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## Prompt Engineering For Lawyers: We Will Add Your Distinctiveness To Our Own: Iterative Refinement And Prompt Chaining

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# **PROMPT ENGINEERING FOR LAWYERS: WE WILL ADD YOUR DISTINCTIVENESS TO OUR OWN: ITERATIVE REFINEMENT AND PROMPT CHAINING**

Cliff McKinney\*

*We will add your biological and technological distinctiveness to our own. Your culture will adapt to service us. Resistance is futile. -The Borg, Star Trek: First Contact.<sup>1</sup>*

## **I. INTRODUCTION**

In the last edition, we explored two advanced prompt engineering techniques, chunking and few-shot prompting. In this edition, we will examine two more useful techniques: iterative prompt refinement and prompt chaining. Iterative prompt refinement involves repeatedly rephrasing and refining questions to lead to a better response. Prompt chaining involves guiding the artificial intelligence through related multi-step reasoning.

At first glance, iterative prompt refinement and prompt chaining may seem like the same concept, but the key difference lies in their approach. Refinement improves a single prompt through repeated adjustments, whereas chaining links a series of prompts together to tackle different stages of a larger problem. For example, in contract drafting, iterative refinement might involve repeatedly rephrasing a request for an indemnity clause until the language is precise and protective, whereas prompt chaining would involve first asking the artificial intelligence to draft the indemnity clause, then a separate prompt to analyze its enforceability under Arkansas law, and finally another to suggest

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1. STAR TREK: FIRST CONTACT, (Paramount Pictures, 1996).

revisions that make it more favorable to your client. In other words, refinement polishes one question, while chaining builds a logical sequence of questions to solve a complex legal task.

## II. ITERATIVE PROMPT REFINEMENT

### A. Explanation

Iterative prompt refinement can be used to improve the artificial intelligence response through repeated feedback and structured experimentation.<sup>2</sup> It can also be thought of as “prompt evolution” allowing small adjustments to grow and improve the output over repeated refinement of the artificial intelligence’s responses.<sup>3</sup>

Iterative prompt refinement can be accomplished by asking the artificial intelligence a series of small but related questions. This can also be accomplished by beginning with a broad question then repeatedly asking the artificial intelligence to build on its previous response to build a better ultimate output.<sup>4</sup> Another way to think of this is to ask the artificial intelligence to rethink and regenerate a response, much like you would ask a new attorney to improve and rework a first draft. Sticking with this analogy, a new attorney’s second draft will be better if you give specific comments, with the same being true for artificial intelligence.

### B. Detailed Example

Let’s draft a usury savings clause to illustrate this method. This was the first draft I received when I prompted the ChatGPT-5 model to: *draft a usury savings clause*.<sup>5</sup>

**Usury Savings Clause.** Notwithstanding any provision of this Agreement or any other Loan Document to the contrary, it is the intention of the parties hereto that the Lender shall

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2. Cesar Miguelañez, *Iterative Prompt Refinement: Step-by-Step Guide*, LATITUDE (Jan. 30, 2025), [https://perma.cc/X9CZ-F8W7].

3. Jonathan Mast, *Guide to Iterative Prompt Refinement Techniques*, WHITE BEARD STRATEGIES (May 8, 2025), [https://perma.cc/698F-9V7F].

4. *Id.*

5. I did not use other techniques like adding a persona.

never be entitled to receive, collect, or apply as interest on the Loan any amount in excess of the maximum rate of interest permitted to be charged under applicable law. If, for any reason whatsoever, fulfillment of any provision of this Agreement or any other Loan Document at the time performance of such provision shall be due shall involve transcending the limit of validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limit of such validity, and if for any reason the Lender shall ever receive, collect, or apply as interest any amount which would exceed the highest lawful rate, such amount shall be deemed to have been received, collected, or applied (as the case may be) as a payment of principal and not as interest, and, if the principal of the Loan has been paid in full, any remaining excess shall be refunded to the Borrower. All sums paid or agreed to be paid by Borrower that are deemed to constitute interest shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan so that interest for the Loan does not exceed the Maximum Rate.

I then prompted the model: *rethink and significantly improve this draft*. This generated the following response:

**Usury Savings Clause.** Notwithstanding any provision of this Agreement or of any other Loan Document, it is the express intent of the Borrower and the Lender that the Loan and all obligations hereunder shall comply with all applicable usury laws. Accordingly, in no event and under no circumstances shall the aggregate of all amounts that are contracted for, charged, received, taken, reserved, or applied by the Lender under this Agreement or any other Loan Document, or otherwise in connection with the Loan, which are or are deemed to be interest under applicable law, exceed the maximum rate of interest permitted by applicable law (the “Maximum Lawful Rate”).

If any such excess interest is ever contracted for, charged, received, taken, reserved, or applied by the Lender, then:

**Automatic Limitation.** Such provision shall be deemed automatically modified so that such interest shall not exceed the Maximum Lawful Rate.

**Recharacterization.** Any excess amount received shall be deemed applied first to reduce the principal of the Loan, and

thereafter refunded to the Borrower if the principal has been paid in full.

**Spreading of Interest.** All sums deemed to constitute interest shall, to the extent permitted by law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan (and, if renewed or extended, through the term of such renewal or extension) so that the actual rate of interest does not exceed the Maximum Lawful Rate.

**Wide Definition of Interest.** For purposes of this clause, “interest” shall include all fees, charges, costs, expenses, and any other compensation or consideration received by the Lender for making, holding, guaranteeing, or enforcing the Loan that may be deemed interest under applicable law.

**Savings Intent.** The Borrower and the Lender agree that the purpose of this Section is to ensure that the Lender does not, under any circumstance, contract for, charge, receive, take, reserve, or apply interest in excess of the Maximum Lawful Rate, and that this Section shall control every other provision of this Agreement and the other Loan Documents.

This simple additional prompt after the first caused the model to rework its first effort and generate an improved clause that is nearly one-third longer. The second version of the usury savings clause improves upon the first draft by broadening its coverage, clarifying remedial mechanisms, and reinforcing its priority within the loan documents. It expressly defines interest to include not only stated rates but also fees, charges, and other amounts that might be recharacterized as interest under applicable law. It introduces clear procedures for handling excess interest with an automatic reduction to the lawful maximum, recharacterization as principal, refund if necessary, and spreading across the loan term. It further states that the clause overrides any conflicting provisions in the loan documents, emphasizing its controlling effect. These enhancements collectively provide a more comprehensive and litigation-resistant safeguard against usury challenges.

But the response would be even better with more detailed direction to the artificial intelligence, just like more detailed direction would be helpful to a new attorney attempting a second draft. This is also where various prompt engineering techniques

can be combined. So, this became my third prompt: *Make a robust improvement to this usury savings clause acting like an expert Arkansas real estate attorney for inclusion in a loan agreement governed by Arkansas law. I represent the lender. The clause should: (i) Expressly reference and comply with Arkansas usury limits, including the constitutional cap under Amendment 89 and any statutory exceptions (e.g., for corporate borrowers or exempt lenders); (ii) Define “Maximum Legal Rate” or equivalent terminology to clearly identify the applicable limit; (iii) Disclaim any intent by the lender to contract for, charge, collect, or receive interest or other charges in excess of the legal maximum, and include strong language protecting against claims of willful usury; (iv) Ensure that any amount deemed excessive is not recharacterized as interest and is either applied to principal or refunded, depending on whether the debt is outstanding; (v) Provide that the clause applies automatically to all related loan documents, as well as any renewals, extensions, amendments, restructurings, or modifications; (vi) Clarify that compounding interest and default interest are also subject to the same usury constraints; (vii) Include a small interest rate margin (e.g., 0.25%) below the Maximum Legal Rate to create a safe harbor against inadvertent violations caused by rounding, calculation error, or changes in applicable law; (viii) Include a severability clause so that if any portion of the clause is unenforceable, the remainder remains in effect; and (ix) Ensure the clause is enforceable under current and future Arkansas usury laws, using forward-looking language such as “now or hereafter in effect.” The tone should be precise, lender-protective, and legally conservative, suitable for use in a commercial loan agreement.*

This was the result:

**Usury Savings Clause.** Notwithstanding any provision of this Agreement or any other Loan Document, it is the express intent of the parties that the Loan and all obligations evidenced by or arising under this Agreement and the other Loan Documents shall at all times comply with the limitations on interest and charges imposed by Article 19, Section 13 of the Arkansas Constitution (as amended by Amendment 89) and any other applicable laws of the State of Arkansas, now or hereafter in effect, including any

statutory exceptions or exemptions available for loans to corporations, loans by banks or other exempt lenders, or otherwise (collectively, the “Usury Laws”). For purposes of this Agreement and the other Loan Documents, the term **“Maximum Legal Rate”** means the maximum rate of interest or other charges permitted to be contracted for, charged, received, reserved, or collected under the Usury Laws, less a margin of twenty-five hundredths of one percent (0.25%) to provide a safe harbor against inadvertent violations due to calculation error, rounding, or changes in applicable law. The Lender does not intend to contract for, charge, reserve, collect, or receive (and the Borrower does not agree to pay) any amount that constitutes interest in excess of the Maximum Legal Rate. If, notwithstanding the foregoing, any amount is ever determined to have been contracted for, charged, reserved, collected, or received by the Lender that exceeds the Maximum Legal Rate: (i) such provision shall automatically be deemed amended to limit interest to the Maximum Legal Rate; (ii) such excess shall not be deemed to have been contracted for, charged, reserved, collected, or received with the knowledge or intent of the Lender to violate the Usury Laws; (iii) such excess shall be applied first to reduce the principal of the Loan and, if the principal has been paid in full, refunded to the Borrower; and (iv) all sums deemed to constitute interest shall, to the fullest extent permitted by the Usury Laws, be amortized, prorated, allocated, and spread throughout the entire term of the Loan (including any renewals, extensions, restructurings, amendments, or modifications) so that the actual rate of interest does not exceed the Maximum Legal Rate. This provision shall apply to and be deemed incorporated in all Loan Documents, and shall control over all other provisions of this Agreement and the other Loan Documents that may be in conflict herewith. For avoidance of doubt, the Maximum Legal Rate limitation shall apply to all forms of interest or other charges that may be deemed interest under the Usury Laws, including without limitation stated interest, default interest, compound interest, late charges, prepayment premiums, loan fees, and any other compensation or consideration received by the Lender in connection with the Loan. If any part of this Section shall be held unenforceable under applicable law, the remaining provisions shall continue in full force and effect. The provisions of this Section shall remain binding and

enforceable under the Usury Laws now or hereafter in effect, and shall automatically apply to any renewals, extensions, restructurings, amendments, or modifications of the Loan or the Loan Documents.

This new version is about 55% longer than the first draft and about 34% larger than the second. I note, however, that this draft contains a minor error, which is a reminder that artificial intelligence answers can be wrong and tend to hallucinate. The reference to Article 19, §13 of the Arkansas Constitution should instead be to Ark. Const. amend. LXXXIX since Amendment 89 (the current usury law) repealed Article 19, §13.<sup>6</sup> However, it correctly associated Amendment 89 with the repealed Article 19, §13.

Iterative refinement can even be used to draft entire agreements. The Appendix contains an entire settlement agreement drafted from scratch using this technique.

### III. PROMPT CHAINING

#### A. Explanation

Prompt chaining is the method of dividing complex artificial intelligence tasks into distinct but related tasks by guiding the artificial intelligence through multi-step reasoning.<sup>7</sup> As stated in one article:

Prompt chaining is the practice of splitting a complex AI task into a sequence of smaller, single-objective prompts, each feeding its output into the next. This is a step beyond vanilla chain-of-thought prompting, which simply asks the model to “think step by step” within a single prompt. With prompt chaining, you are not just guiding the model’s reasoning, you are architecting a workflow where each subtask is isolated, auditable, and optimized for success.<sup>8</sup>

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6. ARK. CONST. art. 19, § 13, *amended by* ARK. CONST. amend. LXXXIX.

7. Alex L. [sic], *What Is Prompt Chaining and When Does It Make Sense to Do It?*, AI FLOW CHAT (May 30, 2025), [<https://perma.cc/437X-ZLBB>].

8. *Id.*

As noted above, chunking and prompt chaining techniques are very similar, but the key difference is that chunking divides the project into multiple *independent* tasks while prompt chaining divides the project into multiple *dependent* tasks. For example, a lawyer reviewing a hundred-page commercial lease for red flags can use chunking to divide the lease into logical sections, such as definitions, rent provisions, use restrictions, insurance, etc., and analyze each section separately to identify any problematic terms. Each analysis is self-contained and then combined into an overall summary. With prompt chaining, the lawyer might ask the model to first summarize the lease, then extract key obligations of the tenant, then identify provisions that pose financial risk to the landlord, and finally draft a risk memo. Each step depends on the output of the one before, just like walking a junior associate through a multi-step legal analysis.

Prompt chaining is also similar to the concept of iterative prompt refinement. Prompt chaining structures a task into multiple distinct prompts, each with a different, sequential objective, building on prior outputs to logically develop complex or detailed final products. Iterative prompt refinement repeatedly asks the AI to improve the same task or document multiple times, incrementally improving through repeated attempts, much like revising multiple drafts based on feedback.

### **B. Detailed Example**

Let's take the example of drafting a confidentiality clause for a settlement agreement. I started with this prompt to the ChatGPT-5 model: *Draft a confidentiality clause for an employment agreement.* This was the response:

#### **Confidentiality**

(a) Definition. For purposes of this Agreement, "Confidential Information" means all nonpublic, proprietary, or confidential information, whether written, oral, electronic, or otherwise, that relates to the business, operations, financial condition, clients, customers, employees, vendors, trade secrets, or affairs of the Company, including but not limited to inventions, discoveries, know-how, processes, designs, methods, software, data, pricing, and business strategies.

(b) Non-Disclosure and Non-Use. The Employee shall not, during the term of employment or at any time thereafter, directly or indirectly disclose, copy, reproduce, or use any Confidential Information except as necessary to perform the Employee's duties for the Company. The Employee shall exercise at least the same degree of care in safeguarding Confidential Information as the Employee uses to protect their own confidential information, but in no event less than reasonable care.

(c) Exclusions. Confidential Information does not include information that: (i) is or becomes generally available to the public other than through a breach of this Agreement; (ii) was known to the Employee before disclosure by the Company; (iii) is received from a third party without restriction on disclosure; or (iv) is independently developed by the Employee without use of or reference to the Company's Confidential Information.

(d) Return of Materials. Upon termination of employment for any reason, or at any time upon the Company's request, the Employee shall promptly return (and not retain copies of) all documents, data, and materials containing or reflecting Confidential Information, regardless of form, including those stored on personal devices, cloud accounts, or other media.

(e) Legal Process. If the Employee is required by law, subpoena, or court order to disclose any Confidential Information, the Employee shall promptly notify the Company in writing (to the extent legally permitted) so that the Company may seek an appropriate protective order or waive compliance. The Employee shall disclose only the minimum information required by law.

(f) Survival. The obligations set forth in this Section shall survive termination of the Employee's employment and continue for so long as the information remains confidential or proprietary.

*I then prompted: Now expand this confidentiality clause into a full Confidentiality and Proprietary Rights Article suitable for a senior executive employment agreement. Include separate subsections addressing: (1) ownership of inventions and intellectual property developed during employment; (2) employee cooperation in securing patents or copyrights; (3) injunctive*

*relief for breach; and (4) a mutual confidentiality provision allowing the employee to protect their own confidential information as well. Maintain a professional, enforceable tone under Arkansas law. Which resulted in:*

**ARTICLE [X] – CONFIDENTIALITY AND PROPRIETARY RIGHTS**

**Section 1. Confidential Information**

**(a) Definition.** “Confidential Information” means all nonpublic, proprietary, or confidential information of the Company or its affiliates, whether disclosed orally, in writing, electronically, or otherwise, including but not limited to trade secrets; financial information; business plans and strategies; customer, vendor, and supplier lists; pricing and marketing data; technical information; research and development; product specifications; personnel data; and any other information not generally known to the public that provides the Company with a competitive advantage.

**(b) Non-Disclosure and Non-Use.** The Executive shall hold all Confidential Information in the strictest confidence and shall not, during the term of employment or at any time thereafter, directly or indirectly disclose, copy, or use any Confidential Information for any purpose other than the proper performance of duties on behalf of the Company. The Executive shall take all reasonable steps to protect the confidentiality of such information and to prevent its unauthorized disclosure.

**(c) Exclusions.** Confidential Information does not include information that: (i) is or becomes public through no fault or wrongful act of the Executive; (ii) was lawfully in the Executive’s possession prior to disclosure by the Company; (iii) is received from a third party lawfully possessing such information without obligation of confidentiality; or (iv) is independently developed by the Executive without use of or reference to the Company’s Confidential Information.

**(d) Legal Disclosure.** If the Executive is required by law, subpoena, or court order to disclose any Confidential Information, the Executive shall, to the extent legally permissible, promptly notify the Company so that it may seek an appropriate protective order or waive compliance. The Executive shall disclose only that portion of information

that is legally required and shall use reasonable efforts to preserve its confidentiality.

**(e) Return of Materials.** Upon termination of employment for any reason, or at any time upon the Company's request, the Executive shall promptly return to the Company all originals, copies, and derivatives of documents, data, and other materials containing or embodying Confidential Information, whether in physical, electronic, or any other form, and shall not retain any copies.

### **Section 2. Ownership of Inventions and Intellectual Property**

**(a) Company Ownership.** The Executive agrees that all inventions, discoveries, developments, concepts, ideas, improvements, works of authorship, trade secrets, and other intellectual property (collectively, "Inventions") that the Executive may make or conceive, either alone or jointly with others, during the term of employment and that relate to the Company's actual or anticipated business, research, or development, or that result from any work performed by the Executive for the Company, shall be the sole and exclusive property of the Company.

**(b) Assignment.** The Executive hereby irrevocably assigns and agrees to assign to the Company all right, title, and interest in and to such Inventions, including all intellectual property rights therein, without additional compensation beyond that provided under this Agreement.

**(c) Prior Inventions.** The Executive represents that no prior inventions or intellectual property have been excluded from this assignment, except as disclosed in a written schedule provided to the Company before execution of this Agreement. In the absence of such schedule, the Executive represents that there are no prior inventions to exclude.

### **Section 3. Cooperation in Securing Intellectual Property Rights**

The Executive agrees to assist the Company, both during and after employment, in obtaining, maintaining, and enforcing patents, copyrights, trademarks, or other intellectual property rights relating to any Inventions, including executing all applications, assignments, oaths, and other instruments necessary to vest title to such rights in the Company. The Company shall reimburse the Executive for

reasonable out-of-pocket expenses incurred in providing such assistance after termination of employment.

#### **Section 4. Injunctive Relief**

The Executive acknowledges that a breach or threatened breach of this Article would cause irreparable harm to the Company for which monetary damages would be an inadequate remedy. Accordingly, the Company shall be entitled to injunctive relief, specific performance, or other equitable remedies (without the necessity of posting bond) in addition to any other remedies available at law or in equity. The Executive agrees that the provisions of this Section shall not limit the Company's right to seek monetary damages.

#### **Section 5. Mutual Confidentiality**

The Company agrees that it shall likewise maintain the confidentiality of any nonpublic personal information, trade secrets, or proprietary materials belonging to the Executive and disclosed to the Company in confidence, except to the extent disclosure is required by law, regulation, or legal process. Nothing in this Article prevents either party from enforcing its rights under this Agreement or disclosing information as required by applicable law or court order.

#### **Section 6. Survival**

The obligations set forth in this Article shall survive the termination of the Executive's employment and continue for so long as the Confidential Information remains confidential or proprietary.

Prompt chaining is a powerful technique that allows an attorney to guide the artificial intelligence model through a series of increasingly sophisticated drafting tasks by building upon each prior response rather than starting over. It mirrors the way lawyers naturally work by beginning with a basic clause, then refining, expanding, and adapting it to fit more complex transactional contexts. By chaining prompts, the drafter progressively increases the model's level of context, specificity, and nuance, resulting in a far more sophisticated and tailored work product.

The first draft resulted in a clear, standard clause suitable for a general employee, including defining "Confidential Information," setting forth nondisclosure obligations, outlining

standard exceptions, and requiring the return of materials upon termination. It was functional and accurate, but intentionally simple, much like a junior associate's first draft.

The follow-up prompt then served as the next link in the chain. With the more detailed instruction, the model built upon the earlier foundation rather than discarding it. The new output expanded into a full Confidentiality and Proprietary Rights Article, organized into six sections: (1) Confidential Information; (2) Ownership of Inventions and Intellectual Property; (3) Cooperation in Securing Intellectual Property Rights; (4) Injunctive Relief; (5) Mutual Confidentiality; and (6) Survival. The model not only preserved the original confidentiality definitions but also introduced sophisticated concepts such as automatic assignment of intellectual property, post-termination cooperation, equitable remedies, and reciprocal confidentiality obligations at a level of detail appropriate for an executive-level agreement.

This transformation demonstrates the essence of prompt chaining. By giving the model a clear path to follow, an attorney effectively directs the artificial intelligence to evolve its output through logical, cumulative reasoning. Each chained prompt adds a new layer of complexity and context: a broader scope of coverage, a higher-level audience, new legal subtopics, or jurisdiction-specific refinements. Because the model retains contextual understanding from the prior response, it can maintain stylistic consistency and internal coherence while incorporating each successive instruction.

#### IV. CONCLUSION

The techniques of iterative prompt refinement and prompt chaining can fundamentally improve how lawyers draft and analyze documents using artificial intelligence. Iterative prompt refinement functions much like the supervision of a junior associate by repeatedly rephrasing and refining the same task to achieve greater precision, depth, and clarity with each revision. Prompt chaining, by contrast, structures the drafting process into a logical sequence of dependent steps, where each output

becomes the foundation for the next. Together, these techniques transform generative artificial intelligence from a one-off drafting tool into a disciplined legal assistant capable of handling complex, multi-stage reasoning. They enable an attorney to progress from a single clause to a fully developed document while maintaining command over tone, intent, and legal risk throughout the process.

In the next installment, we will continue studying prompt engineering techniques by examining flipped interactive prompting and perspective switching. These methods deliberately flip roles and vantage points to test assumptions, surface counterarguments, and generate stronger, more balanced outputs.

APPENDIX

Scenario Given to ChatGPT-5: “Draft a short settlement agreement between a property owner and a contractor resolving a dispute about defective construction work on a commercial building. The contractor has already received \$150,000 of a \$200,000 contract, but the owner claims \$40,000 in damages due to defects in the roofing and electrical systems. They have agreed to settle for the contractor paying \$20,000 to the owner, with mutual releases and no admission of liability.”

First Draft Response:

**SETTLEMENT AGREEMENT AND MUTUAL RELEASE**

This Settlement Agreement and Mutual Release (“Agreement”) is entered into as of [Date], by and between [Property Owner’s Name] (“Owner”) and [Contractor’s Name] (“Contractor”) (collectively, the “Parties”).

**RECITALS**

A. Owner and Contractor entered into a construction contract dated [Contract Date] (the “Contract”) for improvements to Owner’s commercial property located at [Property Address] (the “Property”).

B. Contractor has been paid \$150,000 under the \$200,000 Contract amount.

C. Owner has asserted claims that defects exist in the roofing and electrical systems and has alleged resulting damages of approximately \$40,000.

D. Contractor denies any liability but desires to resolve all disputes with Owner fully and finally.

E. The Parties now wish to settle all claims and disputes arising from or relating to the Contract and the Property.

**AGREEMENT**

**Payment.** Contractor shall pay Owner the sum of **Twenty Thousand Dollars (\$20,000.00)** (“Settlement Payment”) within **five (5) business days** after the execution of this Agreement. Payment shall be made by wire transfer or certified funds to an account designated by Owner.

**Mutual Release.**

a. Upon receipt of the Settlement Payment, Owner releases and forever discharges Contractor and its officers, employees, agents, successors, and assigns from all claims, demands, liabilities, and causes of action, known or unknown, arising out of or relating to the Contract, the Property, or the construction work.

b. Contractor likewise releases and forever discharges Owner and its officers, employees, agents, successors, and assigns from all claims, demands, liabilities, and causes of action, known or unknown, arising out of or relating to the Contract, the Property, or the construction work.

**No Admission of Liability.** This Agreement is a compromise of disputed claims and shall not be construed as an admission of liability or wrongdoing by either Party.

**Entire Agreement.** This Agreement constitutes the entire understanding between the Parties concerning the subject matter hereof and supersedes all prior agreements or discussions.

**Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of [State], without regard to conflict-of-law principles.

**Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Electronic signatures shall have the same force and effect as originals.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

**[Property Owner's Name]**

Owner

Date: \_\_\_\_\_

**[Contractor's Name]**

Contractor

Date: \_\_\_\_\_

Final response after asking ChatGPT-5 to "Rethink and substantially improve Section [1]." I did this for each of the six sections in turn:

**SETTLEMENT AGREEMENT AND MUTUAL RELEASE**

This Settlement Agreement and Mutual Release (“Agreement”) is entered into as of [Date], by and between [Property Owner’s Name] (“Owner”) and [Contractor’s Name] (“Contractor”) (collectively, the “Parties”).

#### **RECITALS**

A. Owner and Contractor entered into a construction contract dated [Contract Date] (the “Contract”) for improvements to Owner’s commercial property located at [Property Address] (the “Property”).

B. Contractor has been paid \$150,000 under the \$200,000 Contract amount.

C. Owner has asserted claims that defects exist in the roofing and electrical systems and has alleged resulting damages of approximately \$40,000.

D. Contractor denies any liability but desires to resolve all disputes with Owner fully and finally.

E. The Parties now wish to settle all claims and disputes arising from or relating to the Contract and the Property.

#### **AGREEMENT**

##### **Payment; Satisfaction of Claims.**

1.1 Settlement Payment. As full and final consideration for the mutual releases and other covenants contained in this Agreement, Contractor shall pay to Owner the total sum of Twenty Thousand Dollars (\$20,000.00) (the “Settlement Payment”).

1.2 Method and Timing of Payment. The Settlement Payment shall be made by wire transfer of immediately available funds to an account designated in writing by Owner within five (5) business days after the Effective Date of this Agreement.

1.3 Condition Precedent. The effectiveness of the releases set forth in Section 2 shall be expressly conditioned upon Owner’s actual receipt of the Settlement Payment in full. Until such payment is received, all claims and defenses of the Parties shall remain preserved.

1.4 Failure to Timely Pay. If Contractor fails to make the Settlement Payment when due, this Agreement shall, at Owner’s option, be null and void and of no force or effect, and Owner shall

retain all rights and remedies available at law or in equity, less any partial payment actually received.

1.5 Acknowledgment of Satisfaction. Upon confirmation that the Settlement Payment has cleared, Owner shall be deemed to have received full satisfaction of all monetary claims arising from or related to the Contract and the work performed at the Property, and neither Party shall have any further payment obligations to the other except as expressly stated herein.

**Mutual Release; Scope and Effect.**

2.1 Owner's Release. Upon Owner's verified receipt of the full Settlement Payment, and subject to Section 1.3, Owner hereby irrevocably releases and forever discharges Contractor, together with its past and present officers, directors, shareholders, members, partners, employees, agents, insurers, sureties, successors, and assigns (collectively, the "Contractor Released Parties"), from any and all claims, demands, actions, causes of action, liabilities, damages, costs, and expenses of every kind and nature, whether known or unknown, suspected or unsuspected, fixed or contingent, arising out of or relating in any way to:

(a) the Contract;

(b) the work performed or materials furnished at the Property; and

(c) any act, omission, representation, or warranty made in connection therewith.

2.2 Contractor's Release. Upon the Effective Date, Contractor hereby irrevocably releases and forever discharges Owner and its past and present affiliates, officers, directors, members, partners, employees, agents, representatives, insurers, successors, and assigns (collectively, the "Owner Released Parties") from any and all claims, demands, actions, causes of action, liabilities, damages, costs, and expenses of every kind and nature, whether known or unknown, suspected or unsuspected, fixed or contingent, arising out of or relating in any way to:

(a) the Contract;

(b) any payments or compensation due thereunder; and

(c) the Project or the Property.

2.3 Unknown or Future Claims. Each Party expressly waives and releases any claim that it does not presently know or suspect

to exist in its favor that, if known, might have materially affected its decision to enter into this Agreement. The Parties acknowledge that this waiver has been bargained for and is a material inducement to the settlement.

2.4 No Assignment of Claims. Each Party represents and warrants that it has not assigned or transferred, or purported to assign or transfer, any claim released herein, and agrees to indemnify and hold the other harmless from any claim based on or arising out of any such alleged assignment.

2.5 Survival and Finality. These mutual releases shall survive execution and performance of this Agreement and shall constitute a complete and final resolution of all disputes between the Parties arising out of or relating to the Contract or the Project, except for obligations expressly stated to survive (including payment and enforcement provisions).

**No Admission of Liability; Compromise of Disputed Claims.**

3.1 No Admission. This Agreement is entered into solely for the purpose of avoiding the expense, inconvenience, and uncertainty of litigation. Neither the execution of this Agreement nor the performance of any of its terms shall be construed as an admission of liability, negligence, wrongdoing, or breach of any duty by any Party, all of which are expressly denied.

3.2 Inadmissibility. The Parties agree that this Agreement and all negotiations, statements, or communications leading to its execution are made in compromise of disputed claims and are inadmissible in any proceeding (whether judicial, arbitral, or administrative) except to enforce the terms of this Agreement or to assert a defense based on it.

3.3 Independent Judgment. Each Party acknowledges that it has relied solely upon its own judgment and the advice of independent counsel in entering into this Agreement and has not been influenced by any representation or statement not expressly set forth herein.

3.4 Purpose and Finality. The Parties intend this Agreement to constitute a full and final settlement of all disputes between them arising from or relating to the Contract and the construction

work at the Property, and to bar any further claim or action inconsistent with this intent.

**Entire Agreement; Construction; Execution.**

4.1 Entire Agreement. This Agreement constitutes the entire understanding and agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous negotiations, representations, or agreements, whether written or oral, relating to such subject matter. No promise, inducement, or representation not expressly contained herein has been made by either Party.

4.2 Amendments and Waivers. This Agreement may be amended, modified, or supplemented only by a written instrument executed by both Parties. No waiver of any provision or breach shall be effective unless in writing and signed by the Party to be bound, and any waiver shall not constitute a continuing waiver of any other or subsequent breach.

4.3 Severability. If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect, and the invalid or unenforceable provision shall be reformed to the minimum extent necessary to render it valid and enforceable while preserving the Parties' original intent.

4.4 Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of [State], without regard to its conflict-of-law principles. Any dispute arising under or relating to this Agreement shall be brought exclusively in the state or federal courts located in [County], [State], and each Party hereby irrevocably submits to the jurisdiction of such courts.

4.5 Counterparts and Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures transmitted electronically or by PDF shall be deemed originals and fully enforceable for all purposes.

**Confidentiality; Non-Disparagement; Public Statements.**

5.1 Confidentiality of Settlement. Except as expressly permitted in this Section, the Parties shall keep the existence and

terms of this Agreement strictly confidential and shall not disclose them to any third party. Permitted disclosures include:

(a) to the Parties' respective attorneys, accountants, insurers, sureties, lenders, and other professional advisors who have a legitimate need to know and who agree (or are professionally bound) to maintain confidentiality;

(b) to taxing authorities, auditors, or governmental entities as required by law;

(c) as necessary to enforce or defend the terms of this Agreement; and

(d) to the extent required by subpoena, court order, or other legal compulsion, provided that the disclosing Party gives prompt written notice to the other Party (unless prohibited by law) to allow an opportunity to seek protective relief.

5.2 Non-Disparagement. Each Party agrees that neither it nor its representatives will make, publish, or cause to be made or published any oral or written statement that disparages, defames, or otherwise damages the reputation, business, or professional standing of the other Party or its affiliates. This provision shall not restrict truthful statements made under oath or otherwise required by law.

5.3 Public Statements. If either Party is requested to make a public statement regarding this dispute or its resolution, the Parties agree that any such statement shall be limited to a neutral acknowledgment, such as: "The parties have resolved their differences amicably." Neither Party shall issue a press release or public communication containing details of the settlement without the prior written consent of the other.

5.4 Survival. The obligations set forth in this Section 5 shall survive the execution, delivery, and performance of this Agreement and shall remain binding on the Parties and their respective successors and assigns.

**Notices; Miscellaneous.**

5.1 Confidentiality of Settlement. Except as expressly permitted in this Section, the Parties shall keep the existence and terms of this Agreement strictly confidential and shall not disclose them to any third party. Permitted disclosures include:

(a) to the Parties' respective attorneys, accountants, insurers, sureties, lenders, and other professional advisors who have a legitimate need to know and who agree (or are professionally bound) to maintain confidentiality;

(b) to taxing authorities, auditors, or governmental entities as required by law;

(c) as necessary to enforce or defend the terms of this Agreement; and

(d) to the extent required by subpoena, court order, or other legal compulsion, provided that the disclosing Party gives prompt written notice to the other Party (unless prohibited by law) to allow an opportunity to seek protective relief.

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5.4 Survival. The obligations set forth in this Section 5 shall survive the execution, delivery, and performance of this Agreement and shall remain binding on the Parties and their respective successors and assigns.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

**[Property Owner's Name]**

Owner

Date: \_\_\_\_\_

**[Contractor's Name]**

Contractor

Date: \_\_\_\_\_