

Section []: Retainage

1. Retainage Percentage

The Owner shall withhold [] of each progress payment to the Contractor as retainage until the conditions for retainage release, as outlined in this section, have been met.

2. Withholding Process

Retainage shall be deducted from the amount paid pursuant to the Contractor's approved monthly invoices or progress payment applications. Each invoice shall reflect the gross amount due for work completed during the payment period, less the agreed retainage percentage and any prior payments.

3. Conditions for Release of Retainage

The Owner agrees to release the withheld retainage upon the Contractor's fulfillment of the following conditions:

- a. Substantial Completion: The Contractor has achieved substantial completion of the work, as defined in Section [] of this agreement.
- b. Final Inspections: The Owner (or its representative) has conducted final inspections and confirmed that all work complies with the contract documents, specifications, and quality standards.
- c. Punch List Items: The Contractor has addressed and resolved all outstanding punch list items to the satisfaction of the Owner.
- d. Submission of Documentation: The Contractor has provided the following:
 - i. Final lien waivers and releases of claims from all subcontractors, suppliers, and vendors.
 - ii. As-built drawings, warranties, and other required closeout documents.
 - iii. Any additional documentation specified in Section [] of this agreement.
- e. Payment Verification: The Contractor has demonstrated that all subcontractors, suppliers, and vendors have been paid in full for their respective work on the project.

4. Partial Release of Retainage:

At the Owner's discretion, retainage may be released to the Contractor in phases upon the completion of specific milestones or portions of the work. Partial release pursuant to this section shall not exceed [] of the total retained amount until all conditions under this section have been fully satisfied.

5. Interest on Retained Funds (Optional based on jurisdiction):

If required by state law, retainage shall be held in an interest-bearing escrow account. Any interest earned on retained funds shall be payable to the Contractor upon final release of retainage.

6. Non-Compliance and Penalties:

If the Owner fails to release retainage within [] after the Contractor has met all contractual conditions set forth above, the Owner shall pay the Contractor the entire retained amount plus any applicable interest or penalties required by state law.