

A bill for an act
relating to contracts; regulating building and construction contracts; prohibiting
certain conditions on payments to subcontractors; requiring notice of loan
defaults; amending Minnesota Statutes 2008, section 337.10, by adding
subdivisions.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 337.10, is amended by adding a
subdivision to read:

Subd. 2a. **Conditions on payments to subcontractors.** Payment by the owner to a
contractor is not a condition precedent for payment to a subcontractor and payment by
a contractor to a subcontractor is not a condition precedent for payment to any other
subcontractor, and an agreement to the contrary is unenforceable.

Sec. 2. Minnesota Statutes 2008, section 337.10, is amended by adding a subdivision
to read:

Subd. 4a. **Notice of loan default.** A lender who finances all or part of a building
and construction contract must give written notice to all known prime contractors and
subcontractors of a default on the building and construction contract loan or financing
agreement between the lender and the project owner within ten days of the default. Upon
receipt of the notice of default, the prime contractors and subcontractors may suspend
work on the building and construction contract until the default is cured or the owner
provides the prime contractors and subcontractors adequate assurances of payment. If the
lender does not give the written notice required in this subdivision, the lender's security
interest in the project is subordinate to the value provided to the project by the prime
contractors and subcontractors after the date the notice should have been given.