

Questions & Answers on Funds Administration

- Q. Why should I choose Dayhill Group to provide Funds Administration?
- A. The Dayhill staff consists of seasoned construction project finance professionals with a single purpose to effectively manage the administration of construction funds to protect our clients.
- Q. Who pays for Dayhill's service?
- A. If our service is used in conjunction with a surety bond, the fee is part of the bond cost and is passed through to the project owner. In the case where our services are utilized by a bank, it is a component of the closing costs.
- Q. How are the deposits protected?
- A. We insist that the banks we use participate in the FDIC's "Transaction Account Guarantee Program." Under this program, all non-interest-bearing transaction deposit accounts are fully guaranteed by the FDIC for the entire amount in the deposit account. Coverage under the "Transaction Account Guarantee Program" is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. Also, we carry E&O insurance.
- Q. Are Funds Swept into a "General Account"?
- A. We never commingle funds. Dayhill opens a job-specific checking account for each project we service. As an example, if we have a contractor with five projects, we open five unaffiliated job-specific checking accounts.
- Q. Does Dayhill earn interest on the Project Funds?
- A. No one earns interest on Job Funds. The bank accounts that we open are non-interest-bearing and we never sweep funds. Funds are used to meet project expenses only. There is no incentive for Dayhill, or the contractor, to delay using the funds for the intended purpose, which is to satisfy project expenses.



Q. Should the contractor be concerned about how it looks to have a third party writing checks to their vendors?

A. All checks, including vendor payments, are sent to the contractor. The checks are identified by Project Name. Dayhill's name does not appear as the "maker" of the checks. So, the contractor can distribute the checks as they would normally. The protection to our clients is that the checks are not negotiable when the contractor receives them. The contractor can only distribute the checks to the parties that have performed on the project.

Q. How is this better than a "Two-Party Check Agreement"?

A. We analyze all expenses, including payroll & overhead, to ensure that funds are being used to satisfy expenses for all project creditors. Furthermore, since the disbursement checks are payable directly to the vendors, there are no possible endorsement issues.

Q. I don't want this process to slow down payments to project creditors. Does Dayhill hinder the payment process?

A. Dayhill expedites payments to project creditors. Dayhill releases payments for project creditors within 48 hours of receiving job funds. Since the contractor can't do anything with the checks other than distribute them, the checks are released promptly.

Q. Who is responsible for collection of lien releases?

A. The contractor is responsible for the collection of lien releases, but Dayhill assists the contractor, if needed, with the process of collecting properly executed lien releases.

Q. How long does it take to process job funds?

A. We work with the contractor so that typically, funds are disbursed within 48-hours.



- Q. How am I protected from a contractor overbilling the owner?
- A. We know that job funds are a finite resource and funds are not allowed to stray from our project. Project funds will only be disbursed to meet the expenses of the project under our management. Dayhill requires that all expenses, including reimbursements, be documented. Funds that have been allocated toward vendor expenses can only be used to satisfy these vendors. Self-performed labor costs must be documented with payroll. Profit and overhead will only be disbursed in accordance with the terms of the construction contract, and always with the costs of the entire project in mind.

