



## Hidden Dangers in Construction Contracts

Being in the construction business for a long time, may make you very acquainted with wording on contracts. You might even say you're an expert. You know what to look for, in both terms of what should and should not be in the contract. That is not to be taken for granted though. Each contract needs to be examined thoroughly. With each year, it seems like owners are using different and fewer recognizable words, avoiding standard wording, but still setting greater criteria for maintenance and more extensive liability assignment.

Here are a couple of "hidden dangers" you can find while reading a contract.

1. **Personal Guarantee**- When entering into a contract, only the corporate entities are the ones accountable for the commitments and liabilities established in the contract. If you sign a personal guarantee, you are taking the commitments and liabilities from the corporate entity and putting your individual assets at risk.
2. **Acceptance of all terms**- This can be in a sentence stating commencement of work by the contractor establishes acceptance of all terms and conditions written in the contract. Meaning that you cannot review critical terms, deliberate and negotiate the contract. You have commenced work, so that means you have accepted all terms and conditions of the contract the moment you began work.
3. **Consequential Damages**- Try not to sign any contracts that do not have a consequential damages waiver. Consequential damages are those things that cost money which arise indirectly out of a failure of a party on a construction project. They can include: loss of use, loss of rent, loss of profit, loss of bonding capacity, extended overhead, extended equipment rental fees, increased material costs and interest.
4. **48 hours' notice to cure**- Warning notice and request to cure breaches for the current project. If not done, contractor is in default. This is almost impossible to address because of the time and if the notice is given on a Friday, by Monday morning the contractor is in default.

You should always carefully read every contract before signing it for acceptance. If you don't, you are not only putting your company at risk, you might be putting your individual assets at risk as well. Unnoticed contract requirements can potentially strip you of your rights. Being attentive of these hidden dangers can be the difference between a successful work completion and a brutal lesson to be learned for the next contract.