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# Contract Red-Flags Checklist

What to check before you sign a contract with a GC — the clauses that quietly shift risk onto the subcontractor.

## Payment Terms

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- Payment terms clearly stated (e.g. Net 30) — not left open-ended or "upon owner payment" with no outside date.
- "Pay-if-paid" clause: this shifts the risk of a non-paying owner entirely onto you. Look for it, and understand it before you sign.
- Retainage percentage and release condition clearly defined — don't agree to "released at owner's discretion."
- Invoice/approval process spelled out, including who approves and how long approval can take.

## Scope & Change Orders

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- Scope of work matches your bid exactly — watch for added scope buried in general contract language ("and all related work").
- Change order process requires written approval and price before extra work begins.

## Risk & Liability

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- Indemnification clause doesn't make you responsible for the GC's own negligence — that's a red flag and often unenforceable, but still worth striking.
- Back-charge clause doesn't let the GC deduct costs from your invoice without your prior written approval.
- Insurance requirements match limits you can actually get from your carrier — confirm before signing, not after.
- Lien waiver requirements don't force you to waive lien rights before you've actually been paid.
- Liquidated damages clause doesn't expose you to project-wide delay penalties for delays outside your control.

## If It Goes Wrong

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- Termination clause: contract states what you're owed for work completed if the GC terminates for convenience.



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- Dispute resolution clause (mediation/arbitration) specifies a reasonable venue — not a state you'd have to travel far to litigate in.
  - Warranty period and scope are limited to your own work, not open-ended or covering others' work.

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