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## 7.5 Ways to Prevent a Lawsuit

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1. **Clarify your expectations up front.** A sound contract will at the minimal contain 4 parts:
  - a. What are you expected to do?
  - b. What is the other party expected to do?
  - c. What happens when you fail to perform as you promised?
  - d. What happens when the other party fails to perform as he/she promised?It's during the drafting of the contract, that misunderstandings become apparent.  
Discuss payment and performance issues in the beginning of the engagement.
2. **Develop a Standard Operating Procedure for your business.** How will you perform the service or produce the product that your client is paying you for? Write these procedures down and develop a check system to ensure that the procedures will be followed. If you don't have time to develop a SOP, then join an industry group, and adopt their SOP as your SOP and follow it to the letter. For example, if you a home inspector, then join the National Association of Certified Home Inspectors. Pinpoint volatile areas of your business process and work out planned responses to anticipated problems.
3. **Always all agreements signed by both parties.** If the other party is a business, then be sure that you have a copy of the business' resolution authorizing the signer to act on the business' behalf.
4. **Know who you are in business with.** Research the company. Make sure that the company is properly registered in Pennsylvania. All registered companies must have registered agents. This will ensure that you have a serviceable address. Use references. Actually call the references. Past performance often predicts future performance.
5. **Make sure the agreement specifies how disputes will be resolved.** Each contract should require one party to contact the other party prior to filing a lawsuit. Failure to adhere to the negotiated dispute resolution steps can result in a judge dismissing the lawsuit.
6. **Ask to see the company's certificate of insurance.** Make a copy and file for later use. If you have a contractual dispute, you may be able to file a claim with the insurance carrier without a lawsuit.
7. **Do not avoid disgruntle clients.** Communicate regularly and in writing. Have a written work stoppage and past-due collections process.

### Tip 7.5

Take a business lawyer to lunch and discuss your business' future plans. Or invite the lawyer to join your advisory board. For the one hour fee, you can save hundreds of thousands in litigation costs.

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Ms. McKee is a business attorney who focuses her practice on helping small and mid-sized businesses avoid future legal problems. Is your business protected? Take the five-minute quiz at [www.mckeeoffice.com/test](http://www.mckeeoffice.com/test) and see.