- **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: