

## TABLE OF CONTENTS

<b>1. Setting Up Your Business.....</b>	<b>1</b>
A. Introduction.....	2
B. Corporations .....	3
1. Subchapter S Corporations .....	3
2. Corporate Documents .....	4
3. Annual Corporate Meeting/Consent.....	4
4. Records .....	5
C. Limited Liability Companies .....	7
D. Distancing Yourself from the Corporation or LLC .....	9
E. Contracts and Marketing.....	10
F. Master Business Application.....	12
G. Employer Identification Number (“EIN”).....	13
H. Registration.....	14
 <b>2. Employee Issues.....</b>	 <b>16</b>
A. The Employee Manual.....	17
1. Terminology.....	17
2. Overview .....	17
3. Basic Elements.....	18
a. Mission Statement.....	18
b. Definitions and Office Procedures .....	18
c. Benefits and Pay.....	18
d. Conduct and Discipline.....	19
e. Employee Performance Reviews .....	19
f. Promotion or Demotion Policies .....	19
g. Housekeeping.....	19
h. Jobsite Accidents.....	19
i. Voluntary Termination.....	20

j. General Confidentiality .....	20
k. Family Medical Leave Act.....	20
l. "I agree" Section .....	20
4. Advantages of an Employee Manual.....	20
5. Disadvantages of an Employee Manual.....	21
<b>B. Restrictive Employment Practices.....</b>	<b>22</b>
1. Introduction.....	22
2. Noncompetition Agreements .....	22
a. Enforcement of Noncompetition Agreements.....	23
b. When to Obtain Employee's Signature.....	23
c. Geographical Area.....	24
d. Length of Restriction.....	24
3. Nonsolicitation Agreements.....	25
4. Nondisclosure Agreements .....	26
5. The Uniform Trade Secrets Act.....	27
a. Definition of "Trade Secret" .....	27
i. Generally Known and Readily Ascertainable.....	27
ii. Reasonable Efforts to Maintain Secrecy.....	28
b. Definition of "Misappropriation" .....	28
c. Remedies.....	28
d. Customer Lists.....	29
<b>C. Employee v. Subcontractor .....</b>	<b>30</b>
1. What is a Subcontractor? .....	30
2. How Does a Subcontract Differ From an Employee?.....	30
3. Workmen's Compensation Liabilities .....	30
<b>D. Required Jobsite Postings .....</b>	<b>32</b>
1. Explanation of WISHA.....	32
2. Injuries at Work .....	33
3. Rights of the Employee .....	33

<b>3. Bidding Mistakes and Bid Withdrawal .....</b>	<b>35</b>
A. Introduction.....	36
B. Overview of the Law.....	37
C. Applications of Law.....	39
D. Subcontractor is Unprotected.....	43
E. Your Golden Parachute.....	45
F. It's Only About Money .....	46
<b>4. Contracting.....</b>	<b>47</b>
A. Introduction.....	48
B. Subcontracting to a General Contractor .....	49
1. Registration .....	49
2. Collections.....	50
3. Advice for the Subcontractor .....	50
a. Introduction.....	50
b. Signing the General Contractor's Subcontract .....	51
c. Preparation of Subcontractor's Letter of Modification.....	53
1. Scope of Work .....	56
2. Accepting Prior Work.....	56
3. Flow Down Clauses.....	57
4. Pay-if-Paid & Pay-when-Paid .....	60
5. Final Payment.....	63
6. Insurance Requirements .....	64
7. Indemnification .....	65
8. Liquidated Damages.....	68
9. Notices.....	69
10. Standard of Work.....	72
11. Lien Indemnification.....	73
12. Scheduling/Delays.....	74
13. Risk of Loss & Protection of Work .....	76

14. Assignment.....	77
15. Bond Costs .....	78
16. Early Termination & Deductive Change Orders .....	78
17. Termination & Take-Over .....	79
18. Acceptance of Payment resulting in Waiver.....	81
19. Venue .....	82
20. Dispute Resolution.....	83
d. Conclusion.....	87
<b>C. Contracting Directly With an Owner .....</b>	<b>88</b>
1. Preparing Your Own Contract .....	88
a. Disputes and Remedies .....	88
b. Notice to Customer.....	88
c. Correction of Work.....	89
d. Warranty .....	89
e. Claims Preclusion.....	89
f. Change Orders.....	90
g. Form Contracts.....	90
h. Avoid Time & Material Contracts.....	90
<b>5. Getting Paid for Your Work.....</b>	<b>91</b>
<b>A. Introduction.....</b>	<b>92</b>
<b>B. Preliminary Considerations .....</b>	<b>94</b>
1. Pay-when-Paid .....	94
2. Lien Releases and Lien Waivers.....	96
3. Payment Allocation.....	97
4. Joint Check Rule .....	98
5. Accepting Late Payment .....	99
6. Bill Promptly for Your Work .....	100
7. Registration (Subcontractor) .....	100
8. Registration (General Contractor) .....	101

<b>C. Private Liens .....</b>	102
1. Preliminary Lien Notice .....	102
2. Preparing and Recording the Lien.....	104
3. Foreclosing the Lien .....	107
<b>D. State Public Works Projects.....</b>	109
1. Claim Against Bond and Retainage .....	110
2. Claim .....	110
3. Lawsuit.....	111
<b>E. Federal Public Works Projects .....</b>	112
1. Claim Against Bond and Retainage .....	112
2. Claim .....	113
3. Lawsuit.....	113
<b>F. Promissory Note .....</b>	114
<b>G. Lender Set Asides .....</b>	116
<b>H. Account Stated Doctrine.....</b>	117
<b>I. Change Orders .....</b>	118
<b>6. Claims.....</b>	120
<b>A. Claims Against Registration Bonds .....</b>	121
1. Bonding Requirements for Contractors .....	121
2. Who May File a Claim Against the Bond.....	122
3. How to File a Claim .....	123
a. Time Limits and Procedures for Filing a Claim.....	123
b. Attorneys' Fees and Costs .....	124
4. Priorities of Payment from the Bond.....	126
a. Claims Against the Bond .....	126
b. The Amount Paid from a Bond .....	128
5. Collecting from a Cash Security Deposit.....	129
6. Collecting from an Electrical Contractor's Bond .....	130
a. Bonding Requirements for Electrical Contractors.....	130
b. Filing a Claim Against an Electrical Contractor's Bond .....	130

<b>B. Claims for Additional Compensation from the General Contractor .....</b>	132
1. Follow the Procedures Set Out in the Subcontract .....	132
2. Change Order Claims.....	135
3. Claims for Delay .....	136
4. Claims for Acceleration .....	138
5. Claims for Differing Site Conditions.....	139

## APPENDICES

IRS Form 2553 .....	A
Consent in Lieu of Meeting .....	B
RCW 23B.16.200(1).....	C
Master Business Application .....	D
Job Safety and Health Protection.....	E
Notice to Employees .....	F
What Are Your Rights as a Worker? .....	G
Notice to Customer .....	H
Notice of Right to Claim Lien.....	I
Notice of Right to Claim Lien – Cheat Sheet.....	J
Lien .....	K
Lien Waiver .....	L
Notice to Prime Contractor .....	M
Claim Against Payment Bond & Retainage Fund of Prime Contractor .....	N
Release of Claim Against Payment Bond & Retainage Fund of Prime Contractor .....	O
Claim Against Payment Bond of Prime Contractor (Federal Project) .....	P
Promissory Note.....	Q
RCW 60.04.221.....	R
Notice to Real Property Lender.....	S
Change Order .....	T