

The structure of a subcontractor reciprocal agreement

The outline below describes, in non-legalese, the elements that appear in a typical subcontractor reciprocal agreement.

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1. **Heading:** This section states the agreement period and who it is between. For example: "This mutual subcontractor agreement this <Date> between <Company 1> with place of business at <Address> and <Company 2> with place of business at <address>."
2. **Purpose:** This agreement establishes terms and conditions under which the contractor and subcontractor will retain each other from time to time by providing technology products and services. "Contractor" and "subcontractor" are defined in this section.
3. **Terms of service; duties:** This section defines the term of the agreement, including when the agreement begins and ends. It also states that services performed and products provided by the subcontractor for the contractor will be defined in a Statement of Work (SOW).
4. **Work description:** This is a broad statement that says the subcontractor will perform services in a professional manner and to the contractor's and its client's standards and policies, that the subcontractor has the requisite skills and will submit progress reports.
5. **Price and payment:** This section discusses billing rates and terms, professional project fees, freight charges, travel and out-of-pocket expenses. It also discusses contractor requirements for approvals of time and expenses; certification that billed hours are accurate, and terms for payment (e.g., 30 days). This section includes a statement requiring invoices to be provided with sufficient detail for which compensation and reimbursement is sought, and establishes the contractor can audit the subcontractor's records.
6. **Warranties, liabilities and indemnification:** This is the legalese part covering required workers' comp, liability, and errors and omissions insurance.
7. **Nonsolicitation:** This section establishes that the contractor and subcontractor will not solicit or hire any employee of the other, or an employee of the client, without the express written consent of the other party. In addition, this section states that the parties will not try to take business away from each other by soliciting customers with projects that are covered by the subcontractor agreement.
8. **Confidential information:** This section deems that neither party shall disclose confidential information of the other party. And, the subcontractor must deliver all documents, records and other materials relating to the business of the contractor, the client or their affiliates that the subcontractor may have developed or obtained in the course of providing services under the

agreement.

9. Ownership of copyright and intellectual property rights: This section says the client is the owner of all rights, title and interest in all products and other deliverables related to services rendered and paid for by the client.
10. Termination: This discusses when the SOW will expire: typically when it has been completed. This section also discusses when a contractor may terminate a SOW with prior written notice and whether upon termination the contractor must pay the subcontractor for products and services rendered and in progress pursuant to the agreement. There is also a subsection stating a SOW will terminate upon after certain events, such as failure to perform services to the client's satisfaction or cancellation by either the contractor or the client. Either party also has the right to terminate the agreement if either party breaches obligations, fails to comply with requirements or becomes insolvent or bankrupt.
11. Notices: This describes where notices related to the agreement should be sent, as well as the manner in which the notices can be sent (e.g., hard copy, facsimile).
12. Independent contractors and taxes: This section represents that the parties to the agreement are all independent contractors and neither party can present themselves as employees, agents, partners or joint ventures of the other, nor bind the other to any agreement with another third party. Sales and use taxes in connection with products and services sold under the agreement will be billed to the client by the contractor, and the contractor will remain responsible for same.
13. General: This covers compliance by the subcontractor of work rules and security procedures, provision of authorized employees of the subcontractor and contractor to perform the agreement, coverage of legal fees and recovery from the breaching party, statements that the agreement will be bound by the laws of the state and so on.
14. Signatures: This is the final section with the signatures of the parties to execute the agreement.