

# MASTER SUBCONTRACT AGREEMENT

Between General Contractor and Subcontractor · Industry-Standard Commercial Form

Effective Date: [Date] | Project: [Project Name] | Subcontract No.: [#]

## WHEN A MASTER SUBCONTRACT VS. A PROJECT-SPECIFIC SUBCONTRACT. A

"Master Subcontract Agreement" is intended to be signed once per subcontractor and govern multiple projects over the relationship, with project-specific scope, schedule, and price added via "Work Order" or "Project Addendum" appended to the master. This structure saves contract negotiation cycles on every new project and ensures consistent risk allocation. Use a project-specific subcontract instead when (a) the subcontractor will only ever work one project for you, (b) the project's risk profile is materially different from the master (e.g., federal project with Davis-Bacon and SBA flow-down requirements that don't apply to private commercial work), or (c) the prime contract dictates a specific subcontract form.

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## PARTIES & RECITALS

This MASTER SUBCONTRACT AGREEMENT (the "Agreement") is made and entered into as of *[Effective Date]* (the "Effective Date") between:

<b>CONTRACTOR (the "Contractor"):</b>	<i>[GC Legal Name]</i> a <i>[State]</i> <i>[Entity type — LLC / Inc. / etc.]</i> <i>[Address]</i> Contractor License No.: <i>[State License #]</i>
<b>SUBCONTRACTOR (the "Subcontractor"):</b>	<i>[Sub Legal Name]</i> a <i>[State]</i> <i>[Entity type]</i> <i>[Address]</i> Trade / CSI Division: <i>[e.g., Division 26 Electrical]</i> Contractor License No.: <i>[State License #]</i>

### Recitals.

A. Contractor enters into prime contracts with various owners ("Owners") for the construction of buildings and other improvements (each, a "Project"). Each Project is governed by an owner-contractor agreement (the "Prime Contract") and the contract documents incorporated therein.

B. For each Project on which Subcontractor is engaged, Contractor and Subcontractor will execute a Project-Specific Work Order (each, a "Work Order"; the form attached as Exhibit A) describing the scope, schedule, price, and Project-specific terms. The Work Order, together with this Agreement and the Prime Contract documents, will govern Subcontractor's performance on that Project.

C. The terms of this Agreement apply to every Work Order executed during the term hereof and to all work performed by Subcontractor for Contractor unless and until expressly superseded by an executed amendment hereto.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

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## Article 1 — Subcontract Documents

**1.1 Components.** The "Subcontract Documents" governing each Project consist of, in order of precedence in the event of conflict: (a) the Project-Specific Work Order; (b) this Master Subcontract Agreement; (c) the Prime Contract between Contractor and Owner, including the General Conditions, Supplementary Conditions, and all addenda; (d) the drawings and specifications for the Project; (e) all change orders executed under the Prime Contract that affect Subcontractor's scope; and (f) the Subcontractor's bid, but only to the extent not inconsistent with the documents listed above.

**1.2 Flow-Down of Prime Contract Terms.** Subcontractor accepts toward Contractor all of the obligations and responsibilities that Contractor assumes toward Owner under the Prime Contract, with respect to Subcontractor's portion of the Work, except as expressly modified by this Agreement or the Work Order. Subcontractor acknowledges that Subcontractor has had access to the Prime Contract and has had opportunity to review and to negotiate any conflicts before executing this Agreement.

**1.3 Order of Precedence.** In the event of conflict between any of the Subcontract Documents, the order of precedence is as set forth in Section 1.1. The Work Order controls over this Agreement only to the extent the Work Order expressly modifies a specific provision of this Agreement; general provisions of the Work Order do not override this Agreement by implication.

**1.4 No Implied Authority.** Nothing in the Subcontract Documents creates any contractual relationship between Owner and Subcontractor or between Subcontractor and any other subcontractor or supplier of Contractor. Subcontractor has no right to recover from Owner directly except as expressly provided in the Prime Contract.

### **The flow-down clause is the single most important provision in this Agreement.**

Without an effective flow-down, the GC stands between two contracts (Owner-GC and GC-Sub) with potentially inconsistent obligations, and any gap becomes the GC's exposure. The flow-down ensures the Sub assumes the obligations the GC owes to the Owner, scope-by-scope. Subs negotiating Master Subcontracts often try to limit the flow-down (e.g., "except for indemnification terms more onerous than industry standard"). Negotiate explicitly — do not leave the flow-down ambiguous.

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## Article 2 — Scope of Work

**2.1 Scope.** Subcontractor shall furnish all labor, materials, equipment, supervision, tools, services, and other items necessary to perform the work described in the Work Order (the "Work"), in strict accordance with the Subcontract Documents. The Work shall be performed in a workmanlike manner, free from defects, and in compliance with all applicable codes, ordinances, regulations, and the Project specifications.

**2.2 Inclusions and Exclusions.** The Work Order shall identify items expressly included in and expressly excluded from Subcontractor's Work. Items not expressly excluded are deemed included if reasonably inferable from the Subcontract Documents as necessary to produce a complete and functional installation.

**2.3 Site Conditions.** Subcontractor acknowledges having the opportunity to inspect the Project site and conditions affecting the Work prior to executing the Work Order. Subcontractor shall not be entitled to additional compensation or extension of time for conditions that should reasonably have been observed during such inspection. Concealed or differing site conditions are governed by the Prime Contract change-order procedure.

**2.4 Standards of Performance.** Subcontractor shall employ skilled workers competent to perform the Work, shall supervise the Work with a competent superintendent at all times during performance, and shall comply with the schedule established by Contractor for coordination with other trades. Subcontractor shall promptly correct any Work that fails to conform to the Subcontract Documents.

**2.5 Materials and Equipment.** All materials and equipment incorporated into the Work shall be new and of the quality specified in the Subcontract Documents. Substitutions are permitted only with Contractor's prior written approval and, where required by the Prime Contract, the Owner's approval.

**2.6 Submittals.** Subcontractor shall prepare and submit shop drawings, product data, samples, and other submittals required by the Subcontract Documents within the time required by the Project schedule. Submittals shall be reviewed by Contractor for general conformance and forwarded to the architect or owner's representative as required by the Prime Contract. Contractor's review does not relieve Subcontractor of responsibility for compliance with the Subcontract Documents.

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## Article 3 — Time of Performance

**3.1 Schedule.** Subcontractor shall commence the Work upon Contractor's notice to proceed and shall perform the Work in accordance with the Project schedule established by Contractor. Subcontractor acknowledges that time is of the essence with respect to performance of the Work.

**3.2 Coordination.** Subcontractor shall coordinate the Work with the work of other subcontractors and with Contractor's overall sequencing of the Project. Subcontractor shall attend coordination meetings as required by Contractor and shall provide sequence input on a reasonable basis.

**3.3 Delays.** If Subcontractor is delayed in the performance of the Work by an act or neglect of Owner, Contractor, another subcontractor, or any of their agents, by changes in the Work, by labor disputes, fire, unusual delay in deliveries, abnormal adverse weather, or other causes beyond Subcontractor's reasonable control, then the time for completion of the Work shall be extended by an equitable adjustment as determined under the Prime Contract change-order procedure. Subcontractor shall give written notice of any delay claim within seven (7) days after the event giving rise to the claim, failing which the claim is waived.

**3.4 Liquidated Damages — Flow-Down.** Subcontractor shall be liable for and shall reimburse Contractor for any liquidated damages assessed against Contractor by Owner under the Prime Contract to the extent such damages are caused by Subcontractor's delay in performance of the Work. Contractor's pass-through of liquidated damages shall be supported by reasonable documentation of cause and amount.

**3.5 Acceleration.** If Contractor directs Subcontractor in writing to accelerate the Work to meet a Project deadline, Subcontractor shall comply, and any reasonable additional cost of acceleration shall be the subject of a change order under Article 5. Acceleration without a written change order, undertaken at Subcontractor's discretion to mitigate delay caused by Subcontractor's own performance, is not compensable.

### Notice provisions are claim killers.

The 7-day delay notice in Section 3.3 is enforceable in most jurisdictions, and a Sub that misses the notice deadline waives the claim regardless of the merits. Train your project managers to log delay events immediately and to send written notice (email is fine) within 48 hours, never push it to 5 days. The flip side: if you're the GC, the 7-day clock disciplines Sub claims and prevents a flood of late delay assertions when the project closes out.

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## Article 4 — Subcontract Sum & Payment

**4.1 Subcontract Sum.** The Subcontract Sum is the lump-sum, unit-price, or cost-plus amount stated in the Work Order. The Subcontract Sum may be adjusted only by change order executed under Article 5.

**4.2 Progress Payment Application.** Subcontractor shall submit to Contractor a monthly Application for Payment, in form and content reasonably acceptable to Contractor, showing the Work performed and materials properly stored through the cutoff date specified by Contractor. Subcontractor's Application for Payment shall be supported by a Schedule of Values agreed at the outset of the Work, line-item progress detail, and any documentation reasonably required by Contractor or the Prime Contract.

**4.3 Payment Timing — Pay-When-Paid.** Subcontractor acknowledges and agrees that Contractor's obligation to make any payment to Subcontractor on account of the Work is expressly conditioned upon Contractor's receipt of corresponding payment from Owner under the Prime Contract for that portion of the Work, and that such receipt of payment from Owner is a condition precedent to Contractor's obligation to pay Subcontractor. Subject to that condition precedent, Contractor shall pay Subcontractor within seven (7) days of Contractor's receipt of the corresponding payment from Owner, less applicable retainage and any amounts properly withheld.

**State-law alert.** Several states (CA, MD, MA, NC, NY, NV, NM, WI) materially restrict the enforceability of "pay-if-paid" clauses (which would treat owner-payment as a permanent condition that excuses contractor's obligation to pay subs even on owner default). The clause above is structured as "pay-when-paid" (a timing provision) rather than "pay-if-paid" (a permanent shifting of risk of owner default to the sub). Verify that the language above is enforceable as drafted in the project state, and on a project-by-project basis, modify the Work Order to include any state-specific savings language. **In CA, the California Supreme Court (Wm. R. Clarke Corp. v. Safeco Ins. Co., 15 Cal. 4th 882 (1997)) held pay-if-paid clauses unenforceable as against subcontractor's right to payment; pay-when-paid is treated as a reasonable-time provision.**

**4.4 Retainage.** Contractor shall withhold from each progress payment to Subcontractor the same percentage of retainage that Owner withholds from Contractor under the Prime Contract for the corresponding portion of Subcontractor's Work, typically [ten percent (10%)]. Retainage withheld shall be released to Subcontractor in the same proportion and at the same time that Owner releases corresponding retainage to Contractor under the Prime Contract.

**4.5 Final Payment.** Final payment, including release of all retainage withheld, shall be made to Subcontractor within thirty (30) days after the latest of: (a) Contractor's receipt of final payment from Owner for Subcontractor's portion of the Work; (b) Subcontractor's submission of all required closeout documents (warranties, as-built drawings, operating and maintenance manuals, attic stock as applicable, fully executed unconditional final lien waivers from Subcontractor and from each of Subcontractor's lower-tier subcontractors and suppliers, and consent of Subcontractor's surety if applicable); and (c) Subcontractor's completion of all punch-list items related to Subcontractor's Work.

**4.6 Right to Withhold.** Contractor may withhold payment from Subcontractor (in addition to retainage), in such amounts as may be reasonably necessary, to protect Contractor from loss for which Subcontractor is responsible, including: (a) defective Work not remedied; (b) third-party claims filed or reasonable evidence indicating probable filing of third-party claims; (c) failure of Subcontractor to make payments properly to lower-tier subcontractors and suppliers for materials or labor; (d) reasonable evidence that the Work cannot be completed for the unpaid balance of the Subcontract Sum; (e) damage to Contractor or another subcontractor; (f) reasonable evidence that the Work will

not be completed within the schedule; or (g) failure to carry out the Work in accordance with the Subcontract Documents.

**4.7 Setoff.** Contractor may set off against amounts otherwise due Subcontractor (under this or any other agreement between the parties) any amounts that Subcontractor owes to Contractor for any reason, whether liquidated or unliquidated. Contractor shall give Subcontractor written notice of any setoff and the basis therefor.

**4.8 Joint Checks.** Contractor reserves the right to issue joint checks payable to Subcontractor and Subcontractor's lower-tier subcontractors or suppliers, and Subcontractor agrees to endorse such checks promptly upon receipt. Subcontractor's endorsement of a joint check is not a waiver of any of Subcontractor's lien rights.

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## Article 5 — Changes in the Work

**5.1 Change Order Authority.** Contractor may direct changes in the Work by written change order signed by Contractor. Subcontractor shall not perform any change in the Work without a written change order, except in cases of emergency to protect life or property.

**5.2 Change Proposal.** Upon written request by Contractor, Subcontractor shall submit a written change proposal within ten (10) calendar days, itemizing the change in cost (labor, materials, equipment, subcontracted work, overhead and profit at the rates set forth in the Work Order) and any change in the time of completion. The change proposal shall remain firm for thirty (30) days from submission.

**5.3 Construction Change Directives.** If Contractor directs Subcontractor in writing to perform changed Work pending negotiation of price or time (a "Construction Change Directive" or "CCD"), Subcontractor shall promptly perform the work and shall track and submit time-and-materials cost documentation daily. Payment for CCD work shall be on a time-and-materials basis at the rates set forth in the Work Order until a change order is executed, at which point any unpaid CCD costs shall be incorporated into the change order amount.

**5.4 Markup on Changes.** Subcontractor's overhead and profit on additive changes shall not exceed the percentage rates set forth in the Work Order, typically *[fifteen percent (15%) on Subcontractor's direct labor and material; ten percent (10%) on Subcontractor's lower-tier subcontracted work]*. Markup on deductive changes shall be the same percentages, applied to credit reductions. **Markup-stacking note:** Contractor's overhead and profit, applied on top of Subcontractor's marked-up cost (per the Prime Contract change-order markup rates and Contractor's change-order-request-and-authorization.html internal procedure), is independent of and additive to Subcontractor's markup under this Section. Subcontractor's markup percentages above shall in all events be capped at the maximum percentages permitted under the Prime Contract for the corresponding tier of work, so that the combined Subcontractor + Contractor markup does not exceed the Owner-recoverable rate set forth in the Prime Contract. Where the Prime Contract specifies tighter caps, those tighter caps flow down and modify this Section pro tanto.

**5.5 Notice of Changes.** If Subcontractor believes that any direction, instruction, interpretation, or determination by Contractor or Owner constitutes a change in the Work for which Subcontractor is entitled to additional cost or time, Subcontractor shall give written notice to Contractor within seven (7) days of the event, failing which the claim is waived. Within seven (7) days of receipt of such notice, Contractor shall make written request for a Change Order Request (COR) from Subcontractor under Section 5.2 if Contractor agrees the event constitutes a change; the 10-day proposal clock under Section 5.2 begins on Subcontractor's receipt of Contractor's written request.

## Article 6 — Insurance Requirements

**6.1 Required Coverages.** Subcontractor shall, throughout the term of this Agreement and for the period required for any "tail" coverage specified below, maintain at its sole cost and expense the following insurance, with insurance companies rated A- VII or better by A.M. Best (matching the rating threshold required of Contractor in the Prime Contract; verify the project-specific Prime Contract requirement and tighten via Work Order if higher):

Coverage	Minimum Limits (per Project)
Commercial General Liability (occurrence form), including products and completed-operations coverage	\$1,000,000 per occurrence / \$2,000,000 general aggregate / \$2,000,000 products-completed-operations aggregate
Automobile Liability — owned, hired, and non-owned	\$1,000,000 combined single limit per accident
Workers' Compensation — statutory	Statutory limits per state of the Project
Employer's Liability	\$1,000,000 each accident / \$1,000,000 disease policy limit / \$1,000,000 disease each employee
Umbrella / Excess Liability	\$5,000,000 per occurrence and aggregate, sitting over CGL, Auto, and Employer's Liability
Professional Liability (if Subcontractor performs design or design-assist work)	\$2,000,000 per claim and aggregate, with two-year tail after Project completion
Pollution Liability (if Subcontractor's Work involves hazardous materials, environmental remediation, or site disturbance)	\$2,000,000 per occurrence and aggregate

Project-specific limits may be increased in the Work Order for higher-risk Projects.

**6.2 Additional Insureds.** Subcontractor shall name Contractor, Owner, and any other parties identified in the Prime Contract as additional insureds on the CGL, Automobile Liability, Umbrella, and Pollution Liability policies, on a primary and non-contributory basis, for both ongoing operations and completed operations, using ISO endorsement forms CG 20 10, CG 20 37, and equivalent (or broader) language. Additional-insured status shall continue for the period of the applicable statute of repose for construction defects in the state of the Project, and in any event for not less than ten (10) years after Project completion.

**6.3 Waiver of Subrogation.** Subcontractor waives, and shall require its insurers to waive, all rights of subrogation against Contractor, Owner, and the additional insureds for losses arising out of or related to the Work.

**6.4 Certificates of Insurance.** Subcontractor shall furnish to Contractor a Certificate of Insurance evidencing all required coverages, additional-insured endorsements, and waiver-of-subrogation endorsements before commencing the Work. Replacement Certificates shall be furnished prior to expiration of any policy. Failure to maintain required insurance is a material breach of this Agreement.

**6.5 Self-Insured Retentions.** Subcontractor's self-insured retention or deductible on any required policy shall not exceed \$25,000 per occurrence without Contractor's prior written approval. Self-insured retentions are at Subcontractor's sole expense and do not reduce coverage available to Contractor or Owner as additional insureds.

**CGL additional-insured endorsement is the single most important insurance term.**

CG 20 10 covers ongoing operations only. CG 20 37 covers completed operations. Both are needed. Subs that try to use only CG 20 10 leave the GC exposed to claims that arise after Project completion (the most common claim type for construction-defect work). Confirm both endorsement forms are on the COI before starting the Sub. The "primary and non-contributory" language ensures that the Sub's CGL pays before any policy of Contractor or Owner — without it, the GC's CGL ends up on the front line, eroding the GC's limits and increasing the GC's loss-experience-rated premium.

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## **Article 7 — Bonds**

**7.1 Performance and Payment Bonds.** If required by the Work Order or the Prime Contract, Subcontractor shall furnish to Contractor a Performance Bond and a Labor and Material Payment Bond, each in an amount equal to one hundred percent (100%) of the Subcontract Sum, on industry-standard form (e.g., AIA A312 or substantially equivalent), issued by a surety listed on the U.S. Treasury Department's Listing of Approved Sureties (Department Circular 570). The cost of bonds shall be reimbursed to Subcontractor at actual cost as a separate line item, only if the Work Order so provides; otherwise the bond cost is included in the Subcontract Sum.

**7.2 Right to Require Bonds.** Contractor may require Subcontractor to furnish bonds at any time during the term of this Agreement on a Project-by-Project basis upon reasonable notice, even if not initially required by the Work Order, if Contractor reasonably determines that bonds are required by the Prime Contract or by Subcontractor's financial condition.

**7.3 Subcontractor Default Insurance (SDI).** In lieu of Performance and Payment Bonds, Contractor may, at its option, enroll Subcontractor in a Subcontractor Default Insurance program (e.g., Zurich SubGuard or equivalent), in which case Subcontractor shall provide such financial information as the SDI underwriter reasonably requires and shall pay Contractor an enrollment fee not to exceed the cost of bonds Subcontractor would otherwise provide.

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## Article 8 — Indemnification

**8.1 Subcontractor Indemnification.** To the fullest extent permitted by law, Subcontractor shall defend (with counsel reasonably acceptable to Contractor), indemnify, and hold harmless Contractor, Owner, and their respective officers, directors, employees, agents, and affiliates (collectively, the "Indemnified Parties") from and against all claims, damages, losses, and expenses (including reasonable attorneys' fees and litigation costs) arising out of or resulting from performance of the Work, but only to the extent caused by the negligent acts or omissions of Subcontractor, anyone directly or indirectly employed by Subcontractor, or anyone for whose acts Subcontractor may be liable, regardless of whether or not such claim, damage, loss, or expense is caused in part by an Indemnified Party.

**8.2 Comparative Fault.** The indemnification obligations under this Article 8 shall be subject to comparative fault — Subcontractor's indemnification obligation extends only to the percentage of fault attributable to Subcontractor and those for whom Subcontractor is responsible. Where applicable state law (e.g., anti-indemnity statutes in CA Civ. Code § 2782.05; FL Stat. § 725.06; TX Bus. & Com. Code § 151.102; NY Gen. Oblig. Law § 5-322.1) limits the scope of indemnification more strictly than this Section, the indemnification obligation is reformed to the maximum extent permitted by such law.

**8.3 Bodily Injury and Property Damage.** The indemnification obligations under this Article 8 expressly cover claims for bodily injury, sickness, disease or death, or for injury to or destruction of tangible property (other than the Work itself), arising out of or resulting from performance of the Work and caused by the negligent acts or omissions of Subcontractor or anyone for whose acts Subcontractor may be liable.

**8.4 Intellectual Property.** Subcontractor shall indemnify the Indemnified Parties from claims of infringement of patents, copyrights, trademarks, or other intellectual property rights arising from materials, equipment, or methods specified by Subcontractor in performance of the Work (other than materials, equipment, or methods specified by the Subcontract Documents themselves).

**8.5 Survival.** The indemnification obligations under this Article 8 survive termination of this Agreement and completion of the Work, until the expiration of the applicable statute of repose for construction defect claims in the state of each Project.

### Anti-indemnity statutes drive the scope.

About 40 states restrict broad indemnification clauses in construction contracts to varying degrees — some prohibit indemnification for the indemnitee's sole negligence; some require comparative fault; some void any clause requiring the sub to indemnify the GC for the GC's own negligence. Section 8.2 above incorporates the comparative-fault limitation that most states require. Always verify against the project state's anti-indemnity statute and modify the Work Order if needed; an over-broad indemnification clause is unenforceable and may invalidate the entire indemnification provision in some states.

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## Article 9 — Lien Waivers & Flow-Down

**9.1 Conditional Partial Waiver — Each Application.** With each monthly Application for Payment, Subcontractor shall furnish to Contractor a Conditional Waiver and Release on Progress Payment in the statutory form for the state of the Project (or in industry-standard form where the state has no statutory form), in the amount of the current Application, conditioned on receipt of payment.

**9.2 Unconditional Partial Waiver — Following Payment.** With the next month's Application for Payment, Subcontractor shall furnish to Contractor an Unconditional Waiver and Release on Progress Payment for the prior period's actually-paid amount.

**9.3 Lower-Tier Waivers.** Subcontractor shall obtain and furnish to Contractor, with each monthly Application for Payment, conditional and unconditional partial waivers from each of Subcontractor's lower-tier subcontractors and suppliers in the same form and on the same schedule as Subcontractor's own waivers. Failure to provide lower-tier waivers is grounds for Contractor to withhold payment under Section 4.6, to issue joint checks under Section 4.8, or to exercise other remedies under this Agreement.

**9.4 Final Waivers.** As a condition of final payment under Section 4.5, Subcontractor shall furnish Unconditional Final Waivers from Subcontractor and from each of Subcontractor's lower-tier subcontractors and suppliers, in the statutory form for the state of the Project. The unconditional final waivers shall expressly cover all amounts paid through the date of waiver, including retainage.

**9.5 No-Lien Acknowledgment.** Subject to and in consideration of payment as provided in this Agreement, Subcontractor agrees not to file any mechanic's lien, materialman's lien, or stop-payment notice against the Project, the Owner, or any other Indemnified Party, for any amount that has been paid to Subcontractor through the date of any executed waiver. Nothing in this Agreement waives Subcontractor's right to file lien claims for amounts properly billed and not paid.

**State-law alert.** Many states (CA, AZ, FL, GA, MA, MN, MO, NJ, NV, NY, NC, PA, TN, VA) restrict or prohibit pre-furnishing lien waivers — i.e., Subcontractor cannot, in this Agreement, waive the lien rights it will acquire by performing the Work in advance. Section 9.5 is structured as a conditional waiver tied to payment, not a pre-furnishing waiver of lien rights. Verify the project state's lien-waiver statute on each new Project.

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## Article 10 — Subcontractor Warranties

**10.1 General Workmanship Warranty.** Subcontractor warrants that the Work, including materials and equipment furnished, shall be of good quality, free from defects in workmanship and materials, and in conformance with the Subcontract Documents. This warranty extends for one (1) year after the date of substantial completion of the Project (or such longer period as the Prime Contract requires for the corresponding portion of the Work), during which Subcontractor shall promptly correct any non-conforming Work at no cost to Contractor or Owner.

**10.2 Manufacturer Warranties.** Subcontractor shall obtain and assign to Contractor (or directly to Owner if so directed) all manufacturer warranties on materials and equipment incorporated in the Work, with the term and scope of each manufacturer warranty being independent of and in addition to Subcontractor's general workmanship warranty under Section 10.1.

**10.3 Latent Defect Liability.** The general one-year workmanship warranty does not limit Subcontractor's liability for latent defects (defects not reasonably discoverable by inspection at substantial completion). Subcontractor's liability for latent defects extends for the period of the applicable statute of repose in the state of the Project.

**10.4 Punch List.** Subcontractor shall complete all punch list items related to Subcontractor's Work within thirty (30) days after the punch list is delivered to Subcontractor, or such earlier deadline as the Prime Contract or Project schedule requires. Punch list items not timely completed may be completed by Contractor or others at Subcontractor's expense, with the cost deducted from Subcontractor's final payment.

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## Article 11 — Subcontractor's Lower-Tier Subcontractors

**11.1 Approval Required.** Subcontractor shall not subcontract any portion of the Work to a lower-tier subcontractor without Contractor's prior written approval, which shall not be unreasonably withheld. Contractor's approval of a lower-tier subcontractor does not create any contractual relationship between Contractor and the lower-tier subcontractor and does not relieve Subcontractor of any obligation under this Agreement.

**11.2 Flow-Down to Lower Tiers.** Subcontractor shall flow down to each of its lower-tier subcontractors and suppliers all of the obligations applicable to that lower tier's portion of the Work, including but not limited to obligations regarding scope of work, quality, schedule, insurance, indemnification, lien waivers, payment, dispute resolution, and warranty.

**11.3 Payment to Lower Tiers.** Subcontractor shall pay each lower-tier subcontractor and supplier within seven (7) days of Subcontractor's receipt of corresponding payment from Contractor for the portion of the Work performed by that lower tier, less retainage at the same rate Subcontractor is being held by Contractor. Failure to pay lower tiers timely is a material breach of this Agreement.

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## Article 12 — Safety, OSHA, & Site Rules

**12.1 Compliance.** Subcontractor shall comply with all applicable federal, state, and local safety laws, regulations, and ordinances, including the Occupational Safety and Health Act of 1970 and the regulations promulgated thereunder (29 CFR Part 1926 — Construction). Subcontractor shall designate a competent person on site at all times during performance of the Work.

**12.2 Site Safety Program.** Subcontractor shall participate in and comply with the Project site safety program established by Contractor, including site-specific safety orientation, daily toolbox talks, weekly safety inspections, hazard reporting, and any Project-specific safety requirements established by Owner.

**12.3 Personal Protective Equipment.** Subcontractor shall provide all personal protective equipment (PPE) required for Subcontractor's Work, including hard hats, safety glasses, high-visibility apparel, work boots, fall protection, respiratory protection, and other PPE as required by OSHA and the Project safety program.

**12.4 Incident Reporting.** Subcontractor shall immediately report to Contractor any incident on the Project resulting in injury, property damage, or near-miss, and shall cooperate fully in any investigation. Subcontractor shall provide Contractor with copies of all OSHA 300 logs, OSHA 301 incident reports, and any other regulatory submissions related to incidents on the Project.

**12.5 Drug-Free Workplace.** If required by the Prime Contract or Contractor's site policies, Subcontractor shall implement and maintain a drug-free workplace program, including pre-employment, post-incident, and reasonable-suspicion drug and alcohol testing for all Subcontractor personnel on the Project site.

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## Article 13 — Default & Termination

**13.1 Subcontractor Default.** Subcontractor shall be in default under this Agreement if Subcontractor: (a) fails to supply enough properly skilled workers or proper materials; (b) fails to make payment to lower-tier subcontractors or suppliers; (c) disregards laws, ordinances, regulations, or rules of public authorities; (d) repeatedly fails to perform the Work in accordance with the Subcontract Documents; (e) fails to maintain required insurance; (f) fails to provide required lien waivers; (g) becomes insolvent, files for bankruptcy, makes a general assignment for the benefit of creditors, or has a receiver appointed; or (h) materially breaches this Agreement and fails to cure within seven (7) days after written notice from Contractor.

**13.2 Notice and Cure.** Except for defaults under Sections 13.1(g) (insolvency) or 13.1(c) (regulatory disregard creating immediate safety risk), Contractor shall give Subcontractor written notice of default and an opportunity to cure within seven (7) days (or such longer period as Contractor may grant). The cure period for a particular default may be extended by Contractor in its discretion.

**13.3 Remedies for Default.** Upon Subcontractor's default, Contractor may, after the applicable cure period: (a) terminate this Agreement and the Work Order for cause; (b) supplement Subcontractor's forces; (c) take possession of Subcontractor's tools, equipment, materials, and stored items at the Project for use in completing the Work; (d) employ another subcontractor to complete the Work; (e) recover from Subcontractor all costs of completion in excess of the unpaid Subcontract Sum, plus reasonable attorneys' fees and costs; and (f) pursue any other remedy available at law or in equity.

**13.4 Termination for Convenience.** Contractor may terminate this Agreement or any Work Order, in whole or in part, for convenience upon thirty (30) days' written notice to Subcontractor. Upon termination for convenience, Subcontractor shall be paid for: (a) Work completed through the date of termination, (b) costs reasonably incurred in connection with the wind-down (demobilization, restocking fees, reasonable subcontract cancellation charges), and (c) a reasonable allowance for overhead and profit on Work completed (but not on uncompleted Work). Termination for convenience does not give rise to any other claim by Subcontractor (including any claim for lost profits on uncompleted Work).

**13.5 Termination by Subcontractor.** Subcontractor may terminate this Agreement only if Contractor materially breaches a payment obligation that has not been cured within thirty (30) days after written notice from Subcontractor specifying the breach with particularity, and only if Subcontractor's right to terminate is not preempted by any pay-when-paid provision relating to Owner default.

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## Article 14 — Dispute Resolution

**14.1 Step 1 — Direct Negotiation.** Any dispute, claim, or controversy arising out of or relating to this Agreement (a "Dispute") shall first be addressed by direct negotiation between senior representatives of the parties (each having authority to settle the Dispute), within fifteen (15) days after written notice of the Dispute.

**14.2 Step 2 — Mediation.** If the Dispute is not resolved by direct negotiation, the parties shall submit the Dispute to non-binding mediation administered by JAMS or the American Arbitration Association (Construction Industry Mediation Rules) under the rules in effect as of the date of the Work Order. Mediation shall be a condition precedent to arbitration or litigation. Mediator's fees shall be shared equally; each party bears its own counsel fees.

**14.3 Step 3 — Arbitration or Litigation.** If the Dispute is not resolved within sixty (60) days after submission to mediation, the Dispute shall be resolved by [*arbitration administered by the American Arbitration Association under its Construction Industry Arbitration Rules*] OR [*litigation in the state and federal courts located in [County, State of the Project]* ], with the choice between arbitration and litigation specified in the Work Order. Each party hereby submits to the personal jurisdiction of the chosen forum and waives any objection to venue.

**14.4 Joinder and Consolidation.** If the Prime Contract or another agreement involving the same Project provides for arbitration, the parties hereto consent to consolidation and joinder of related Disputes in a single proceeding to the extent permitted by the applicable arbitration rules.

**14.5 Continued Performance.** Pending resolution of any Dispute, Subcontractor shall continue performance of the Work, and Contractor shall continue to make payments not in dispute, unless otherwise agreed in writing.

**14.6 Attorneys' Fees.** In any Dispute resolved by arbitration or litigation, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, in addition to any other relief.

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## Article 15 — Miscellaneous Provisions

**15.1 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of *[State of the Project — typically governs unless prime contract dictates otherwise]*, without giving effect to its conflict-of-laws principles.

**15.2 Entire Agreement.** This Agreement, together with each Work Order, the Prime Contract, and the other Subcontract Documents, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior negotiations, understandings, or agreements, oral or written.

**15.3 Amendment.** This Agreement may be amended only by a written amendment signed by both parties. A Work Order is not an amendment to this Agreement except as expressly provided in the Work Order.

**15.4 Assignment.** Subcontractor shall not assign this Agreement, any Work Order, or any payment due hereunder without Contractor's prior written consent. Any attempted assignment without consent is void.

**15.5 Independent Contractor.** Subcontractor is an independent contractor, not an employee, agent, or partner of Contractor. Nothing in this Agreement creates a joint venture, partnership, or fiduciary relationship between the parties.

**15.6 Notices.** All notices required or permitted under this Agreement shall be in writing and delivered: (a) by hand; (b) by overnight courier (FedEx, UPS); (c) by certified mail, return receipt requested; or (d) by email with read receipt and follow-up confirmation by one of the foregoing methods. Notices shall be effective upon receipt at the addresses specified in the preamble (or such other address as the recipient may specify by written notice).

**15.7 Severability.** If any provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall continue in full force and effect, and the invalid provision shall be reformed to the maximum extent permitted by law to give effect to the parties' intent.

**15.8 No Waiver.** No waiver by either party of any breach by the other shall constitute a waiver of any subsequent breach. No waiver shall be effective unless in a writing signed by the waiving party.

**15.9 Counterparts; Electronic Signatures.** This Agreement may be executed in counterparts, each of which is an original and all of which constitute one and the same agreement. Electronic signatures (DocuSign, Adobe Sign, or similar) are valid and binding.

**15.10 Headings.** Article and Section headings are for convenience only and do not affect interpretation.

## SIGNATURES

IN WITNESS WHEREOF, the parties have executed this Master Subcontract Agreement as of the Effective Date first above written.

**CONTRACTOR:** [GC Legal Name]

By: [Signature]

Printed Name: [Name]

Title: [Title — Officer / Member / Manager]

Date: [Date]

**SUBCONTRACTOR:** [Sub Legal Name]

By: [Signature]

Printed Name: [Name]

Title: [Title]

Date: [Date]

### NOTARY ACKNOWLEDGMENT — SUBCONTRACTOR

State of [State] · County of [County]

On [Date], before me, [Notary Name], a Notary Public in and for said State, personally appeared [Signer Name], who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged that he/she/they executed the same in his/her/their authorized capacity, and that by his/her/their signature on the instrument the entity upon behalf of which the person acted executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of [State] that the foregoing paragraph is true and correct.

Notary Signature: [Signature]

Commission Expires: [Date]

(Affix seal)

## EXHIBIT A — PROJECT-SPECIFIC WORK ORDER TEMPLATE

The Work Order is the project-specific document executed for each Project and incorporated into the Master Subcontract Agreement. It defines scope, schedule, price, and any project-specific modifications to the master terms.

### PROJECT-SPECIFIC WORK ORDER

issued under the Master Subcontract Agreement dated [Master Effective Date]

#### 1. Project Identification

Work Order No.:	[Sequential #]
Effective Date:	[Date]
Project Name:	[Project name]
Project Address:	[Address]
Owner:	[Owner name]
Architect:	[Architect firm]
Prime Contract Date:	[Date]

#### 2. Scope of Work

Subcontractor shall furnish all labor, materials, equipment, supervision, tools, and services necessary to perform the following Work:

[Detailed scope description, including CSI division/section references, drawings/specifications cited by sheet number, and explicit inclusions and exclusions]

#### 3. Subcontract Sum

Type:	<input type="checkbox"/> Lump Sum <input type="checkbox"/> Unit Price <input type="checkbox"/> Cost-Plus
Subcontract Sum:	\$ [Amount]
Schedule of Values:	<input type="checkbox"/> Attached as Schedule 1 <input type="checkbox"/> To be provided within [14] days of Work Order execution
Bond Cost (if applicable, separate line):	\$ [Bond cost]

#### 4. Schedule

<b>Notice to Proceed Date:</b>	[Date]
<b>Substantial Completion of Work:</b>	[Date]
<b>Final Completion of Work:</b>	[Date]
<b>Project Schedule Reference:</b>	[Schedule revision and date]

#### 5. Project-Specific Modifications to Master

<b>Retainage Rate:</b>	[10%] (or as required by Prime Contract)
<b>Liquidated Damages — Flow-Down:</b>	[\$ per day]
<b>Bonds Required:</b>	<input type="checkbox"/> None <input type="checkbox"/> Performance + Payment at 100% Subcontract Sum <input type="checkbox"/> SDI
<b>Insurance Limits:</b>	<input type="checkbox"/> As specified in Master <input type="checkbox"/> Modified per Schedule 2
<b>Dispute Resolution Forum:</b>	<input type="checkbox"/> Arbitration (AAA) <input type="checkbox"/> Litigation in [State courts]
<b>Other Project-Specific Terms:</b>	[e.g., Davis-Bacon prevailing wage; MBE/WBE participation; LEED certification requirements; etc.]

#### 6. Signatures

**CONTRACTOR:** [GC Name]

\_\_\_\_\_  
 By: [Signature] · Title: [Title] · Date: [Date]

**SUBCONTRACTOR:** [Sub Name]

\_\_\_\_\_  
 By: [Signature] · Title: [Title] · Date: [Date]

**Closing reminder.** This Master Subcontract Agreement is a substantive commercial contract; the clauses above represent industry-standard commercial practice but every clause is negotiable and every state's law affects enforceability. **Have construction counsel licensed in the state of the project review every Master Subcontract before first use.** Particular attention must be paid to: (a) the pay-when-paid clause (Section 4.3) — verify enforceability under applicable state law; (b) the indemnification provisions (Article 8) — verify scope against state anti-indemnity statutes; (c) the lien-waiver provisions (Article 9) — verify against state pre-furnishing waiver restrictions; (d) the dispute-resolution forum (Article 14) — match to the prime contract structure; and (e) the insurance requirements (Article 6) — verify additional-insured endorsement forms cover both ongoing and completed operations. On federal projects, additional flow-down provisions apply (Davis-Bacon, prevailing wage, equal employment opportunity, drug-free workplace, etc.) — incorporate via the Work Order or a Federal Project Addendum.

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