

Williams Post Office

This agreement, made this **09-12-2007**, by and between **Managed Rite Constructi**, hereinafter referred to as "Contractor", having its principal office at **XXXX Main St**, **Anywhere, CA**, and **Gray Heating & Cooling**, hereinafter referred to as "Subcontractor", having its principal office at **4320 Eucalyptus Way, Santa Rosa, CA ,95401**, WITNESSETH: WHEREAS, Contractor has received a contract dated **01/16/2007** from **Postmaster - Williams**, herein referred to as "Owner", for the construction of **Williams Post Office** in accordance with the terms of the contract documents (as defined in Section II hereof), and WHEREAS,

Subcontractor desires to perform in accordance with the contract documents that portion of the work described in Section I hereof, hereinafter referred to as the Subcontract Work;

NOW, THEREFORE, it is agreed by and between Contractor and Subcontractor as follows:

Section I. Description of the Subcontract Work

A. Subcontractor shall perform the following described subcontract work, in accordance with all terms of this agreement and all terms of the contract documents as defined in Section II hereof):

Your subcontract scope of work is included in contract Addenda 1. This scope of work supercedes any and all agreements, either verbal or written, including bid scopes. Your signature on this contract constitutes your full and complete agreement with the scope as given in contract Addenda 1.

Description of Work	Cost Code	Description	Amount
Sheetmetal Subcontractor	15700.000	HVAC	2,482.00
HVAC Subcontract	15700.000	HVAC	9,045.00
HVAC Equipment	15700.000	HVAC	7,842.00

In accordance with the following contract documents:

- i. Project Drawings as prepared by: **Will McKinney Architects**
Date:
- ii. Project Specifications as prepared by:
Date:

In addition, the following items are specifically included:

See contract Addenda 1

The following items are specifically excluded:

See contract Addenda 1

Initials

B. Subcontractor agrees to perform the Subcontract Work described in paragraph A. above in a careful and workmanlike manner, in accordance with the best construction practice and the contract documents (as defined in Section II hereof) and to furnish materials, supervision, labor, tools, equipment, facilities, storage, engineering, taxes, insurance, supplies, scaffolding, and all of the things and services necessary or desirable to perform the subcontract work.

Section II. Contract Documents

A. The contract documents for this subcontract consist of this agreement between Contractor and Subcontractor including any supplementary or other conditions and any exhibits attached hereto; the agreement between Owner and Contractor; the conditions of the contract between Owner and Contractor including any general, supplementary or other conditions; the drawings; the specifications; all addenda issued prior to the execution of the agreement between Owner and Contractor; and all modifications issued subsequent thereto including all change orders between Owner and Contractor to the extent that they are applicable to or have any effect on the subcontract work.

B. A copy of the contract documents is available for inspection and reference by Subcontractor at Contractor's office. Subcontractor represents that he has read and is familiar with the provisions of the contract documents and that he is familiar with all site conditions and availability of labor and materials in the area of the subcontract work.

Section III. Subcontract Sum

Contractor agrees to pay Subcontractor for the performance of the work, subject to additions and deductions by change orders, the sum of:

EXACTLY NINETEEN THOUSAND THREE HUNDRED SIXTY-NINE DOLLARS
\$19,369.00

Section IV. Time

Subcontractor shall start work within five (5) days after notification by Contractor and agrees to perform the subcontract work progressively as directed by Contractor and complete the entire project in accordance with the contract documents and within the time allotted in the contract documents or within said term as it may be extended by reason of delay, changes, additions or other reasons called for or allowed by Contractor, Architect, and/or Owner. Subcontractors work to be completed per the current Browning Construction Co. schedule. If work covered by your Contract falls behind schedule, actual damages for delays incurred by the Contractor and other subcontractors will be assessed and paid by the subcontractor delaying the project.

Section V. Obligations and Responsibilities of Subcontractor and Contractor

Contractor and Subcontractor agree to be bound by the terms of the contract documents described above which are made a part of this subcontract. Subcontractor shall be bound to Contractor by the terms of this agreement and of the contract documents between Owner and Contractor, and shall assume toward Contractor all the obligations and responsibilities which Contractor, by those documents, assumes towards Owner, and shall have the benefit of all rights, remedies and redress against Contractor, which Contractor by those documents has against Owner, insofar as applicable to this subcontract; and Contractor shall be bound to Subcontractor by the terms of this agreement and of the contract documents between Owner and Contractor and shall assume toward Subcontractor all the obligations and responsibilities that Owner, by those documents, assumes toward Contractor, and shall have the benefit of all rights, remedies and redress against Subcontractor which Owner, by those documents has against Contractor, insofar as applicable to this subcontract, provided that where any provision of the contract documents between Owner and Contractor is inconsistent with any provision in this agreement, this agreement shall govern.

Section VI. Default

A. Each of the following shall be deemed an act of default by Subcontractor and material breach of this Subcontract:

1. Refusal or neglect to supply a sufficiency of properly skilled workmen or materials in proper quality or quantity;
 2. Failure in any respect to prosecute the Work or any portion thereof with promptness and diligence;
 3. Failure to perform any of the agreements or covenants on its part contained herein; or
 4. The voluntary or involuntary commencement of any bankruptcy or related proceedings or the making of any assignment for benefit of creditors or related transactions.
- B. If Subcontractor, in the sole opinion of Contractor, commits an act of default hereunder, Contractor shall have the right to issue a written notice, by certified mail, thereof to Subcontractor and its Sureties, if any. If such act of default is not cured within forty-eight (48) hours after receipt by Subcontractor of the notice, Contractor, at any time thereafter prior to the curing of such act of default and without waiving any other rights herein or available to Contractor, at law or in equity, may do any one or more of the following:
1. Provide any labor or materials needed to complete the Work, and deduct the cost thereof from any money due or thereafter to become due subcontractor under this Subcontract;
 2. Terminate Subcontractor's right to proceed with the Work, or, at the option of Contractor, such part of the Work as to which such act of default has occurred;
 3. Enter upon Subcontractor's jobsite premises, and for the purpose of completing the Work, take possession of all materials, equipment, tools, and appliances thereon belonging to Subcontractor; and
 4. Finish the Work by whatever method Contractor may deem expedient, including the contracting with another subcontractor or subcontractors, as Contractor may deem advisable.

Initials

C. In the event that Contractor does any or all of the above, Subcontractor shall not be entitled to receive any further payment until the Work is finished and accepted. If the unpaid balance of the amount to be paid to Subcontractor under the provisions of this Subcontract exceeds the costs to Contractor of completing the Work plus all other expenses and damages that Contractor suffers by reason of such act of default, such excess shall be paid to Subcontractor. However, if the total of such costs, expenses, and damages shall exceed the unpaid balance, Subcontractor and its Sureties, if any, shall be liable for and promptly shall pay to Contractor the amount by which the total of such costs, expenses, and damages shall exceed such unpaid balance. The expense of completing the Work as used in this Section VI shall be defined to mean all costs incurred by Contractor in connection with completing the Work, including overhead, profit, attorney's fees and other costs and damages that Contractor suffers as a result of the act of default.

D. Termination of contract by Owner: In the event that Owner terminates the contract for convenience, Contractor shall have the right to terminate this Subcontract, in accordance with the applicable provisions of the contract.

Section VII. Payments

A. Contractor agrees to pay Subcontractor for the satisfactory performance of the subcontract work the amount specified in Section III, and to make payments, both partial and final, to Subcontractor within seven (7) days after such payments for the subcontract work are received by Contractor from Owner under the provisions of the contract documents, except that Contractor shall retain ten percent (10%) of each estimate on the subcontract work, until final completion of Subcontractor's work, with the balance to be paid within thirty (30) days after final completion and acceptance of Subcontractor's work by Owner. No payment, partial or final, will be made without a proper invoice submitted by Subcontractor, accompanied by an affidavit that all bills for labor, materials, taxes, services and other costs of the subcontract work to date have been paid, indemnifying Contractor and Owner therefrom, and a release by Subcontractor of all claims against Contractor and Owner arising from performance of this Subcontract (Attachment No. 1). Until final completion and delivery of the subcontract work, to the extent required by applicable law, all funds paid to Subcontractor shall be held in trust for application solely to payment of laborers, materialmen, fabricators, subcontractors and others furnishing elements of the subcontract work.

B. If at any time prior to final payment hereunder, Owner reduces the amount of retainage withheld from Contractor, Contractor may, in its sole discretion, reduce accordingly the retained percentage withheld from Subcontractor or make payments to Subcontractor before such payments are due without waiving any provision of this Section.

C. Subcontractor shall submit Progress Payment Requests to Contractor no later than the 25th of each month. Any Progress Payment requests received later than the 25th will be included in the following month's payment.

D. The making of final payment shall not constitute a waiver of any claim by Contractor against Subcontractor.

E. JOINT CHECK AGREEMENT: Contractor reserves the right to make payment by joint check or by direct check to Subcontractor's materialmen or subcontractors who may have a right of action against Contractor's surety under any laws. If joint checks are issued following claims by Subcontractor's materialmen or subcontractors, or if a joint check agreement is requested by a subcontractor or its suppliers, Contractor shall be entitled to an administrative fee of \$50.00 per check for the expense of processing each joint check.

Section VIII. Withholding of Payments

A. The Contractor may withhold part or all of any progress or final payment on account of:

1. Defective work not remedied;
2. Claims filed or reasonable evidence indicating probable filing of claims;
3. Failure of the subcontractor to make payments properly for material, labor or equipment;
4. A reasonable doubt that subcontractor's work can be completed for the balance then unpaid;
5. Damages to Contractor or another subcontractor;
6. Reasonable indication that Subcontractor's work will not be completed within the contract time, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay;
7. Failure of Subcontractor to furnish satisfactory proof of payment of all bills for labor, materials, taxes, services and other expenses in connection with the subcontract work; or
8. Failure of Subcontractor to comply with any term of the contract documents; or
9. Owner's disapproval of Subcontractor's work or other direction to Contractor that funds should not be paid to Subcontractor.

B. When the above grounds are removed, payment shall be made for the amounts withheld because of them.

Section IX. Bonds

The Subcontractor shall provide the following bonds in addition to any that may be required by the Contract Documents:

\$ _____

Section X. Insurance

A. Subcontractor shall not commence work under this subcontract until Subcontractor has obtained insurance with limits no less than those required under Paragraph "C" (or greater if required by law), and approved by Contractor and Owner. Certificates of insurance shall be filed with Contractor prior to commencing work.



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B. Kinds of Insurance and Limits of Liability (wherever not covered by OCIP)

project

explosions, blowout, cratering and underground
blasting.

PROPERTY
OF
Wright Office
Solutions

PROPERTY OF
Wright Office Solutions, Inc.

PROPERTY
OF
Wright Office
Solutions

B. Kinds of Insurance and Limits of Liability (wherever not covered by OCIP)

project)

explosions, blowout, cratering and underground blasting.

hired and non-owned coverage)

C. The fact that insurance purchased by Subcontractor is in compliance with law, which is required and specified herein, shall not prejudice in any way any claim of the Contractor against the Subcontractor for total indemnity, from any and all losses, under the "Hold Harmless" obligations herein assumed by Subcontractor.

D. The above insurance shall be provided by insurance carriers with a minimum AM Best Rating of A-VII.

Section XI. - Working Conditions, Facilities, Storage and Cleanup

A. If Subcontractor deems the conditions under which his work is to be performed or surfaces of work to which his work is to be applied or fixed are unsatisfactory or unsuitable, written notification of said conditions shall be given Contractor prior to commencing such work, otherwise no consideration will be given to claims for extra compensation or non-responsibility for unsatisfactory work.

B. Subcontractor shall provide at his own expense such shops, storage sheds, and offices as are necessary for the performance of this subcontract and shall remove same and thoroughly clean premises at the completion of the work. Storage and/or stock-piling of materials and equipment by Subcontractor will be closely coordinated with Contractor's Project Superintendent and will be maintained in an orderly and safe manner.

C. Subcontractor shall clean up rubbish and surplus material created from its operations daily. Trash dumpster will be provided by Contractor. Cleanup is included for all work performed under this agreement. Upon written notification, failure of subcontractor to cleanup from its daily operations will result in intervention by Browning Construction Co. to provide such cleanup to keep the job site safe. If Browning intervenes to clean up your debris you will be charged at a rate of \$50/manhour. Upon the request of Contractor, Subcontractor shall discharge the foreman or superintendent who fails to keep his work cleaned up. Subcontractor shall be responsible for the protection and final cleaning of his work.

Section XII. Protection of Work

In carrying out his work, Subcontractor shall take necessary precautions to protect the finished work of other trades from damage caused by his operations.

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Section XIII. Safety

A. Subcontractor shall familiarize himself with and abide by the safety rules and regulations of the Contractor as well as the safety laws, rules or regulations of any governmental body having the authority to control the manner or method of carrying out the Work, including, but without limitation, the Williams-Steiger Occupational Safety and Health Act of 1970, all rules and regulations established pursuant thereto, and all amendments and supplements thereto. It is the intent of this paragraph to set forth a minimum standard of safety. Subcontractor shall establish and enforce such other safety measures as may be required by the nature of the Work.

B. Subcontractor shall report within one day to Contractor any injury to any of Subcontractor's employees on the site. Subcontractor agrees to reimburse Contractor for any penalties imposed on Contractor under any safety act resulting from failure of Subcontractor, its employees, or Subcontractors to comply with said regulations. The foregoing obligation of Subcontractor shall include any situation in which Contractor and Contractor's other subcontractors may be cited for working at the construction site while a violation of said regulation charged to Contractor, his employees, or subcontractors remains uncorrected. Subcontractor shall be reimbursed by Contractor for any penalty imposed on Subcontractor under the above act resulting from the failure of any party other than Subcontractor to comply with said regulations.

C. Subcontractor shall prepare, file and maintain at the Contractors project trailer a Hazard Communication Program for this project that complies with the requirements of the OSHA Hazard Communication Standards, Title 29 Code of Federal Regulations 1926.59, and insure that information necessary for the safe use, handling and storage of hazardous chemicals is provided to and made available to employees.

D. Subcontractor shall man the job with drug-free employees, and agrees to abide by Contractor's written policy related to drug, alcohol and other prohibited items (Attachment No. 2). This agreement is evidenced by subcontractor's execution and return of Acknowledgement of Policy Related to Drug, Alcohol and Other Prohibited Items (Attachment No. 3).

Section XIV. Warranty

A. Subcontractor warrants that all materials and equipment furnished and incorporated by him in the project shall be new unless otherwise specified and that all work under this subcontract shall be of good quality, free from faults and defects, and in conformance with the contract documents. All work not conforming to these standards may be considered defective. The warranty provided in this paragraph shall be in addition to and not in limitation of any other warranty or remedy required by law or by the contract documents.

B. Asbestos - Free

Subcontractor shall carefully review each submittal to assure that no asbestos is contained in any material or product used on this project. In conformance with the requirements of the Contract Documents, at the completion of the project and prior to final payment, subcontractor shall provide the Contractor a notarized Warranty stating that no asbestos containing material or product is contained in this project.

Section XV. Assignment

Subcontractor shall not assign this subcontract without written consent of Contractor, nor subcontract the whole of this subcontract or any part thereof without the written consent of Contractor. Subcontractor shall not assign any amount due, or to become due, under this subcontract without written consent of Contractor.

Section XVI. Report of Financial Condition

Subcontractor shall furnish, when requested by Contractor, accurate and true information in affidavit form which will correctly reflect the amounts due or to become due, amounts paid and other information necessary to clearly indicate the financial condition of the subcontractor insofar as it relates to labor, material, or equipment furnished or to be furnished under this subcontract.

Section XVII. Equipment

Subcontractor agrees that Contractor's equipment will be available to Subcontractor only at Contractor's discretion and on mutually satisfactory terms. Contractor may at times have equipment available on the jobsite. If the subcontractor desires to use the equipment, upon approval and coordination of Contractors project superintendent, equipment will be billed in 15-minute increments at the following rates:

Forklift - \$50/hr
Backhoe - \$45/hr
Bobcat - \$40/hr
Scissor Lift - \$40/hr

If Contractor must off load your materials and equipment then the above rates will be charged.

Section XVIII. Changes

A. Contractor may at any time by a "change order" in writing, signed by Contractor's authorized representative, and without notice to the sureties on any bond, change or issue additional instructions, change or issue additional specifications and plans, and change, omit or require extra, additional work to be performed by Subcontractor. If such change orders increase or decrease the cost of the subcontract work to Subcontractor, there shall be an increase or decrease in the consideration to Subcontractor by one of the following:

1. In accordance with the unit prices specified in this subcontract agreement; if any and agreed by Contractor to be applicable; or
2. Pursuant to a lump sum proposal acceptable to Contractor; or
3. By the actual direct cost to Subcontractor by such change in the subcontract work plus a percentage markup acceptable to the Contractor,

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which cost directly related thereto will be supported by approved payrolls and paid invoices on additions to the subcontract work and by agreed estimates of labor and materials deleted for decrease in the subcontract work.

B. Subcontractor agrees that no extra work or changes in the subcontract work or in the subcontract will be recognized or paid for unless agreed to in writing and approved by Contractor and/or Owner as applicable before such work is done or such changes are made.

Section XIX. Cooperation

A. Subcontractor shall cooperate with Contractor and other subcontractors whose work might interfere with Subcontractor's work and shall participate in the preparation of coordinated drawings in areas of congestion as required by the contract documents specifically noting and advising Contractor of any such interference.

B. Subcontractor shall cooperate with Contractor in scheduling and performing his work to avoid conflict or interference with the work of others.

Section XX. Shop Drawings and Submittal Data

Subcontractor shall submit to the Contractor, for approval by the Architect and engineers, shop drawings, samples, manufacturer's literature, certificates of compliance, colors, etc., in accordance with the procedures set forth in the specifications. Submittals shall be made timely (within 60 days of receipt of this contract) and as required in order to perform the subcontract work efficiently, expeditiously and in a manner that will not cause delay in the progress of the work of Contractor or other subcontractors. Shop drawings shall be complete and detailed; all printing of shop drawings and submittals required by this subcontract to be at the expense of Subcontractor. All submittals rejected by Contractor or the Design Team must be resubmitted within 10 days of receipt of the notice. If submittals are rejected twice then a \$500 administrative processing fee will be assessed for each submission after the second submission. At the time of submission Subcontractor shall inform the Contractor in writing of any deviation in the shop drawings or samples from the requirements of the contract documents. If shop drawings are required then you will submit a sepia and 7 paper copies unless noted otherwise.

Section XXI. Compliance

A. Subcontractor shall give all notices and comply with all laws, ordinances, rules, regulations and orders of any public authority bearing on the performance of the work under this subcontract. Subcontractor shall secure and pay for all permits, fees, taxes and licenses necessary for the execution of the work described in the contract documents as applicable to this subcontract.

B. Subcontractor shall comply with all federal, state and local tax laws, social security acts, unemployment compensation acts and workmen's compensation acts insofar as applicable to the performance of this subcontract.

Section XXII. Indemnity

To the fullest extent permitted by applicable law, subcontractor shall and does agree to indemnify, protect, defend and hold harmless the contractor, owner and each of the aforementioned parties' respective affiliated companies, partners, successors, assigns, heirs, legal representatives, devisees, officers, directors, shareholders, employees and agents (collectively, "indemnities") for, from and against all liabilities, claims, damages, losses, liens, causes of action, suits, judgments and expenses, (including court costs, attorney fees and costs of investigation), of any nature, kind or description of any person or entity, directly or indirectly arising out of, caused by, or resulting from (in whole or in part): (1) the work performed hereunder, or any part thereof; (2) this subcontract; (3) any act or omission of subcontractor, anyone directly or indirectly employed by subcontractor, or anyone that it controls or exercises control over, including but not limited to its agents, employees, subcontractors, invitees, or the agents, employees, or invitees of such contractors; (4) the providing by contractor of any bonds, machinery, equipment, equipment operators or other personnel to subcontractor or to its subcontractors for their use thereof; or (5) contractor or owner's failure to provide a safe place to work or failure to warn and/or supervise subcontractor (collectively, "liabilities"). The obligations of subcontractor under this indemnification shall apply to liabilities even if such liabilities arise from or are attributed to the concurrent negligence of the indemnities. The only liabilities with respect to which subcontractor's obligation to indemnify the indemnities does not apply is with respect to liabilities resulting from the sole negligence or willful misconduct of the indemnities. Subcontractor shall promptly advise owner and contractor in writing of any action, administrative or legal proceeding or investigation as to which this indemnification may apply, and subcontractor, at subcontractor's expense, shall assume on behalf of the indemnities and conduct with due diligence and in good faith, the defense thereof with counsel satisfactory to the indemnities; provided, however that the indemnities shall have the right, at its option, to be represented therein by advisory counsel of its own selection and its own expense. In the event of failure by subcontractor to fully perform in accordance with this indemnification paragraph, the indemnities, at its option, and without relieving subcontractor of its obligation hereunder, may so perform, but all costs and expenses so incurred by the indemnities in that event shall be reimbursed by subcontractor to the indemnities, together with interest on the same from the date any such expense was paid by the indemnities until reimbursed by subcontractor, at the rate of interest to be provided to be paid on judgments, by the law of the jurisdiction to which the interpretation of this contract is subject. This indemnification shall not be limited to damages, compensation or benefits payable under insurance policies, workers' compensation acts, disability benefit acts or other employees' benefits acts. It is agreed with respect to any legal limitations now or hereafter in effect and affecting the validity or enforceability of the indemnification obligation under this section, such legal limitations are made a part of the indemnification obligation and shall operate to amend the indemnification obligation to the minimum extent necessary to bring the provision into conformity with the requirements of such limitations, and as so modified, the indemnification obligation shall continue in full force and effect.

Section XXIII. Right to Manage and Control

In the performance of the subcontract work Subcontractor is an independent contractor with the right to supervise, manage and control the performance of the details thereof, Contractor and Owner being interested only in the results of the same and being entitled to inspect the performance of the subcontract work by Subcontractor only to the extent necessary to assure such results.

Section XXIV. Claims by Subcontractor

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Subcontractor agrees to make all claims except as otherwise provided herein to Contractor in the manner provided in the documents for like claims by the Contractor upon the Owner, provided, however, no claim by Subcontractor shall be allowed unless it is asserted in writing to the Contractor within ten (10) days after the act or occurrence upon which the claim is based.

Section XXV. Claims and Disputes

Any claim or dispute arising out of or relating to the contract shall be subject to binding arbitration under the rules and procedures of the American Arbitration Association. Prior to arbitration, the parties shall endeavor to resolve disputes by mediation.

Section XXVI. Unit Prices

The following Unit Prices will be used to calculate the final contract sum. Quantities used to calculate Subcontractor's Foreman will identify Unit Prices and approved by Contractor's Superintendent. Unit Prices applicable to this subcontract are:

\$ _____

Section XXVII. Supplementary Terms of this Subcontract

In witness whereof, the parties hereto have executed this agreement for themselves, their heirs, executors, successors, administrators, and assigns, on the day and year first above written.

Gray Heating & Cooling , Subcontractor

By: _____
Name: _____
Title: _____
Date: _____

Managed Rite Construction , Contractor

By: _____
Name: _____
Title: _____
Date: _____

SUBCONTRACTOR'S APPLICATION FOR PAYMENT

Attachment No. 1

To : **Managed Rite Construction**

From: **Gray Heating & Cooling**

Project : **Williams Post Office**

HVAC & Sheetmetal

PAYMENT REQUEST NO. _____

PERIOD _____ TO _____

STATEMENT OF CONTRACT ACCOUNT:

1. Original Contract Amount :	<u>19,369.00</u>
2. Approved Charges (Net) (Add/Deduct) : (as per attached breakdown)	\$ _____
3. Adjusted Contract Amount :	\$ _____
4. Value of work Completed to Date : (as per attached breakdown)	\$ _____
5. Value of Approved Change Orders Completed to Date : (as per attached breakdown)	\$ _____
6. Materials Stored on Site : (as per attached breakdown)	\$ _____
7. Total (4+5+6) :	\$ _____
8. Less Amount Retained -	(\$ _____)
9. Total Less Retainage : 10.00	\$ _____
10. Total Previously Certified (Deduct) :	(\$ _____)
11. AMOUNT OF THIS REQUEST :	\$ _____

CERTIFICATE OF THE SUBCONTRACTOR

I hereby certify that the work performed and the materials supplied to date, as shown on the above represent the actual value of accomplishment under the terms of the Contract (and all authorized changes thereto) between the undersigned and BROWNING RESIDENTIAL LTD. relating to the above referenced project.

I also certify that payments, less applicable retention, have been made through the period covered by previous payments received from Contractor, to (1) all my subcontractors (sub-subcontractors) and (2) for all materials and labor used in or in connection with the performance of this Contract. I further certify I have complied with Federal, State and local tax laws, including Social Security laws and Unemployment Compensation laws and Workers' Compensation laws insofar as applicable to the performance of this Contract.

Furthermore, in consideration of the payments received, and upon receipt of the amount of this request, the undersigned hereby: (1) certifies that all obligations for labor, materials, taxes, services and other costs of this work to date have been paid in full, and that there are no unsatisfied claims, liens, etc. for such items; (2) agrees to indemnify and hold Browning Residential LTD and Owner harmless from all claims, lawsuits or liens for materials and services furnished and labor performed on this project, and to reimburse Browning Residential Ltd. for any costs including attorney's fees arising from same; (3) releases Browning Residential Ltd and Owner from all claims or liability arising from performance of this Subcontract.

Subcontractor: **Gray Heating & Cooling**

By : _____

Title : _____

Contract #	<u>764</u>
Cost Code #	_____

STATE OF TEXAS }
COUNTY OF BEXAR }
SUBSCRIBED AND SWORN to before me by the said _____ of _____
_____ on the _____ day of _____, 20____ on behalf of said organization.

To help ensure a safe, healthy and productive drug-free work environment for the employees of Managed Rite Construction hereinafter referred to as "Company" on Company property, to protect Company property and assets, maintain favorable public image and to assure efficient operations, Company has adopted a Policy on drugs, alcohol and other prohibited items.

It is the policy of the Company to maintain its property and to provide a drug-free working environment that is both safe for our employees, including others having business with the Company or on Company property, and conducive to efficient and productive work standards. This policy restricts certain items and substances from being brought on or being present on Company property, prohibits Company employees and all others from reporting to work, working or being present on Company property, whether or not on duty, from having detectable levels or identifiable trace quantities of certain drugs and other substances, and prohibits the unauthorized possession by employees or others, of property, equipment, materials or proprietary information belonging to the Company or others.

PROHIBITED ITEMS

The use, possession, sale, manufacture, distribution, dispensation, concealment, receipt, transportation, or being under the influence of any of the following items of substances on Company property (including the presence of detectable levels or identifiable trace quantities), by employees and all others, is prohibited:

Illegal drugs; controlled substances; marijuana; mood or mind altering substances, legal or illegal; "look-alike" substances; designer, counterfeit or synthetic drugs; inhalants; and any other drugs or substances which will in any way affect safety, workability, alertness, coordination, judgement, response or affect the safety of others on the job.

Alcoholic beverages, except as specifically authorized by Company management. (NOTE : Moderate use of alcohol at Company approved meetings, or in an appropriate social setting, is not prohibited by this Policy.) Consuming alcoholic beverages while driving any vehicle for Company business is prohibited. The consumption of alcohol on Company time or on Company property is prohibited.

Firearms, ammunition, or explosives and weapons, except as specifically authorized by Company management.

Drug paraphernalia.

Theft, conversion, misappropriation or unauthorized removal, possession or use of property or equipment belonging to the Company, or others, including, but not limited to, materials, tools, documents and proprietary information.

Prescription drugs and over the counter medications, except under the following conditions:

- a. The drugs have been prescribed by an authorized medical practitioner for current use (within the past 12 months) for the person in possession of the drugs.
- b. The drugs/medications, both prescribed and over the counter, are limited to a one-day's supply, or must be kept in their original container and must be taken in accordance with the dosage recommendations and usage caution and must not affect the person's ability to perform work safely.
- c. The Company reserves the right to consult with a medical doctor to determine if a drug or medication, whether prescribed or not, produces hazardous or non-safe effects and may restrict the use of any such drug or medication accordingly on Company property. This may also include restricting individual's work activity or presence at the worksite.

POLICY ENFORCEMENT

Because of the importance of the Policy, the Company reserves the right, at all times, while on Company premises and property and when circumstances warrant, to have Company supervisors and/or authorized Search and Inspection Specialists, including scent-trained dogs, conduct reasonable searches and inspections of employees, or other persons, and their personal property and effects, to include, but not be limited to lockers, lunch boxes, purses, briefcases, baggage, offices, desks, tool boxes, clothing and vehicles (including trunks, glove compartments, etc.) for the purpose of determining if such employees or other persons are using, possessing, selling, manufacturing, distributing, dispersing, concealing, receiving or transporting any of the prohibited items and substances contained in this Policy.

The employee's supervisor has the right to conduct an on-the-spot search and inspection of employees, or others, and their personal property and effects as described above, if said supervisor has a reasonable suspicion that employees, or others, are in direct violation of any part of this Policy. All searches and inspections conducted by outside authorized specialists will be in the presence of a Company representative.

A Search and Inspection, as defined herein, may also include and require employees and others present on Company property to submit to a Urine Drug Screen and/or Blood Test. Test may be required under the following circumstances:

- a. Pre-Employment examinations
- b. To comply with contractual agreements, Client/Customer job site requirements, or governmental/regulatory regulations and requirements.
- c. When an employee's supervisor has a reasonable suspicion that an employee or other person on Company property, is using or under the influence of prohibited drugs, alcohol and substances, or that there has been a violation of this policy.
- d. When an employee, or other person, is found in possession of suspected illegal or prohibited drugs and substances, or when any of these drugs or substances are found in an area controlled or used exclusively by said employee or other person.
- e. When an employee returns to active employment after a layoff or non-medical leave of absence of thirty (30) or more days.
- f. Following an on-the-job injury requiring treatment from physicians, or following a serious or potentially serious accident or incident, including near misses, in which safety precautions were violated, unsafe instructions or orders were given, vehicles/equipment/property were damaged, unusually careless acts were performed, or where the cause was due to the failure to wear prescribed personal protective equipment. All persons involved and within the immediate vicinity of the incident may have their urine and blood tested. If it is impossible or impractical, because of the physical condition of individual(s) involved in the accident, to give a urine and blood sample, and if in subsequent medical treatment of that person(s) blood will be drawn, then blood will be analyzed for drugs, alcohol and other prohibited substances.
- g. Randomly (Periodic and unannounced) Random testing, other than to meet current specific job site requirements, will not commence until 20 days following the date of this policy; however, applicants for employment shall be subject to testing as of the date of this policy. The Search, Inspection, Urine and/or Blood Drug Screening provisions herein will be performed with concern for the personal privacy of each employee, or other person, and will also apply to contract labor, when feasible.

All persons shall have the opportunity, prior to testing, to list all prescription and non-prescription drugs they have used in the last thirty (30) days and to explain the circumstances surrounding the use of such drugs.

DRUGS TESTED FOR and LEVELS OF DETECTION

DRUG or Metaboite in Urine (GC/MS)	Initial Test (Emit)	Confirmation Test
Amphetamine (Includes Methamphetamine)	1,000 ng/ml	500 ng/ml
Barbiturate	300 ng/ml	300 ng/ml
Benzodiazepine	300 ng/ml	300 ng/ml
Cannabinoid (Marijuana, hashish)	20 ng/ml	15 ng/ml (carbon THC)
Cocaine	300 ng/ml	150 ng/ml
Methadone	300 ng/ml	300 ng/ml
Opiate: Morphine, Codeine	300 ng/ml	300 ng/ml
Methaquaione	300 ng/ml	300 ng/ml
Phencyclidine (PCP)	25 ng/ml	25 ng/ml
Ethanol (Enzyme Assay) (GC/FID)	.04g/% w/volume	,04g/% w/volume

PENALTIES FOR VIOLATING POLICY

Preliminary findings of a Policy violation may require that the employee be suspended, without pay, pending the results of a Company investigation. If said investigation clears the employee of any Policy violation, then said employee will be fully reinstated, including pay, to his/her job.

All subcontractor, vendor and supplier personnel and other third parties on Company premises will be subject to this Policy. Any such individual found in violation of this Policy, or who refuses to be searched or drug/alcohol tested, will be removed and barred from further entry or access to Company premises. Repeated violations of this Policy by contractor, vendor or supplier employees may also cause cancellation of the contract between the Company and such subcontractor, vendor or supplier and may result in losing the right to do business with the Company.

An employee, or anyone else, who in any way alters, tampers with, or substitutes a urine or blood specimen, will be considered a violator of this Policy and the employee shall be discharged. A non-employee shall be removed and barred from Company premises.

The Company may take into custody any illegal, unauthorized or prohibited items or substances and may turn them over to the proper law enforcement agencies.

OFF-THE-JOB DRUG/ALCOHOL/SUBSTANCE USE AND ACTIVITY

Employees who use drugs, alcohol or chemical substances off-the-job run the risk of jeopardizing the safety of themselves, their family, the public and the Company. Whenever such usage adversely affects public trust in the Company to carry out its responsibilities, or increases potential liability for the Company, the Company may be forced to take disciplinary action against the offending employee(s), up to and including termination of employment.

Employees who are convicted or plead guilty or nolo contendere because of off-the-job activities (drug or alcohol related) may be considered in violation of this Policy. In deciding what action to take, the Company will consider the nature of the charges and other factors relative to the impact of the employee's conviction or plea upon the conduct of the Company's business.

EMPLOYEE ASSISTANCE

Abuse of alcohol and drugs is recognized as a pervasive problem that affects the Company as well as society and creates a need for guidelines regarding assistance. Accordingly, when it is determined that an employee is suffering from an alcohol or drug abuse problem, efforts will be made to assist the employee using available Company and community resources. However, this does not preclude, under the policy, Company's right to administer discipline up to and including discharge for on-the-job conduct even though it is related to the use of alcohol or drugs.

Employees must realize that if they seek assistance, the matter will be kept in confidence and shared only on a need-to-know basis.

Employees who successfully complete counseling and/or rehabilitation may be tested periodically and on an unannounced basis (urine and/or blood) by the Company to ensure that they stay drug/alcohol free. If they subsequently have a positive test for drugs/alcohol, they will be discharged.

FEDERAL CONTRACTS

All employees working at job sites that are under a federal contract with the Company in excess of \$25,000 must abide by this Policy as a condition of their employment. Any employee found in violation of this Policy is subject to immediate discharge. All employees are required to report to the Company any criminal drug conviction for a violation occurring in the work place within five (5) days of the conviction. Violation of this reporting requirement will result in disciplinary action up to and including discharge.

SAVINGS CLAUSE

If any part of this Policy is held invalid by a competent authority, such part shall be invalid and the remainder of the Policy shall continue in full force and effect.

DEFINITIONS

To aid in understanding and administering this Policy, the following definitions apply:

"Illegal Drugs" - drugs which are not legally obtainable and drugs which are legally obtainable but have been obtained illegally.

"Controlled Substances" - chemical substances and drugs controlled under the laws of the United States of America or by appropriate state law. Anything that one can consume but cannot purchase at will.

POLICY RELATED TO DRUG, ALCOHOL AND OTHER PROHIBITED ITEMS (Continued)

"Company Property", "Company Premises" - used in its broadest sense and includes all property, facilities, land, offices, living quarters, buildings, structures, fixtures, installations, trailers, equipment, boats, vessels, barges, aircraft, automobiles, trucks, all other vehicles, and parking areas, whether owned, leased, used or under the control of the Company. This may also include other work locations, including the job sites of a customer, or to and from those locations while in the course and scope of Company employment.

"Detectable Levels", "Identifiable Trace Quantities" - the measurable presence of an illegal or prohibited drug or substance found in the body fluids at levels of detection above the lowest cut-off levels as established by the analytical methods used by the testing laboratory.

"Proprietary Information" - information or knowledge, written or otherwise, either owned or of an exclusive or confidential nature.

"Reasonable Suspicion" - a belief based on reasonably observable, objective or articulable facts sufficient to lead a prudent supervisor to suspect that the employee or other person, has been using a prohibited drug, alcohol or substance.

"Under the Influence" - being unable to perform work in a safe and productive manner, being in a physical or mental condition which creates a risk to the safety and well-being of the individual, other employees, the public, or Company property; and/or having any laboratory evidence of the presence of drugs, alcohol, prohibited or controlled substances, in excess of an identifiable trace quantity and regardless of quality, in the body.

"Possession" - actual or constructive care, custody, control or immediate access.

"Designer Drugs" - any drug which, through the alteration of the chemical structure of an illegal drug, is manufactured, sold and used, or intended to be used, to produce the desired effect of the parent drug.

"Look-Alike Drugs" - substances which may be legal to possess, such as caffeine, but which are manufactured and sold in such a manner that they have the physical appearance of a controlled substance and are represented as such.

"Firearm(s)" - a weapon from which a shot or projectile is capable of being discharged. Includes hand guns, rifles, shotguns, antique firearms, and other weapons as defined by the Gun Control Act of 1968 and revisions thereof.

"Weapons" - an object, or item, which by design, manufacture, or intended use, can serve as an instrument of offensive or defensive combat, regardless of whether the item is legal or illegal to possess. This includes, but is not limited to, knives of illegal length, "brass knuckles", stun guns, clubs, explosives, etc.

"Drug Paraphernalia" - includes, but not limited to:

1. Blenders, bowls, containers, spoons, mixing devices used or intended for use in compounding controlled substances.
2. Capsules, balloons, envelopes and other containers used or intended for use of concealing or packaging small quantities of controlled substances.
3. Hypodermic syringes, needles or other objects designed or intended for injecting controlled substances into the human body.
4. Objects used or intended for use or designed for use in ingesting, inhaling, or otherwise introducing marijuana, cocaine, hashish, hashish oil, etc., into the human body such as: pipes, (Metal, wooden, glass, acrylic, stone, plastic or ceramic, with or without screens); water pipes; carburetion tubes and devices; smoking and carburetion masks, roach clips or other objects used to hold smoking materials, chamber pipes; electric pipes; air-driver pipes; bongs; ice pipes; and rolling paper (e.g. Zig-Zag, E-Z Wider, J-B, Joker, etc.) not associated specifically with tobacco products.

This Policy supersedes any and all other Company drug policies.

Contract No. 764

Cost Code = _____

ACKNOWLEDGEMENT OF POLICY RELATED TO DRUG, ALCOHOL AND OTHER PROHIBITED ITEMS

Attachment No. 3

To help ensure a safe, healthy, efficient and productive working environment, Managed Rite Construction (herein referred to as Company), has a Policy to prohibit the use, possession, sale, manufacture, distribution, concealment and transportation of, or being under the influence of any prohibited items and substances on Company property, all as set forth in the accompanying Drug, Alcohol and Other Prohibited Items Policy. The Policy enforcement program involves reasonable searches of all persons, their personal effects, including vehicles, while working or present on Company property. These searches may include the use scent-trained dogs and the taking of urine and/or blood samples for drug testing and analysis.

Random drug screens will be made on all Company jobsites. Random selection by computer program or other reliable systems monitored by Company management will ensure unbiased selections. Personnel who refuse to take the test will be banned from all Company jobsites. In addition, an accident on Company premises which requires medical attention will require a drug screen of the individual(s) involved within three hours of the accident and prior to return to work.

A copy of said Policy is included as Attachment No. 2 to the Subcontract which sets forth "premises and property," items and substances which are prohibited and are covered by said Policy, penalties for violation of said Policy, involvement of law enforcement authorities, and the responsibilities of your employees while on Company property.

As subcontractor, supplier, and/or employer, you will be immediately notified of refusal by any of your employees to consent to a search or a urine and/or blood screening test, or to cooperate fully in this safety program. Should any of your employees be found in violation of this Policy, they will be subject to immediate removal from Company property or job site.

Violation of this Policy by your employees may also cause cancellation of the contract between you and this Company, and loss of the right to do business by the Company.

You must inform your affected employees that this Policy is in effect prior to working on the job site. A copy of the Policy, which explains consequences of non-compliance, will be posted at all Company facilities.

Please acknowledge your acceptance and willingness to cooperate in implementation of the above procedures by returning an executed copy of this Acknowledgement to

Managed Rite Construction

AGREED, ACCEPTED and CONSENTED TO on 01/16/2007

SUBCONTRACTOR/SUPPLIER : **Gray Heating & Cooling**
4320 Eucalyptus Way
Santa Rosa, CA
95401

BY : _____

Contract No. 764
Cost Code _____

SPECIAL CONDITIONS OF THE CONTRACT

9,500 SF Reinforced Masonry Block building.
Bonding is required.
Requires Cert. PR reports on a weekly basis

Punch list is nearly complete

Contract No. 764

Cost Code = _____

SUBCONTRACTOR SAFETY MANAGEMENT

Safety Program and to comply with all local, state and federal laws and best industry practices. A copy of the Browning Residential Ltd. Safety Program is available for review in the jobsite office. Every subcontractor's employee will be responsible for safely performing his/her work in line with established work practices. Federal law dictates that the employer shall be responsible for the safety of their employees. The General Contractor has oversight responsibilities only.

will be conveyed to all employees.

the hazards associated with their task, prior to commencing work on this project.

law and company policy.

items are in compliance and in good working order.

and travel alarms, trench protection, etc., is in full compliance and in good working order.

with any safety related issues or any fines incurred because of such failures.

Signature _____ Date _____

PROPERTY OF
Wright Office Solutions, Inc.
PROPERTY OF
Wright Office Solutions

ADDENDA 1

This subcontract can be invoiced all at once or for each separate line items one at a time. If you do invoice by line item each line item must be 100%

PROPERTY
OF
Wright Office
Solutions

PROPERTY OF
Wright Office Solutions, Inc.

PROPERTY
OF
Wright Office
Solutions

Contract No. 01/16/2007

Cost Code = _____