

SUBCONTRACTOR AGREEMENT

1) Employee/Employer relation

- a) It is mutually understood and agreed between Lone Star Custom Homes, Inc. (Builder) and Subcontractor that Subcontractor is an independent contractor. At no time is the Subcontractor or any of the Subcontractor's employees in the employ of the Builder, nor is the Builder responsible to any of the Subcontractor's employees for the payment of their wages. Subcontractor alone is responsible for compliance with all applicable statutes, ordinances and regulations concerning his employees' Social Security, workers' compensation and all safety conditions and record keeping requirements under the Occupational Safety and Health Act of 1970 and amendment thereto, state and federal taxation and licensing.
- b) Subcontractor shall, at its own expense, apply for and obtain all necessary permits and conform strictly to the laws, ordinances and regulations applicable in the locality where the work is performed. At no time shall the contract price increase or escalate on account of any such charge.

2) Taxes & Insurance

- a) Subcontractor shall carry commercial liability, automobile liability and worker's compensation insurance with limits not less than \$1,000,000.00. Builder shall be named as an additional insured on Subcontractor's commercial liability coverage. Coverage shall be primary and non-contributory. Subcontractor shall provide Builder certificates of such insurance, and such insurance must require thirty (30) days notice of cancellation. In the event of cancellation of any insurance referred to herein, or receipt by Subcontractor of a notice of cancellation, Subcontractor shall immediately notify Builder in writing.
- b) Subcontractor shall be responsible for and pay all taxes, contributions, and similar expenses imposed directly or indirectly for its work, labor, and material and services required by or relating to this contract. On demand, Subcontractor shall substantiate that all taxes and other charges are being properly paid.

3) Work practices

- a) Subcontractor agrees to perform all work in a workmanlike manner. Workmanlike Quality is defined as workmanship which meets or exceeds the criteria indicated in applicable building Codes, materials and installation methods identified in the construction plans and specifications, as defined by industry standards for each trade, as well as the company production standards; and
- b) Subcontractor is to deliver new materials, where applicable, in accordance with the plans and specifications delivered to Subcontractor. Upon receiving notice from Builder that Subcontractor has performed inferior, improper or unsound labor or has delivered materials that are at variance with which is specified, Subcontractor shall, within 24 hours, proceed to remove such work or materials and make good all other work or materials damaged.
- c) Subcontractor agrees to permit other subcontractors reasonable opportunity for access and storage of materials for the execution of their work and shall properly coordinate its work with theirs. If any part of the work to be performed by Subcontractor depends on the work of others, Subcontractor

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shall inspect such work and immediately report defects or omissions that render such other work unsuitable for execution of its work. Proceeding with its work without such report of defects is an acceptance by Subcontractor of the work of others that precedes, or is performed simultaneously with its work. Should Subcontractor damage work of other subcontractors or Builder, Subcontractor shall pay the cost of repairing such damage and hold Builder and owner harmless.

- d) Subcontractor will observe and practice job safety at all times. Shortcuts, illegal or improper work practices are not allowed.
- e) Subcontractor shall at all time keep the building and premises clean of dirt, debris, rubbish and other waste materials arising from the performance of this subcontract. Subcontractor is responsible for the removal and disposal of this debris into proper receptacles. On completion of the portions of its work, Subcontractor shall broom clean its work areas. Subcontractor shall perform any additional cleanup work as directed by Builder at no additional cost.
- f) If waste from Subcontractor is found on the job, Builder shall be compensated for the cost of removing Subcontractor's trash and shall be entitled to deduct the costs from any monies owed to Subcontractor.
- g) Subcontractor is expected to begin its work in a timely manner and to work diligently until completion. In the event that Subcontractor fails to appear and perform or complete its required duties when scheduled or to comply with the terms of this or other applicable agreements, Builder reserves the right to terminate Subcontractor from work in progress, to withhold any remaining amounts due Subcontractor and to seek other resources for completion. Subcontractor shall be liable for any additional costs incurred by the Builder or owner as a result of such termination.
- h) The use or influence of alcoholic beverages or illegal drugs while at work is not permitted. Smoking and eating are not permitted within client homes once finish work begins.

4) Hold Harmless

- a) Builder shall not be liable for any loss or casualty incurred or caused by Subcontractor. Subcontractor shall maintain, at its own expense, full and complete insurance on its work until final acceptance of the work by Builder. Builder is not responsible for providing any protective services for Subcontractor's benefit and shall not be liable for any loss of or damage to Subcontractor's work or equipment. Subcontractor shall Indemnify, defend and hold Builder harmless from any and all liability, costs, damages, attorney's fees and expenses from any claims or causes of action arising while on or near the project, or while performing contract related work, including those claims relating to Subcontractor's subcontractors, suppliers or employees, or any reason of any claim or dispute of any person or entity for damage from any cause directly or indirectly relating to any action or failure to act by Subcontractor, its representatives, employees, subcontractors or suppliers. Subcontractor shall secure a waiver of subrogation, in favor of the Builder, from the Subcontractors insurance carrier. Builder may retain any monies due or to become due to Subcontractor under this or any other contract, sufficient to save itself harmless and indemnify itself against any liability or damage, including attorney's fees.

Failure of Subcontractor to maintain complete insurance may be deemed a material breach, allowing Builder to terminate this contract or to provide insurance at Subcontractor's sole expense. In neither

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case however, shall Subcontractor's liability be lessened. Subcontractor shall not subcontract any part of the work without the prior written consent of Builder. Such consent shall not release Subcontractor from any responsibility or liability in connection with the subcontract.

5) Payments and warranties

- a) Purchase Orders shall be issued to anyone providing labor or materials to Lone Star Custom Homes, Inc. and shall be required before any invoices are submitted to Lone Star Custom Homes, Inc. The onset of work or delivery of materials implies an understanding and acceptance of this Agreement and the terms of any job related Purchase Orders.
- b) Subcontractor may be required to submit itemized invoices or draw requests for work performed and for all materials provided. Invoices are to be submitted to the Builder for his approval before they will be considered for payment.
- c) Subcontractor agrees to pay for all materials and labor for this job when due, and to hold Builder and owner harmless from any liens arising out of labor, materials or subcontracts furnished by Subcontractor. Builder shall have the right to require Subcontractor to provide lien releases by all persons supplying labor, materials or services to Subcontractor for the job herein described and to withhold final payment until such releases are supplied.
- d) Builder may order changes in the work described above. Subcontractor shall not be entitled to nor shall it receive any increase or upward adjustment in its contract price unless Builder and Subcontractor acknowledge the amount and the liability of the change in writing. Otherwise, Subcontractor proceeds at its own risk and expense. No alteration, addition, omission or change shall be made in the work or in the method and manner of the performance, except upon the written change order of Builder. Any change or adjustment in the contract price, by virtue of the change order, shall be specifically stated in the change order. No change order shall vary, abrogate, avoid or otherwise affect the terms, conditions and provisions of this contract except as specifically stated in the change order.
- e) Subcontractor will be held responsible to bear the cost to correct any and all defects in workmanship directly related to his performance or that of his employees for a period of 24 months.

Accepted by Subcontractor:

Signature: _____

Printed: _____

Business Name: _____

EIN/SSN: _____

Address: _____

Date: _____