

FIRST REGULAR SESSION

[PERFECTED]

HOUSE BILL NO. 662

91ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES GREEN (73) AND ST. ONGE (Co-sponsors).

Read 1st time February 6, 2001, and 1000 copies ordered printed.

Read 2nd time February 7, 2001, and referred to the Committee on Labor, February 15, 2001.

Reported from the Committee on Labor, March 15, 2001, with recommendation that the bill Do Pass.

Taken up for Perfection March 27, 2001. Bill ordered Perfected and printed, as amended.

TED WEDEL, Chief Clerk

1623L.01P

AN ACT

To amend chapter 436, RSMo, by adding thereto nine new sections relating to retainage in private building contracts.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 436, RSMo, is amended by adding thereto nine new sections, to be
2 known as sections 436.300, 436.303, 436.306, 436.309, 436.312, 436.315, 436.318, 436.321 and
3 436.324, to read as follows:

**436.300. Notwithstanding any other law to the contrary, all parties to any contract
2 or agreement between any private owner and any contractor or between any contractor
3 and subcontractor for construction, reconstruction, maintenance, alteration or repair for
4 a private owner of any building, improvement, structure, private road, appurtenance or
5 appliance, including moving, demolition or any excavating connected therewith, shall make
6 payment in accordance to the terms of such contract or agreement, provided such terms
7 are not inconsistent with the provisions of sections 436.300 to 436.324.**

**436.303. A contract or agreement may include a provision for the retainage of a
2 portion of any payment due from the owner to the contractor, not to exceed five percent
3 of the amount of such payment due pursuant to the contract or agreement, to ensure the
4 proper performance of the contract or agreement; provided that the contract may provide
5 that if the contractor's performance is not in accordance with the terms of the contract or
6 agreement, the owner may retain additional sums in any amount to protect the owner's**

7 interest in satisfactory performance of the contract or agreement. The amount or amounts
8 so retained by the owner shall be referred to in sections 436.300 to 436.324 as "retainage",
9 and shall be held by the owner in trust for the benefit of the contractor and the
10 contractor's subcontractors and suppliers who are not in default, in proportion to their
11 respective interests. Such retainage shall be subject to the conditions and limitations listed
12 in sections 436.306 to 436.324.

436.306. 1. The contractor may tender to the owner acceptable substitute security
2 with a written request for release of retainage in the amount of the substitute security. The
3 contractor shall thereupon either:

4 (1) Be entitled to receive cash payment of retainage pursuant to this section; or

5 (2) Not be subject to the withholding of retainage, in either case, to the extent of the
6 security tendered, provided that the contractor is not in default of its agreement with the
7 owner.

8 2. If the tender described in subsection 1 of this section is made after retainage has
9 been withheld, the owner shall, within five working days after receipt of the tender, pay
10 over to the contractor the withheld retainage to the extent of the substitute security. If the
11 tender described in subsection 1 of this section is made before retainage has been withheld,
12 the owner shall, to the extent of the substitute security, refrain from withholding any
13 retainage from future payments.

436.309. A subcontractor of the contractor may tender to the contractor acceptable
2 substitute security with a written request for release of retainage in the amount of the
3 substitute security. The contractor shall tender the subcontractor's substitute security to
4 the owner with a like request, pursuant to the provisions of section 436.306. Provided that
5 the subcontractor is not in default of its agreement with the contractor, the contractor shall
6 pay over to the subcontractor, within five working days after receipt, any accumulated
7 retainage paid by the owner to the contractor on account of substitute security tendered
8 by the subcontractor; except that, the contractor shall not be required to pay over
9 retainage in excess of the amount properly attributable to work completed by the
10 subcontractor at the time of payment. Provided that the subcontractor is not in default of
11 its agreement with the contractor, the contractor shall refrain from withholding retainage
12 from payments to the subcontractor to the extent that the owner has refrained from
13 withholding retainage from payments to the contractor on account of the subcontractor's
14 substituted security. The subcontractor shall be entitled to receive, upon receipt by the
15 contractor, all income received by the contractor from the owner on account of income-
16 producing securities deposited by the subcontractor as substitute security. Except as
17 otherwise provided in this section, the contractor shall have no obligation to collect or pay

18 to a subcontractor retainage on account of substitute security tendered by the
19 subcontractor.

436.312. 1. The following shall constitute acceptable substitute security for
2 purposes of sections 436.306 and 436.309:

3 (1) Securities in form negotiable by the owner, of market value equal to or greater
4 than the amount of retainage released, which are:

5 (a) United States Treasury Bonds, United States Treasury Notes, United States
6 Treasury Certificates of Indebtedness or United States Treasury Bills;

7 (b) Bonds or notes of the state of Missouri; or

8 (c) Certificates of deposit drawn and issued by a national banking association
9 located in the state of Missouri or by any banking corporation incorporated pursuant to
10 the laws of the state of Missouri;

11 (2) A retainage bond naming the owner as obligee issued by any surety company
12 authorized to issue surety bonds in the state of Missouri in the amount of the retainage
13 released; or

14 (3) An irrevocable and unconditional letter of credit in favor of the owner, issued
15 by a national banking association located in the state of Missouri or by any banking
16 corporation incorporated pursuant to the laws of the state of Missouri, in the amount of
17 the retainage released.

18 2. The contractor shall be entitled to receive, in all events, all interest and income
19 earned on any securities deposited by the contractor in substitution for retainage.

436.315. A contractor shall not withhold from any subcontractor any retainage in
2 excess of the retainage withheld from the contractor by the owner for the subcontractor's
3 work, unless the subcontractor's performance is not in accordance with the terms of the
4 subcontract, in which case, subject to the terms of the subcontract, the contractor may
5 retain additional sums in any amount to ensure the subcontractor's satisfactory
6 performance of the subcontract.

436.318. Upon the release of retainage by the owner to the contractor, other than
2 for substituted security pursuant to sections 436.306 to 436.312, the contractor shall pay
3 to each subcontractor the subcontractor's ratable share of the retainage released, provided
4 that all conditions of the subcontract for release of retainage to the subcontractor have
5 been satisfied.

436.321. A contract or agreement formed after August 28, 2001, shall be
2 unenforceable to the extent that its provisions are inconsistent with sections 436.300 to
3 436.324. If retainage is withheld in violation of sections 436.300 to 436.324, a court may,
4 in addition to any other award for damages, award interest at the rate of up to one and

5 one-half percent per month from the date of such wrongful or improper withholding of
6 retainage. In any action brought to enforce sections 436.300 to 436.324, a court may award
7 reasonable attorney's fees to the prevailing party. If the parties elect to resolve the dispute
8 by arbitration pursuant to section 435.350, RSMo, the arbitrator may award any remedy
9 that a court is authorized to award.

436.324. Sections 436.300 to 436.324 shall apply to contracts and agreements
2 between owner and contractors entered into after August 28, 2001. Sections 436.300 to
3 436.324 shall apply to all private construction projects, except single family residential
4 construction and other residential construction consisting of four or fewer units.S