

LIEN WAIVER



Lien Waiver Overview

WHAT IT IS: This agreement acknowledges that a contractor or subcontractor has been paid (meaning they cannot file a lien for work performed)..

WHAT IT DOES: It acts a receipt of payment and memorializes payment in an industry that oftentimes ends up in disputes over amounts owed.

WHY YOU NEED IT: The way state mechanics lien statutes are written can work against you. In many states, a contractor, subcontractor, or supplier can file a lien against property for amounts allegedly owed just by showing the invoice along with an affidavit of nonpayment. This lien waiver will prevent any disagreement (and, trust me, disagreements are common) over whether or not they have been paid. The filing of mechanics liens causes significant problems for property owners and the contractors that serve them, so it's best to avoid them if at all possible. Doing so will help your relationship with your client.

WHEN TO USE IT: Every time you make final payment to a subcontractor, other contractor, or supplier for services rendered.

Clause-By-Clause Explanations and Instructions

Editing Instructions: The first time you go through the template, customize it to your business name. Then leave the remaining portions for each subcontractor in **red** to remind you to update it accordingly. Then save the document – this will be *your* template going forward.

Project Location

Purpose: These liens are based on the physical location where services were rendered.

Instructions: Insert the physical address of the project name or owner.

Lienor

Purpose: To identify the subcontractor (or potential lienor) that you have paid.

Instructions: Insert the name of who you have paid.

Amount Paid to Lienor

Purpose: This acts as a receipt of your payment and prevents the subcontractor from issuing a lien on the amounts listed.

Instructions: Insert the exact amount of all payments made to subcontractor.

Signature Block

Purpose: Identify the parties involved.

Instructions: Insert your company name where relevant and insert the subcontractor name underneath the signature line. Be sure to have them sign and keep a copy.

2. Fees

Purpose: The fees clause expressly states your monetary rate in exchange for services. Explain how much you're charging your client for your services. Are you charging by the hour, week, or by project? Explain it all here, and be specific! There is also a clause here if you will be invoicing and to provide for late fees. This helps give your clients the urgency they sometimes need to go ahead and make the payment.

Instructions: Explain how you will charge your clients for your services. Make sure to specify if you are operating hourly, weekly, by project, or by some other method. Explain your invoicing policy in detail. If you don't have an invoicing policy, use the recommended policy and/or edit to your liking. Here, switch out **the first five (5) business days of each month describing the hourly fees incurred** for your desired invoicing system. Switch out the late fee percentage **(10% late fee)** to your company's preference. You can delete the initiation fee if not collecting one as well as change the frequency of the invoice. The important part here is to decide and stick to a routine.

Alternate Language: If the proposed language doesn't fit your business model, review or alternate clauses at the end of the agreement. Whichever structure you do choose, be sure to follow it with each client.

3. Expenses

Purpose: The Expenses clause explains that you will not out-of-pocket fees that you incur while delivering Services to Client. This could be any sort of fee such as an account fee or

Instructions: List out the specific foreseeable, additional costs to you wish for your client to pay for. *This will likely change client-to-client, so tailor this provision appropriately for each new client.*

4. Termination

Purpose: Sometimes, business relationships just do not work out. Termination clauses provide parties with a legal way out of the deal. This clause also allows your client to terminate the agreement with written notice, and it allows you to both terminate immediately if it's mutual.

Instructions: Switch out **30 business days** to your Company's preferences. Review to ensure it matches your desires. There are not legal limitations other than keeping good faith and fairness in mind.

23. Entire Agreement

Purpose: The purpose of this clause is to ensure that all of the terms and conditions of your agreement with your client is set out in a single contractual document. An entire agreement clause promotes certainty of obligations and prevents either party from relying on conversations or preconceived notions outside this contract.

Instructions: None.

24. Electronic Signature and Counterparts

Purpose: To allow you and your client to sign this agreement with the same power and authority as signing in person.

Instructions: None.

SIGNATURE BLOCK

Lastly, insert your business name, name of owner/president, and name of client in the signature block. If you are an LLC, always sign as a representative of the LLC. For example, “Wesley Henderson, Member”