



Building a Solid Foundation for Your Contracting Business

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Do Your Home Improvement Contracts Measure Up?

In California, any Home Improvement Contract with a property owner must meet the strict requirements set forth in the Civil Code and the Business & Professions Code. These provisions are not applicable to agreements between a prime and sub-contractor, or to Service & Repair Contracts, which apply to jobs under \$750.

- Unless otherwise specified, printed text must be at least 10-point type, and headings must be in at least 10-point bold type.
- Give a fully-executed copy of the contract to the homeowner before starting work. The customer's receipt of the signed agreement initiates his right to cancel (see below).
- Include the contractor's name, address and license number. If applicable, include the name and registration number of the home improvement salesperson who negotiated the contract.
- Include the heading "Home Improvement" in at least 10-point bold type.
- The first page of the Contract must include:
 - The date the customer signed the contract.
 - A statement that the "Notice of Cancellation" may be sent to the contractor at the address noted on the contract, followed by the contractor's name and address where the customer can send the "Notice of Cancellation."
- Include a statement that, upon satisfactory payment being made for any portion of the work, the contractor shall furnish the customer with a full and unconditional release from any mechanic's lien claim.
- Include the following statement in 12-point bold type: "You are entitled to a completely filled in copy of this agreement,

signed by both you and the contractor, before any work may be started."

- Include the heading "Contract Price," followed by the amount.
- If you are charging a finance charge, include the heading "Finance Charge," followed by the amount. This must be listed separately from the contract amount.
- Include the heading: "Description of the Project and Description of the Significant Materials to be Used and Equipment to be Installed," followed by a description of the project and significant materials/equipment. For swimming pools, the project description must also include a plan and scale drawing showing the shape, size, dimensions, and the construction and equipment specifications.



Contracts, continued from page 1

- If a down payment will be charged:
 - Include the heading “Down Payment” and a space for the amount.
 - Include the following notice, in at least 12-point bold type: “THE DOWN PAYMENT MAY NOT EXCEED \$1,000 OR 10 PERCENT OF THE CONTRACT PRICE, WHICHEVER IS LESS.”
- If progress payments are to be made:
 - Include the heading “Schedule of Progress Payments,” followed by the specific payment schedule.
 - Make sure each payment amount is expressed in dollars and cents, and specifically references the amount of work to be performed or materials to be provided.
 - Include the following statement, in at least 12-point bold type: “The schedule of progress payments must specifically describe each phase of work, including the type and amount of work or services scheduled to be supplied in each phase, along with the amount of each proposed progress payment. IT IS AGAINST THE LAW FOR A CONTRACTOR TO COLLECT PAYMENT FOR WORK NOT YET COMPLETED, OR FOR MATERIALS NOT YET DELIVERED. HOWEVER, A CONTRACTOR MAY REQUIRE A DOWNPAYMENT.”
- Include a statement describing what constitutes substantial commencement of work.
- Include the heading “Approximate Start Date,” followed by the date you will begin the project.
- Include the heading “Approximate Completion Date,” followed by the estimated completion date.
- If applicable, include the heading “List of Documents to be Incorporated into the Contract,” followed by the list.
- Include the heading “Workers’ Compensation Insurance” followed by either:
 - “(The name on the license or ‘This contractor’) has no employees and is exempt from workers’ compensation requirements,” or
 - “(The name on the license or ‘This contractor’) carries workers’ compensation insurance for all employees.”
 - (This notice may be included as an attachment, if the contract itself includes the statement, “A notice concerning workers’ compensation insurance is attached to this contract.”)
- Include the heading “Commercial General Liability Insurance (CGL)” followed by either:
 - “(The name on the license or ‘This contractor’) does not carry commercial general liability insurance,” or
 - “(The name on the license or ‘This contractor’) carries commercial general liability insurance

Contracts, continued from page 2

written by (the insurance company). You may call the (insurance company) at _____ to check the contractor's insurance coverage," or

- "(The name on the license or 'This contractor') is self-insured."

- (This CGL notice may be included as an attachment, if the contract itself includes the statement, "A notice concerning commercial general liability insurance is attached to this contract.")

- Include the heading "Note about Extra Work and Change Orders," followed by this statement: "Extra Work and Change Orders become part of the contract once the order is prepared in writing and signed by the parties prior to the commencement of any work covered by the

new change order. The order must describe the scope of the extra work or change, the cost to be added or subtracted from the contract, and the effect the order will have on the schedule of progress payments."

- Include the following about extras and change-orders:

- Include a statement that the customer may not require the contractor to perform extra or change-order work without prior written authorization.

- Include a statement informing the customer that a change-order is not enforceable against the buyer unless it identifies, in writing: the scope of work covered by the change-order, the amount to be added to or subtracted from the contract, and how the change-order will affect the progress payments or completion date.

- Include a statement informing the homeowner that the contractor's failure to comply with these requirements does not preclude the recovery of compensation for work performed based upon legal or equitable remedies designed to prevent unjust enrichment.

- Include a notice with the heading "Mechanic's Lien Warning," followed by the language set forth in Business & Professions Code section 7159(e)(4), and the CSLB information set forth in 7159(e)(5) in at least 12-point type.

- Include, in "immediate proximity" to the space for the owner's signature, the following statement in 10-point bold type: "You, the buyer, may cancel this transaction at any time prior to midnight of the third business day after the date of this transaction. See the attached notice of cancellation form for an explanation of this right." (Or, the seventh day for work done to restore residential property damaged by a declared disaster).

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Cont., Page 4



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Contracts, continued from page 3

- Include a notice entitled "Three-Day Right to Cancel," as set forth in Business & Professions Code section 7159(e)(6)(B), unless the contract was negotiated at the contractor's place of business, or the contract is subject to a seven-day cancellation period (disasters, declared emergencies).
 - This notice must be in at least 12-point bold type.
 - This notice must be in "immediate proximity" to a space for the owner's signature.
- The owner must acknowledge receipt of this notice by signing and dating in the signature space.
- This notice may be attached to the contract if the contract includes, in at least 12-point bold type, a checkbox with the following statement: "The law requires that the contractor give you a notice explaining your right to cancel. Initial the checkbox if the contractor has given you a 'Notice of the Three-Day Right to Cancel.'"
- Provide the homeowner with two copies of a "Notice of Cancellation," as set forth in Business & Professions Code section 7159(e)(6)(C) (vi).
- Include a notice that the homeowner has the right to require the contractor to have a performance and payment bond. This notice must be in "close proximity" to the owner's and contractor's signatures.

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About Construction Commando

With a paralegal background, and nearly a lifetime spent in the construction industry, Suzanne Ervine is uniquely poised to assist contractors in handling their own legal and financial affairs.

Suzanne is a bonded Legal Document Assistant and a practicing freelance Paralegal. She established Construction Commando to provide affordable, quality legal document services to contractors who choose to handle their own legal matters without a lawyer.

Construction Commando's services can be tailored to fit your specific needs, whether you just need a contract, lien or release form, or want an experienced legal professional to take you through the entire process, handling all document preparation, official filing & recording, and service of process on your behalf.

Together with her husband Roger, Suzanne also owns and manages Fidelity Electric, a full-service residential and commercial electrical contracting company.

This checklist is provided for informational purposes only, and is not a substitute for legal counsel. If you have any questions regarding how this information may apply to your situation, please consult with an experienced construction attorney.