

July 2017

## PROMPT PAYMENT CLAUSE

(1) Subject to the provisions on retainage provided in Paragraph (2) below, when a subcontractor has satisfactorily performed a work item of the subcontract, the Contractor must pay the subcontractor for the work item within seven (7) calendar days of the Contractor's receipt of payment from SCDOT. A subcontractor shall be considered to have "satisfactorily performed a work item of the subcontract" when the SCDOT pays the Contractor for that work item. In the case of a second or third tier subcontractor, the 7-day time period begins to run when the 1st tier subcontractor receives payment from the Contractor or when the 2nd tier subcontractor receives payment from the 1st tier subcontractor.

(2) The Contractor may withhold as retainage up to five (5%) percent of a subcontractor's payment until satisfactory completion of all work items of the subcontract. "Satisfactory completion of all work items of the subcontract" shall mean when the SCDOT accepts the last work item of the subcontract. The Contractor must release to the subcontractor any retainage withheld within seven (7) calendar days from the date the Contractor receives payment from SCDOT for the last work item of the subcontract or within seven (7) days from SCDOT's acceptance of the last work item of the subcontract, whichever is the latest to occur. However, upon documentation of good cause provided by the contractor and written concurrence by the Director of Construction, the Contractor may continue to withhold the 5% retainage.

(3) Prior to receiving payment of each monthly estimate, the Contractor shall (a) certify to SCDOT that the construction estimate is complete and that its subcontractors have been paid for work covered by previous estimates, for which they are entitled to be paid, in accordance with paragraphs (1) and (2) above, and (b) submit verification that Contractor has received similar certifications or evidence from its subcontractors that lower tier subcontractors have been paid in accordance with paragraph (1). No payment will be made to Contractor unless such documentation/certification is received or SCDOT has issued written approval for delayed payment and required status reports as follows:

(i) The obligation to promptly pay subcontractors (all tiers) or to release retainage does not arise if there is a legitimate subcontract dispute with first tier and/or lower tier subcontractors. If there is a subcontract dispute, the Contractor may submit a written request to SCDOT to approve a delay in payment to the subcontractor which shall explain the nature of the dispute and identify relevant subcontract provisions as support. The explanation may include those reasons set forth in the SC Prompt Pay Act (S.C. Code Section 29-6-40). Payment to the subcontractor shall not be withheld without prior SCDOT written approval.

(ii) Contractor shall submit a status report of the dispute in each monthly progress payment. The status report shall contain:

- justification for the continuation of nonpayment in the form of a pending judicial proceedings, alternate dispute resolution (ADR) process or administrative proceedings, as evidence of why the delay shall continue; or

- a certification that the matter is resolved and payment has been issued to the subcontractor (first tier and/or lower tier subcontractors).

(4) Failure to comply with any of the above provisions shall constitute a material breach of the contract and shall result in one or more of the following sanctions: (1) no further payments to the Contractor unless and until compliance is achieved; (2) monetary sanctions; and/or (3) the Contractor being declared in default and being subject to termination pursuant to Section 108.10 of the Standard Specifications.

(5) Any subcontractor who believes it is due payment in accordance with the Prompt Payment Clause may request information from the servicing Resident Construction Engineer (RCE) as to whether and when payment for the subcontractor's work has been made to the Contractor. If payment has been made to the Contractor, and a subcontractor certifies to the RCE that the subcontractor has not been paid within seven (7) calendar days of SCDOT's payment to the Contractor or paid as provided in paragraph (1) for sub-tiers, the RCE will notify the Director of Construction. If SCDOT has not approved the delay in payment pursuant to paragraph 3 above, appropriate remedies set forth in paragraph (4) will be applied. On federally funded projects, the subcontractor may contact the Federal Highway Administration should SCDOT fail to address the non-payment issue.

(6) The Contractor agrees by submitting this bid or proposal that it will include this clause titled "PROMPT PAYMENT CLAUSE," provided by the SCDOT, without modification, in all subcontracts with its subcontractors. Contractor is responsible for requiring all of its subcontractors to include this PROMPT PAYMENT CLAUSE in all lower tier subcontracts. If Contractor knowingly enters or knowingly allows a subcontractor or lower tier subcontractor to enter into a subcontract without the PROMPT PAYMENT CLAUSE, SCDOT may apply the appropriate remedies set forth in paragraph (4) or pursue other available remedies, including breach of contract.