, for example, a parent was to deed real property to a child or their spouse (or some other family member), then sufficient, legal consideration could instead be for the receipt of such other person's "...love and affection."

What My Clients Are Saying

"I have worked with Chris Griswold on several real estate related legal issues in recent months, and I've been very impressed with his suggestions and efforts. I can recommend him wholeheartedly."

Carl Edwards / Partner, Price Edwards & Company / Oklahoma City, Oklahoma

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