

K-MAG CONSTRUCTION INC.

CALIFORNIA CONTRACTOR AGREEMENT

THIS AGREEMENT made the 27 day of October 2008, by and between K-MAG CONSTRUCTION INC., hereinafter called the Contractor. Mr. & Mrs. John Smith , hereinafter called the Owner.

Witnessed, that the Contractor and the Owner for the considerations named agree as follows:

Article 1. Scope of the Work

The Contractor shall furnish all of the materials and perform all of the work shown on the Drawings and/or described in the Specifications entitled Exhibit A, and B as annexed hereto as it pertains to work to be performed on property at 1234 Mint Dr. Chino Hills, Ca. 91709.

Article 2. Time of Completion

The work to be performed under this Contract shall be commenced with in seven days of proved plans, and shall be substantially completed with in Ten to Twelve weeks from start date. Time is of the essence. The following constitutes substantial completion of work pursuant to this proposal and contract:
(Specify)

Article 3. The Contract Price

The Owner shall pay the Contractor for the material and labor to be performed under the Contract the sum of One Hundred Sixty Two Thousand, Two Hundred Dollars (**\$162,200.00**) subject to additions and deductions pursuant to authorized change orders.

Article 4. Progress Payments

Payments of the Contract Price shall be paid in the manner following invoice:
Progress payment shall be made weekly. PH-1 – PH-19 and all other payment shall be billed weekly. A detail description of each phase is shown on Exhibit “B”.

Article 5. General Provisions

Any alteration or deviation from the above specifications, including but not limited to any such alteration or deviation involving additional material and/or labor costs, will be executed only upon a written order for same, signed by Owner and Contractor, and if there is any charge for such alteration or deviation, the additional charge will be added to the contract price of this contract.

If payment is not made when due, Contractor may suspend work on the job until such time as all payments due have been made. A failure to make payment for a period in excess of 14 days from the due date of the payment shall be deemed a material breach of this contract.

In addition, the following general provisions apply:

1. All work shall be completed in a workman-like manner and in compliance with all building codes and other applicable laws.
2. The Owner shall furnish a plan and scale drawing showing the shape, size dimensions, and construction and equipment specifications for home improvements, a description of the work to be done and description of materials to be used and the equipment to be used or installed, and the agreed consideration for the work.
3. To the extent required by law all work shall be performed by individuals duly licensed and authorized by law to perform said work.

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4. Contractor may at its discretion engage subcontractors to perform work hereunder, provided Contractor shall fully pay said subcontractor and in all instances remain responsible for the proper completion of this Contract.
5. Contractor shall furnish Owner appropriate releases or waivers of lien for all work performed or materials provided at the time the next periodic payment shall be due.
6. All change orders shall be in writing and signed both by Owner and Contractor, and shall be incorporated in, and become a part of the contract.
7. Contractor warrants it is adequately insured for injury to its employees and others incurring loss or injury as a result of the acts of Contractor or its employees or subcontractors.
8. Owner shall at its own expense obtain all permits necessary for the work to be performed.
9. Contractor agrees to remove all debris and leave the premises in broom clean condition.
10. In the event Owner shall fail to pay any periodic or installment payment due hereunder, Contractor may stop work without breach pending payment or resolution of any dispute.
11. Any controversy or claim arising out of or relating to this contract or the breach thereof shall be settled by arbitration in accordance with the Uniform Rules for Better Business Bureau Arbitration, and the judgment upon the award rendered by the arbitrator (s) may be entered in any court having Jurisdiction thereof.
12. Contractor shall not be liable for any delay due to circumstances beyond its control including strikes, casualty or general unavailability of materials.
13. Contractor warrants all work for a period of 12 months following completion.

FAILURE BY CONTRACTOR WITHOUT LAWFUL EXCUSE TO SUBSTANTIALLY COMMENCE WORK WITHIN TWENTY (20) DAYS FROM THE APPROXIMATE DATE SPECIFIED IN THE PROPOSAL AND CONTRACT WHEN WORK WILL BEGIN IS A VIOLATION OF THE CONTRACTOR'S LICENSE LAW.

Article 6. Other Terms

1. The following terms and conditions apply to the payment schedule in Article 4:
 - a. If the payment schedule contained in the contract provides for a down payment to be paid to Contractor by Owner before the commencement of work, such down payment shall not exceed One Thousand Dollars (\$1,000) or 10% of the contract price, excluding finance charges, whichever is the lesser.
 - b. In no event shall the payment schedule provide for Contractor to receive, nor shall Contractor actually receive, payment in excess of 100% of the value of the work performed on the project at any time, excluding finance charges, except that Contractor may receive an initial down payment authorized by condition (a) above.
 - c. A failure by Contractor without lawful excuse to substantially commence work within twenty (20) days of the approximate date specified in this Contract when work will begin shall postpone the next succeeding payment to Contractor for that period of time equivalent to the time between when substantial commencement was to have occurred and when it did occur.
 - d. The terms and conditions set forth in sub-paragraphs (a), (b), and (c) above pertaining to the payment schedule shall not apply when the contract provides for Contractor to furnish a performance and payment bond, lien and completion bond, bond equivalent, or joint control approved by the Registrar of Contractors covering full performance and completion of the contract and such bonds or joint control is or are furnished by Contractor, or when the parties agree for full payment to be made upon or for a schedule of payments to commence after satisfactory completion of the project.

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e. If the contract provides for a payment of a salesperson's commission out of the contract price, that payment shall be made on a pro rata basis in proportion to the schedule of payments made to the contractor by the disbursing party.

2. WARNING:

a. Do not use this form if the Owner is going to pay interest or any finance charge. A Home Improvement Contract with finance charges must comply both with the California Retail Installment Sales (Unruh) Act and the Federal Truth in Lending Act. The Federal Truth in Lending Act also applies if the contract price is payable in more than four installments, even if there are no interest or finance charges. (Note: Progress payments are not installment payments.)

b. Do not use this form if this is a contract for construction of a swimming pool.

NOTICE TO OWNER

(Section 7018.5--Contractors License Law)

THE LAW REQUIRES THAT, BEFORE A LICENSED CONTRACTOR CAN ENTER INTO A CONTRACT WITH YOU FOR A WORK OF IMPROVEMENT ON YOUR PROPERTY, HE MUST GIVE YOU A COPY OF THIS NOTICE.

Under the California Mechanics' Lien Law, any contractor, subcontractor, laborer, supplier, or other person or entity that helps to improve your property, but is not paid for his or her work or supplies, has a right to place a lien on your home, land, or property where the work was performed and to sue you in court to obtain payment.

This means that after a court hearing, your home, land, and property could be sold by a court officer and the proceeds of the sale used to satisfy what you owe. This can happen even if you have paid your contractor in full if the contractor's subcontractors, laborers, or suppliers remain unpaid.

To preserve their rights to file a claim or lien against your property, certain claimants such as subcontractors or material suppliers are each required to provide you with a document called a "Preliminary Notice." Contractors and laborers who contract with owners directly do not have to provide such notice since you are aware of their existence as an owner. A preliminary notice is not a lien against your property. Its purpose is to notify you of persons or entities that may have a right to file a lien against your property if they are not paid. In order to perfect their lien rights, a contractor, subcontractor, supplier, or laborer must file a mechanics' lien with the county recorder which then becomes a recorded lien against your property. Generally, the maximum time allowed for filing a mechanics' lien against your property is 90 days after substantial completion of your project.

TO INSURE EXTRA PROTECTION FOR YOURSELF AND YOUR PROPERTY, YOU MAY WISH TO TAKE ONE OR MORE OF THE FOLLOWING STEPS:

(1) Require that your contractor supply you with a payment and performance bond (not a license bond), which provides that the bonding company will either complete the project or pay damages up to the amount of the bond. This payment and performance bond as well as a copy of the construction contract should be filed with the county recorder for your further protection. The payment and performance bond will usually cost from 1 to 5 percent of the contract amount depending on the contractor's bonding ability. If a contractor cannot obtain such bonding, it may indicate his or her financial incapacity.

(2) Require that payments be made directly to subcontractors and material suppliers through a joint control. Funding services may be available, for a fee, in your area which will establish voucher or other means of payment to your contractor. These services may also provide you with lien waivers and other forms of protection. Any joint control agreement should include the addendum approved by the registrar.

(3) Issue joint checks for payment, made out to both your Contractor and subcontractors or material suppliers involved in the project. The joint checks should be made payable to the persons or entities which send preliminary notices to you. Those persons or entities have indicated that they may have lien rights on your property; therefore you need to protect yourself. This will help to insure that all persons due payment are actually paid.

(4) Upon making payment on any completed phase of the project, and before making any further payments, require your contractor to provide you with unconditional "Waiver and Release" forms signed by each material supplier, subcontractor, and laborer involved in that portion of the work for which payment was made. The statutory lien releases are set forth in exact language in Section 3262 of the Civil Code. Most stationery stores will sell the "Waiver and Release" forms if your contractor does not have them. The material suppliers, subcontractors, and laborers that you obtain releases from are those persons or entities who have filed preliminary notices with you. If you are not certain of the material suppliers, subcontractors, and laborers working on your project, you may obtain a list from your contractor. On projects involving improvements to a single-family residence or a duplex owned by

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individuals, the persons signing these releases lose the right to file a mechanics' lien claim against your property. In other types of construction, this protection may still be important, but may not be as complete.

(a) To protect yourself under this option, you must be certain that all material suppliers, subcontractors, and laborers have signed the "Waiver and Release" form. If a mechanics' lien has been filed against your property, it can only be voluntarily released by a recorded "Release of Mechanics' Lien" signed by the person or entity that filed the mechanics' lien against your property unless the lawsuit to enforce the lien was not timely filed. You should not make any final payments until any and all such liens are removed. You should consult an attorney if a lien is filed against your property.

(b) Each contractor licensed under this chapter, prior to entering into a contract with an owner for work Specified as home improvement or swimming pool construction pursuant to Section 7159, shall give a copy of this "Notice to Owner" to the owner, the owner's agent, or the payer. The failure to provide this notice as required shall constitute grounds for disciplinary action.

Contractors are required by law to be licensed and regulated by the Contractors' State License Board, which has jurisdiction to investigate complaints against contractors if a complaint regarding a patent act or omission is filed within four years of the date of the alleged violation. A complaint regarding a latent act or omission pertaining to structural defects must be filed within 10 years of the date of the alleged violation. Any questions concerning a contractor may be referred to the Registrar, Contractors' State License Board, and P.O. Box 26000, Sacramento, CA 95826.

NOTICE TO OWNER OR TENANT:

You have the right to require Contractor to have a performance and payment bond.

Name and Registration No. of any Salesperson who solicited or negotiated this contract:

Ruben Cendejas

Signed this 27 day of October 2008

Signed in the presence of:

Witness _____

Witness _____

Name of Owner: John Smith

Name of Contractor K-MAG CONSTRUCTION INC.

By: John Smith

By: Ruben Cendejas

Signature: _____

Signature: _____

Signature: _____

Signature: _____