

CASH MANAGEMENT & FUNDS CONTROL SERVICES

SERVICE OVERVIEW:

FK Construction Funding is a cash management and funds control company that provides monitoring, compliance and risk mitigation services for owners, general contractors and qualifying subcontractors.

We founded the program on the idea that liability on construction projects is greatly diminished when there is transparency and collaboration among all participants, including owners, general contractors, subcontractors, sub-subcontractors, suppliers and vendors.

This philosophy has been the guiding force in designing effective solutions that involve monitoring all aspects of the projects finances and mitigating the related risk by identifying project related liabilities through our proprietary **Payment Assurance Program**.

The program enables the general contractor's subcontractors to increase efficiency, alleviate back office demands and control costs by closely monitoring the projects balance sheet. The result is a seamless and automated processes that mitigates risk, reduces cost, and improves cash flow.

LEVELS OF SERVICE:

- **Basic**- Secure a **Contractors Payment Affidavit (CPA)** from Sub-Contractor identifying 2nd tier subs, suppliers & vendors (SSV). Collect waivers and W-9's. Prepare package and send to client. Package consists of signed, notarized affidavits (CPA's), waivers and W-9 from 1st tier subs and waivers and W-9's from suppliers and vendors.
- **Standard**- *all of the above plus* collect and review on a monthly basis Sub-Contractors bank statements, AR, AP and payroll reports. Attempt to identify undisclosed SSV's.
- **Premium**- *all of the above plus* collect and monitor payroll reports and confirm related withholdings are being paid, monitor that IRS 940/941 are being filed. Monitor general liability & workers comp policies, trade license, SOS, union dues and liens & judgements. Monitor project margins, prepare schedule of joint checks for general contractor or owner.

***Advanced Funding Program** is available to qualifying 1st and 2nd tier subcontractors. This program automatically comes with the **premium service** and involves advancing funds to subs, suppliers and vendors. The cost of this program is typically passed onto the subs, suppliers and vendors SSV's in exchange for early payment.



CASH MANAGEMENT & RISK MITIGATION SERVICES FOR THE CONSTRUCTION INDUSTRY

SERVICES:

FK CONSTRUCTION FUNDING provides cash management and risk mitigation solutions for the commercial construction industry. Our Cash Management Services (CMS) advances funds to subcontractors against completed work and mitigates the General Contractors risk by paying all of the subcontractor's suppliers, vendors and sub-subcontractors (including insurance premiums and union dues) by joint check. Only the remaining balance is released to the subcontractor. This is all managed through our proprietary CMS platform.

RISK MITIGATION:

The CMS program allows the General Contractor to have all lower tier lienors and supplier releases *prior* to making payment and the peace of mind knowing the subcontractor is able to make weekly payroll and keep the job on schedule, thereby preventing delays. Unpaid suppliers and potential liens will no longer be the burden of the General Contractor. **FK CONSTRUCTION FUNDING** clears the project of financial liabilities on a monthly basis and provides affidavits, lien releases, payroll reports and much more within 20 days of funding (which is typically about 20 days before the General Contractor makes payment to the subcontractor for the period in question).

COMPLIANCE:

Prior to making any advances to the subcontractor, **FK CONSTRUCTION FUNDING** will ensure that all payment applications to the General Contractor are accompanied by the required documentation such as proof of insurance, union status letters, certified payroll, notarized affidavits and partial or final releases. We will also review the pay application and schedule of values for accuracy with the General Contractor each month prior to releasing funds to the subcontractor and the suppliers.

MONITORING:

FK CONSTRUCTION FUNDING monitors the subcontractor for the following (and much more):

- Bankruptcies, Liens and Judgments provided by **LEXIS NEXIS®**
- Business Owner/Principals Profile provided by **EXPERIAN®**
- Company Profile Report provided by **DUN & BRAD STREET®**
- Significant corporate changes or events reported by **DUN & BRAD STREET®**
- IRS 940/941's compliance and tax liens monitored by **TAX GUARD®**
- Corporate monitoring by **DILIGENCE®** which includes secretary of state, state & federal tax liens, defaults, corporate status & entity monitoring, name change and new UCC filings
- Project progress, schedule of work and margins through **PRIMAVERA®**
- Financial and Bank Statements on a monthly basis by **FK CONSTRUCTION FUNDING**

SUMMARY:

The CMS Program is Administered at No Cost to the General Contractor:

- FK pays the subcontractor's suppliers, subs and vendors via joint check and secures related waivers.
- FK advances cash to ensure payroll is made and the job is not delayed due to financial issues.
- FK maintains a complete credit profile on the subcontractor.
- FK monitors the subcontractors contract requirements.
- FK helps the General Contractor enforce the payment application requirements.
- FK allows the General Contractor to remain in complete control.
- FK monitors all subcontractors for liens, judgments, bankruptcies, corporate status, UCC filings, name change, defaults, IRS 940's etc.

While surety bonds offer valuable protection once a bond claim is filed the subcontractor (and possibly the project) is already in trouble. More and more General Contractors are using the CMS program because they prefer the proactive approach to mitigating unnecessary risk which in turn prevents routine issues from becoming serious problems.