

Table of Contents

CHAPTER 1. TENNESSEE CONTRACT LAW

§ 1:1	Introduction
§ 1:2	Formation
§ 1:3	Mutual assent; meeting of the minds
§ 1:4	Consideration
§ 1:5	Controlling law
§ 1:6	Offer
§ 1:7	Acceptance
§ 1:8	Revocation of offer
§ 1:9	Counteroffer
§ 1:10	Defenses to contract enforcement
§ 1:11	—Capacity to contract
§ 1:12	—Authority
§ 1:13	—Unilateral mistake
§ 1:14	—Mutual mistake
§ 1:15	—Fraud
§ 1:16	—Misrepresentation
§ 1:17	—Duress
§ 1:18	—Undue influence
§ 1:19	—Unconscionability
§ 1:20	—Statute of frauds
§ 1:21	—Failure to execute
§ 1:22	Interpretation of contracts
§ 1:23	—Ambiguity
§ 1:24	—Interpretation against the drafter
§ 1:25	—Parol evidence rule
§ 1:26	—Incompleteness
§ 1:27	—Inconsistent terms
§ 1:28	— —Specific over general
§ 1:29	— —Written over printed
§ 1:30	—Custom; course of dealing; usage of trade; course of performance
§ 1:31	—Construction to avoid forfeiture
§ 1:32	Privity of contract
§ 1:33	Third-party beneficiary
§ 1:34	Performance and breach
§ 1:35	—Time of performance
§ 1:36	—Partial performance
§ 1:37	—Substantial performance
§ 1:38	—Impossibility

- § 1:39 —Abandonment
- § 1:40 Implied contracts
- § 1:41 Quantum meruit
- § 1:42 Notice and opportunity to cure
- § 1:43 Modification
- § 1:44 Waiver
- § 1:45 Rescission
- § 1:46 Estoppel

CHAPTER 2. PRIVATE CONSTRUCTION CONTRACTING

- § 2:1 Introduction
- § 2:2 Parties
 - § 2:3 —Owners: Private/public
 - § 2:4 —Design professionals
 - § 2:5 —Contractors
 - § 2:6 —Construction managers
 - § 2:7 —Suppliers and materialmen
 - § 2:8 —Sureties
 - § 2:9 —Insurers
- § 2:10 Contract types
- § 2:11 Project delivery methods
 - § 2:12 —Design/bid/build (traditional PDM)
 - § 2:13 —Design/build
 - § 2:14 —Multiple primes
 - § 2:15 —Construction managers
 - § 2:16 —Fast tracking
- § 2:17 Terms
 - § 2:18 —Incorporation by reference
 - § 2:19 —Flow down provisions
 - § 2:20 —Scope of work
 - § 2:21 —Payment
 - § 2:22 —Withholding payment provision
 - § 2:23 —Pay when paid
 - § 2:24 —Pay if paid
 - § 2:25 —No damage for delay
 - § 2:26 —Retainage
 - § 2:27 —Changes
 - § 2:28 —Right to stop work
 - § 2:29 —Exculpatory clauses
 - § 2:30 —Subrogation waivers
 - § 2:31 —Liquidated damage clauses
 - § 2:32 —Time requirements and scheduling
 - § 2:33 —Close out
 - § 2:34 —Termination clauses
 - § 2:35 — —Termination premised upon default

TABLE OF CONTENTS

- § 2:36 — —Termination for convenience
- § 2:37 —Suspension
- § 2:38 —Differing site condition clauses
- § 2:39 —ADR
- § 2:40 Prompt Pay Act

CHAPTER 3. PUBLIC CONSTRUCTION CONTRACTING

- § 3:1 Introduction
- § 3:2 Enabling legislation; governmental entities; contracting authority
- § 3:3 City councils; county commission
- § 3:4 Industrial development corporations
- § 3:5 Public building authority
- § 3:6 Quasi-public corporations
- § 3:7 School boards
- § 3:8 Construction project delivery systems
- § 3:9 —Traditional
- § 3:10 —Design/build
- § 3:11 —Multiple primes
- § 3:12 —Construction managers
- § 3:13 —Fast tracking
- § 3:14 Public bid statutes
- § 3:15 Conflicts of interest
- § 3:16 Public contracting
- § 3:17 —Competitive bidding
- § 3:18 —Lowest responsible bid/lowest and best bid
- § 3:19 —Compliance with bid documents
- § 3:20 —Prequalification
- § 3:21 —Solicitation
- § 3:22 —Specification
- § 3:23 —Awarding the contract
- § 3:24 —Rejection of bid
- § 3:25 —Exemption from competitive bidding
- § 3:26 —Contracts below the requisite sum
- § 3:27 —Professional service contracts
- § 3:28 —Emergency purchases
- § 3:29 —Challenging a bid award
- § 3:30 —Remedies
- § 3:31 Bond statutes
- § 3:32 —Bid bonds
- § 3:33 —Performance bonds
- § 3:34 —Payment bonds
- § 3:35 —Bonds on department of transportation projects
- § 3:36 Prompt Pay Act of 1985
- § 3:37 Tennessee retainage statutes

CHAPTER 4. NEGOTIATION AND FORM OF CONTRACT

- § 4:1 Introduction
- § 4:2 AIA document system
- § 4:3 ConsensusDOCS
- § 4:4 AIA A201—General conditions of the contractor for construction
 - § 4:5 —Contractor’s duties and responsibilities
 - § 4:6 Architect’s duties and responsibilities
 - § 4:7 Owner’s duties and responsibilities
 - § 4:8 Change provisions
 - § 4:9 Minor changes
 - § 4:10 Construction change directive
 - § 4:11 Change orders
 - § 4:12 Constructive change
 - § 4:13 Failure to follow the change order process
 - § 4:14 Site investigation
 - § 4:15 Differing site conditions
 - § 4:16 Basis for Type I Claim
 - § 4:17 Basis for Type II claim
 - § 4:18 Pricing of differing site condition claim
 - § 4:19 Resolving differing site condition disputes
 - § 4:20 Hazardous materials
 - § 4:21 Payment clauses
 - § 4:22 Termination
 - § 4:23 Indemnification
 - § 4:24 Dispute resolution
 - § 4:25 Initial decision maker
 - § 4:26 Mediation
 - § 4:27 Arbitration
- § 4:28 Owner/contractor agreements
- § 4:29 Subcontractors
- § 4:30 Owner/architect agreements
 - § 4:31 —Standard form
 - § 4:32 —Architect’s duties
 - § 4:33 —Owner’s duties
 - § 4:34 —Architect’s additional services
 - § 4:35 — —Programming
 - § 4:36 — —Schedule development and monitoring
 - § 4:37 — —Value analysis
 - § 4:38 — —Project representative
 - § 4:39 — —Project administration services
 - § 4:40 — —Contract administration services
 - § 4:41 —Ownership of documents
 - § 4:42 —Design to budget
 - § 4:43 —Dispute resolution

TABLE OF CONTENTS

- § 4:44 —Termination
- § 4:45 —Standard of care
- § 4:46 —Architect insurance

CHAPTER 5. CONSTRUCTION SURETY BONDS

- § 5:1 General principles
- § 5:2 Obtaining a bond
- § 5:3 —Selecting a surety
- § 5:4 —Evaluation of the contractor
- § 5:5 —Indemnification agreements
- § 5:6 —Indemnification
- § 5:7 —Deposit of collateral
- § 5:8 —Right to take over
- § 5:9 —Contract proceeds as trust fund
- § 5:10 —Additional provisions
- § 5:11 —Bonding limit
- § 5:12 Bid bonds
- § 5:13 Performance bonds
- § 5:14 —Statutory provisions for public bonds
- § 5:15 —Incorporation by reference
- § 5:16 —Parties covered
- § 5:17 —Default
- § 5:18 —Notice and filing requirements
- § 5:19 —Obligee's obligations
- § 5:20 —Surety's obligations
- § 5:21 — —Tender the penal sum
- § 5:22 — —Complete the work with the principal
- § 5:23 — —Complete the work with another contractor
- § 5:24 — —Presenting a new contractor
- § 5:25 — —Taking no action
- § 5:26 —Claims
- § 5:27 — —Damages covered
- § 5:28 — —Limitation of damages
- § 5:29 — —Cost of completion
- § 5:30 — —Defective work
- § 5:31 — —Liquidated and delay damages
- § 5:32 — —Incidental and consequential damages
- § 5:33 — —Interest
- § 5:34 — —Attorney fees
- § 5:35 — —Penalties for the refusal to pay claims
- § 5:36 —Defenses
- § 5:37 — —Setoff
- § 5:38 — —Effect of changes
- § 5:39 — —Misrepresentation
- § 5:40 — —Modification or breach of contract

- § 5:41 — —Improper payment
- § 5:42 — —Fraud
- § 5:43 — —Statute of limitations
- § 5:44 Payment bonds
- § 5:45 —Statutory provisions for payment bonds
- § 5:46 —Who is protected on a public bond
- § 5:47 —Parties covered
- § 5:48 — —Subcontractors
- § 5:49 — —Suppliers
- § 5:50 —What is covered
- § 5:51 — —Rental equipment
- § 5:52 — —Attorney fees
- § 5:53 — —Interest
- § 5:54 —Notice and filing requirements
- § 5:55 —Defenses
- § 5:56 — —Contractual payment provisions
- § 5:57 — —Misrepresentation
- § 5:58 — —Statute of limitations
- § 5:59 Miller Act
- § 5:60 —Who is protected
- § 5:61 —What is covered
- § 5:62 —Enforcing a claim under the Act
- § 5:63 — —Notice
- § 5:64 — —Contents and form of notice
- § 5:65 — —Timing of notice
- § 5:66 — —Service requirements
- § 5:67 — —Filing suit

CHAPTER 6. INSURANCE

- § 6:1 Introduction
- § 6:2 Evidence of insurance
- § 6:3 Duty to defend
- § 6:4 Duty to indemnify
- § 6:5 Commercial general liability
- § 6:6 —Occurrence v. Claims Made
- § 6:7 —Who is the insured?
- § 6:8 —What are the policy limits?
- § 6:9 —What is an occurrence?
- § 6:10 —Exclusions
- § 6:11 — —Care, custody, and control
- § 6:12 — —Completed operations
- § 6:13 — —Impaired property
- § 6:14 — —Own work
- § 6:15 — —Pollution
- § 6:16 — —Delayed completion and force majeure
- § 6:17 — —Contractual liability

TABLE OF CONTENTS

- § 6:18 — —Expected or intended injury
- § 6:19 Workers' compensation
- § 6:20 Builder's risk
- § 6:21 Professional liability
- § 6:22 Estoppel and waiver of the insurer's defenses
- § 6:23 Project specific insurance

CHAPTER 7. REGISTRATION AND LICENSING

- § 7:1 Introduction
- § 7:2 Contractors
- § 7:3 —State licensing board
- § 7:4 —Who is a contractor?
- § 7:5 —Who is not a contractor?
- § 7:6 —What is contracting?
- § 7:7 —Obtaining a license
- § 7:8 — —Necessity
- § 7:9 — —Classifications
- § 7:10 — —Failure to obtain license
- § 7:11 —Offenses
- § 7:12 Residential contracting
- § 7:13 Enforcement
- § 7:14 Home inspections
- § 7:15 Design professionals
- § 7:16 —Purpose of licensing
- § 7:17 —Exemptions from licensing
- § 7:18 —Offenses
- § 7:19 —Board of examiners
- § 7:20 —Qualification and registration
- § 7:21 — —Engineers
- § 7:22 — —Architects
- § 7:23 — —Firms
- § 7:24 —Grounds for disciplinary action
- § 7:25 —Investigation of potential violations
- § 7:26 Surveyors
- § 7:27 —Board of examiners
- § 7:28 —Qualifications
- § 7:29 —Unauthorized practice
- § 7:30 —Disciplinary actions
- § 7:31 —Offenses
- § 7:32 —Limitations of liability

CHAPTER 8. WARRANTIES

- § 8:1 Introduction
- § 8:2 Express warranty
- § 8:3 Implied warranty

- § 8:4 —Warranty of habitability; warranty of construction in
a good and workmanlike manner
- § 8:5 —Merchantability
- § 8:6 —Fitness for a particular purpose
- § 8:7 —Warranty of constructability—Fitness of plans and
specifications
- § 8:8 —Warranty of title
- § 8:9 Limitations and exclusions
- § 8:10 —Cumulation and conflict of warranties, express or
implied
- § 8:11 —Third-party beneficiary of warranty

CHAPTER 9. CONSTRUCTION CONTRACT DISPUTES

- § 9:1 Introduction
- § 9:2 Changes
- § 9:3 —Change orders
- § 9:4 —Construction change directive
- § 9:5 —Authority
- § 9:6 —Requirement of written changes
- § 9:7 —Constructive change
- § 9:8 —Changed conditions/Differing site conditions
- § 9:9 —Proceeding with disputed work
- § 9:10 —Alternative theories for recovery
- § 9:11 — —Waiver of written change order requirement
- § 9:12 — —Promissory estoppel
- § 9:13 — —Quantum meruit
- § 9:14 Delays
- § 9:15 —Nonexcusable delays
- § 9:16 —Excusable delays
- § 9:17 —Compensable delays
- § 9:18 —No damage for delay
- § 9:19 —Concurrent delays
- § 9:20 —Acts of God
- § 9:21 —Strikes, labor disputes, accidents and delays beyond
the contractor's control
- § 9:22 Limitation of liability
- § 9:23 Errors, inconsistencies, and omissions
- § 9:24 Acceleration
- § 9:25 Costs of acceleration
- § 9:26 Remedies
- § 9:27 —Burden of proof
- § 9:28 —Apportionment of delay
- § 9:29 Failure to pay
- § 9:30 —Right to stop work
- § 9:31 Damages

TABLE OF CONTENTS

- § 9:32 —Increased labor cost
- § 9:33 —Loss of productivity
- § 9:34 —Increased material cost
- § 9:35 —Disruption and resequencing
- § 9:36 —Overhead
- § 9:37 —Lost profits
- § 9:38 —Interest
- § 9:39 —Loss of use

CHAPTER 10. MECHANICS' AND MATERIALMEN'S LIENS

- § 10:1 Introduction
- § 10:2 Statutory basics
- § 10:3 Who is entitled to statutory protection
- § 10:4 Public property not subject to a lien
- § 10:5 Property subject to a lien
- § 10:6 Residential property
- § 10:7 Notice requirements
- § 10:8 —Notice of lien rights on a residential project
- § 10:9 —Notice of nonpayment
- § 10:10 —Notice of lien
- § 10:11 —Notice of completion
- § 10:12 Filing requirements
- § 10:13 Enforcing the lien
- § 10:14 Waiver
- § 10:15 Priority
- § 10:16 Remedies of the owner
- § 10:17 Other remedies

CHAPTER 11. CONSTRUCTION DEFECTS

- § 11:1 Introduction
- § 11:2 Patent defects
- § 11:3 Latent defects
- § 11:4 Warranties
- § 11:5 —Express warranties
- § 11:6 —Implied warranties
- § 11:7 Design defects
- § 11:8 Construction defects
- § 11:9 —Faulty materials
- § 11:10 —Defective workmanship
- § 11:11 Right to cure
- § 11:12 Statutes of limitations and repose
- § 11:13 Damages: cost of Repair v. Diminution in value

CHAPTER 12. COMMON LAW CAUSES OF ACTION

- § 12:1 Introduction

- § 12:2 Negligence
- § 12:3 —Duty
- § 12:4 —Breach
- § 12:5 —Injury
- § 12:6 —Cause in fact
- § 12:7 —Proximate cause
- § 12:8 Negligence per se
- § 12:9 Res ipsa loquitur
- § 12:10 Gross negligence
- § 12:11 Professional negligence
- § 12:12 Strict liability
- § 12:13 Defenses
- § 12:14 Negligent misrepresentation
- § 12:15 Intentional torts
- § 12:16 —Intentional misrepresentation/fraud
- § 12:17 —Inducement of breach of contract/intentional interference with a business relationship
- § 12:18 Nuisance
- § 12:19 Quantum meruit

CHAPTER 13. STATUTES AFFECTING CONSTRUCTION

- § 13:1 Introduction
- § 13:2 Prompt Pay Act of 1985
- § 13:3 Prompt Pay Act of 1991
- § 13:4 Statute of repose for construction
- § 13:5 Limitation of liability
- § 13:6 —Consumer Protection Act
- § 13:7 —Notice and right to cure
- § 13:8 Choice of law

CHAPTER 14. ALTERNATIVE DISPUTE RESOLUTION

- § 14:1 Generally
- § 14:2 Negotiation
- § 14:3 Mediation
- § 14:4 Rule 31 alternative dispute resolution proceedings
- § 14:5 Arbitration
- § 14:6 Applicability of Federal Arbitration Act
- § 14:7 Tennessee Uniform Arbitration Act
- § 14:8 Jurisdiction
- § 14:9 Agreement to arbitrate
- § 14:10 Appointment of arbitrator
- § 14:11 Representation
- § 14:12 Hearings

TABLE OF CONTENTS

- § 14:13 Awards
- § 14:14 Review of the award
- § 14:15 Confirmation
- § 14:16 Modification
- § 14:17 Vacation
- § 14:18 Judgments
- § 14:19 Venue

CHAPTER 15. LITIGATION

- § 15:1 Introduction
- § 15:2 Prelitigation
- § 15:3 —Project documents
- § 15:4 Filing suit
- § 15:5 —Jurisdiction
- § 15:6 —Personal jurisdiction
- § 15:7 —Subject matter jurisdiction
- § 15:8 —Venue
- § 15:9 —Forum non conveniens
- § 15:10 Basic rules for pleading
- § 15:11 Amended pleadings and relation back
- § 15:12 Third-party pleadings
- § 15:13 Motions under Tennessee Rules Civil Procedure
- § 15:14 Tenn. R. Civ. P. 11; representations to the court; sanctions
- § 15:15 Intervention
- § 15:16 Interpleader
- § 15:17 Discovery
- § 15:18 —Spoliation
- § 15:19 Experts
- § 15:20 Evidence
- § 15:21 Appeals

CHAPTER 16. DAMAGES AND REMEDIES

- § 16:1 Introduction
- § 16:2 Compensatory damages
- § 16:3 General v. Special Damages
- § 16:4 Lost profits
- § 16:5 Cost of Repair v. Diminution in value
- § 16:6 Incidental damages
- § 16:7 Liquidated damages
- § 16:8 Punitive damages
- § 16:9 Duty to mitigate damages
- § 16:10 Injunctions
- § 16:11 Breach of contract
- § 16:12 Negligence
- § 16:13 Economic loss doctrine

- § 16:14 Negligent misrepresentation and negligent supervision
- § 16:15 Strict liability
- § 16:16 Quantum meruit
- § 16:17 Tennessee Consumer Protection Act
- § 16:18 Bad checks
- § 16:19 Attorneys' fees
- § 16:20 Unlicensed contractors
- § 16:21 Collection
- § 16:22 —Execution
- § 16:23 —Judgment liens
- § 16:24 —Garnishment
- § 16:25 —Statutory interest
- § 16:26 —Costs

Table of Laws and Rules

Table of Cases

Index