

CCA 50 - 2003

A Prime Contractor's Guide to Project Financing and Payment Security

CCA 50 offers detailed guidance to prime contractors on understanding their client's financial strength before they finance your project. This guide can help YOU minimize the risk of non-payment.

CCA 50 facilitates your efforts to reduce the risks of non-payment by providing you with focus areas and key questions you should consider during your bidding and contracting process. The guide covers issues that may arise during every step of your process from before you submit a bid to the on-going management of your contract. Below are some examples of the subject matter presented in CCA 50.

Prior to Submission of Tender - Your due diligence should include:

- An evaluation of your client (government, quasi-government, small/mid/large-sized companies).
- A thorough review of the contract provisions (e.g. project financing, payments, indemnification, insurance, schedule, changes, dispute resolution, concealed or unknown conditions).
- A title search of the land to confirm the registered owner and its extent of equity, construction lender's registered interest, impediments to payment or construction...
- An analysis of the viability of the project.

Submission of Tender – Lots of hard decisions:

(Cautionary note: Some of your decisions may lead to disqualification.)

- Should you accept, refuse or qualify onerous clauses?
- Should you add financing qualifications when lacking the necessary credit/financial check?
- Should you add bid bond qualifications?

Prior to Signing of Contract – Steps that should be taken:

- *You should* negotiate satisfactory general conditions.
- *You should* confirm the project financing and loan agreement.
- *You should* review the financial institution loan agreement / commitment letter.
- *You should* discuss the payment procedure.
- *You should* obtain payment security, including holdback funds. (e.g. payment guarantees, assignment of mortgage proceeds, holdback joint account or release bond, letter of credit...)
- *You should* review the insurance policies.

Contract Administration – Ongoing management:

- *You should* continue to manage the financial risks.
- *You should* review the conditions prior to the ongoing advancement of funds.
- *You should* continue to check the financing of change orders and change directives.

CCA 50 not only provides you with a detailed narrative for planning your contracts, it also includes a financing risk management checklist. This one-page checklist summarizes important questions that you, as a prime contractor, should ask during the bidding and contracting stages, as well as identifies the types of security available to minimize the risk of non-payment. Another useful tool offered by CCA 50.

A hardcopy of CCA 50 – 2003 'A Prime Contractor's Guide to Project Financing and Payment Security' can be purchased from your local construction association or visit CCA's website, www.cca-acc.com for a free download.

