



**WESTERNLAW**  
GROUP LLC

**BIDS vs. CONTRACTS**  
**PROPER PROCEDURE**

Associations often obtain proposals/bids for various projects throughout the community. Proposals/bids are meant to show the scope of work of a project and price for that project. While a proposal/bid can be signed in order to start the process of retaining a contractor, a proposal alone is not a proper contract because it doesn't include all the elements of a contract. Therefore, if the Board of Directors accepts a proposal/bid, always ask for an actual contract to be signed by both parties before the project is started.

In Colorado under C.R.S. §38-22-101(3), "All such contracts shall be in writing when the amount to be paid thereunder **exceeds five hundred dollars**, and shall be subscribed by the parties thereto." In most cases, a proposal is only signed by the Association and not the contractor, thus again, it is not a proper contract, and it cannot be considered as such.

Unfortunately, we have seen multiple instances where proposals are signed in lieu of contracts. This practice has created legal issues for Associations and even contractors as proposals normally lack the required terms and conditions that would make it a contract. It is extremely important that an Association has clarity on the contract, has protection in the contract as this legal document protects the Board of Directors and the entire Association.

It is also important that the contract be reviewed by legal counsel **prior** to the contract being signed. The Association's legal counsel needs to review the contract and make recommendations, changes or clarifications in order to make sure that the Board of Directors and the Association's rights are properly protected.

We do understand that Board of Directors may be hesitant to spend money for the review of the contract, however, if for whatever reason the contract is breached, the monetary liability that an Association may have will far outweigh the cost of the contract review prior to execution of the contract.

In conclusion, we recommend and advise the following:

- Please ensure to **never sign a proposal in lieu of a contract**
- Please **insist that a contract be drafted** if the project will cost in excess of \$500 and
- Please **ensure that the Association's legal counsel review the contract PRIOR** to the execution of the same

**Have questions about contracts, proposals & bid processes?**  
**Contact us at: [info@westernlawgroup.com](mailto:info@westernlawgroup.com)**

**THIS IS NOT LEGAL ADVICE. FOR INFORMATIONAL PURPOSES ONLY.**