STATEMENT FROM STUART S. ZISHOLTZ

Within the construction industry, there are various means available to subcontractors and suppliers to collect and receive payment. Many projects require lien waivers, certified payroll reports, signed change orders, etc. Sometimes, subcontractors and suppliers enter into a joint check agreement which allows for funds to flow directly from an owner or a General Contractor.

A joint check is a check issued by one party and made payable to two parties as co-payees. A joint check agreement involves an agreement between and owner and the prime contractor and its first tier subcontractor whereby the two parties agree that the owner will issue all or part of a payment as a joint check payable to the prime contractor and the subcontractor as co-payees.

A joint check agreement usually occurs when there is a certain distrust between the prime contractor and the subcontractor. The subcontractor may have a large account receivable with the prime contractor or was taken for a ride on a prior project with the prime contractor.

Without a formal joint check agreement, the owner cannot pay the subcontractor. If the owner pays the subcontractor, it could be in breach of its contract with the prime subcontractor. Therefore, it is essential that the joint check agreement be executed prior to payment.

With the proper language protection in the joint check agreement, a subcontractor can protect himself without having numerous sleepless nights.

Never let your lien time run out.

For a free copy of our pamphlet pertaining to mechanic's liens and payment bond claims, kindly contact me or the Association.