• **Formal contract** – contract that must have a special form or must be created in a specific manner

• **Contract under seal** – contract that has a seal certifying its legality. Such contracts require no consideration for them to be legal

• **Recognizance** – obligation in which a party acknowledges in court that he or she will perform some specified act and/or pay a price on failure to do so.

• **Letter of credit** – binding document that a buyer can request from a bank to guarantee that the payment for goods will be made to the seller

• **Negotiable instrument** – written document signed by a person who makes an unconditional promise to pay a specific sum of money on demand or at a certain time to the holder of the instrument; an acceptable medium for exchanging value from one person to another

• **Informal contract** – contract that requires no formalities

• **Intent** – intended purpose or goal of an action, especially in a contract

• **Option contract** – agreement whereby the offeree gives the offeror a piece of consideration in exchange for the offeror’s agreement to hold the offer open for a specified period of time

• **Mirror image rule** – principle which holds that the terms of the acceptance must mirror the terms of the offer; if the terms of the acceptance do not mirror the terms of the offer, no contract is formed and the attempted acceptance of a counter offer

**Chapter 9 Notes:**