BONDING 101

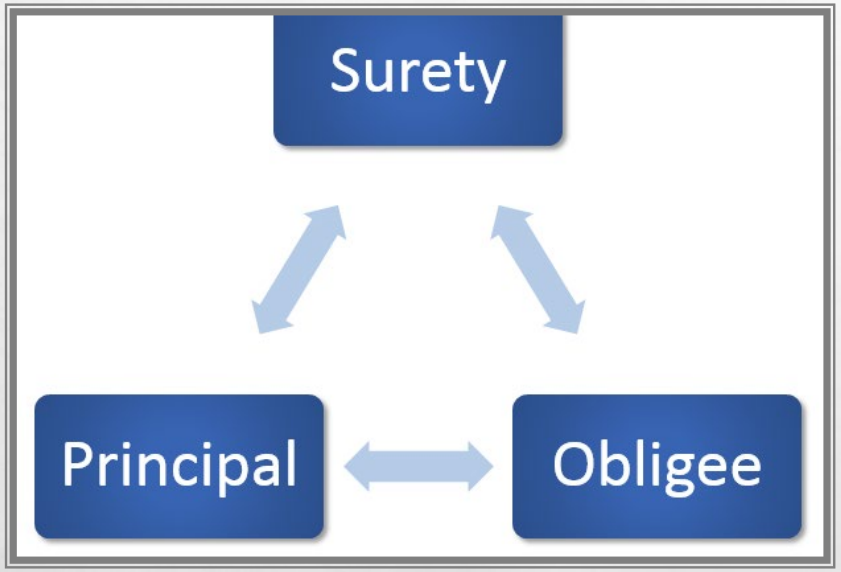
5th DOWN

Consulting Group

OBJECTIVE

- THE OBJECTIVE OF THIS SESSION IS TO INTRODUCE THE ELEMENTS OF THE BONDING PROCESS, DEFINE VARIOUS ASPECTS OF A BOND AND DISCUSS BOND PREQUALIFICATION REQUIREMENTS.

3 PARTIES TO A SURETY BOND



- THE PRINCIPLE/CONTRACTOR IS THE PARTY PRIMARILY RESPONSIBLE FOR THE FULFILLMENT OF THE OBLIGATION SET FORTH IN THE BOND.
- THE OBLIGEE IS THE BENEFICIARY UNDER THE TERMS OF THE BOND.
- THE SURETY/BONDING COMPANY UNDERWRITE THE PRINCIPAL OBLIGATION IN THE CONTRACT.

//Secureworks/Confidential - Limited External Distribution

WHAT IS A SURETY BOND?

- A SURETY BOND IS A GUARANTEE TO THE OBLIGEE THAT IF THE PRINCIPAL DEFAULTS ON A CONTRACT, THE SURETY WILL COMPLETE THE CONTRACT ON BEHALF OF THE PRINCIPAL.
- A MAJORITY OF CONTRACTS WHICH REQUIRE A SURETY BOND STIPULATE THAT A 100% PERFORMANCE BOND AND A 100% PAYMENT BOND BE REQUIRED. THE AMOUNT OF THE BONDS ARE TYPICALLY ISSUED IN THE AMOUNT OF THE CONTRACT PRICE.
- **PERFORMANCE BOND**- THE PERFORMANCE BOND GUARANTEES THE OBLIGEE THAT THE PRINCIPAL WILL PERFORM ITS DUTIES AS STATED IN THE CONTRACT.
- **PAYMENT BOND**- GUARANTEES THAT LABOR, MATERIALS AND SERVICES PROVIDED TO THE PRINCIPAL ARE PROTECTED. THE RIGHTS OF THESE CREDITORS ARE SUBJECT TO STATE OR FEDERAL LIEN LAWS.

DIFFERENCES BETWEEN SURETY BONDS AND INSURANCE

- THERE IS NO TRANSFER OF RISK BETWEEN THE PRINCIPAL AND THE SURETY. THE PRINCIPAL RETAINS ALL RESPONSIBILITIES IN RESPECT OF THE OBLIGEE.
- THE PREMIUM CHARGED IS A “SERVICE FEE”. THE ASSUMPTION IS THAT THERE WILL BE N LOSS.
- SURETYSHIP UNDERWRITING PRINCIPALS MORE CLOSELY RESEMBLE BANKING (CREDIT) THAN INSURANCE. THE SURETY ASSESSES THE CONTRACTOR’S CAPITAL, CAPACITY AND CHARACTER TO PERFORM ITS OBLIGATION UNDER THE AGREEMENT (COMMONLY KNOWN AS THE THREE C’S OF SURETY)

THREE C'S OF SURETY

CAPITAL- THIS IS THE COMPANY'S FINANCIAL CONDITION.

CAPACITY- THE CONTRACTORS EXPERIENCE, SKILL OF PERSONNEL AND ABILITY TO PERFORM THE PROJECT.

CHARACTER- THE CONTRACTOR'S CREDIT HISTORY.

//Secureworks/Confidential - Limited External Distribution

Items required by the Surety for the pre-qualification of Surety Bond Credit

Contractor Questionnaire (Exhibit A)

Company's three previous fiscal year end financial statements

Company's current interim financial statement and Work in Progress Report (Exhibit B)

Current Personal Financial Statement on all Stockholder's of the company

Most recent company and Stockholder(s) Federal Tax Returns

Personal Resume's on Stockholder(s) and Key Employee(s)

Current Insurance Certificate

Letter from the company's Bank providing information regarding any lines of credit and average depository account balances

Continuity Plan

//Secureworks/Confidential - Limited External Distribution

OMB Control No: 3245-0007
Expiration Date: 02/16/2016

Instructions: The small business must complete this form and submit it, either electronically or on paper, to the surety agent of choice. A list of participating surety agencies and the paper version is available on the Office of Surety Guarantees website at www.sba.gov/osg. If the application is submitted electronically, the pre-populated form can be printed from the E-App system.

SMALL BUSINESS ADMINSTRATION
SCHEDULE OF WORK IN PROCESS (ALL WORK-BONDED & UNBONDED-IF COST PLUS PLEASE INDICATE)

BUSINESS NAME AND BUSINESS TRADE NAME	TAX ID OR SS NUMBER	DATE AS OF

	JOB DESCRIPTION	STARTING DATE	COMPLETION DATE	BONDED YES / NO	CONTRACT PRICE (Including Approved Change Orders)	Total Billed to Date Including Retainages (Explain Any Dispute Items)	Total Cost To Date	Total Estimated Cost To Complete
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
TOTALS								

Signature **Title**

PLEASE NOTE: The estimated burden for completing this form is 20 minutes per response. You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to: Chief, Administrative Information Branch, Room 5000, U.S. Small Business Administration, 409 3rd St., SW. Washington, DC 20416; and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202 Washington, DC 20503.

SBA Form 994F (1/13) Previous Editions are Obsolete

//Secureworks/Confidential - Limited External Distribution

BOND REQUEST FORM

Requested by: _____

Contractor: _____

Obligee Name _____
& Address: _____
_____

Project Description
& Location: _____
Scope: _____

Project Invitation #: _____

BID BOND INFORMATION

Bid Date: _____

Completion time: _____
Warranty Period: _____
Liquidated Damages: $ _____
*Special Forms Required: _____

Bid Estimate: $_____
Bid Bond% _____

Surety Requirements by Obligee (Owner/GC)
A.M. Best Rating: _____
Treasury Listing: _____ Yes _____ No

Mailing Instructions: _____

PERFORMANCE & PAYMENT BOND INFORMATION

Contract Date: _____ Contract Price: $_____

Number of Originals Needed: _____

PLEASE FAX BID RESULTS

Low: _____ $_____

2nd: _____ $_____

3rd: _____ $_____

Your bid if not above: $_____

***IF SPECIAL FORMS REQUIRED PLEASE ATTACH**

//Secureworks/Confidential - Limited External Distribution

CONTRACTOR QUESTIONNAIRE

FIRM INFORMATION

NAME OF FIRM: _____

ADDRESS: _____
STREET ADDRESS

_____
CITY STATE ZIP CODE

PHONE: _____ FAX: _____

CONTACT PERSON: _____

TITLE: _____

Contracting Specialty: _____

Area of Operation: _____

Year Business Started: _____ State of Incorporation: _____

Is Your Firm: ☐ Union ☐ Non-Union Dun & Bradstreet #: _____

How many people does your firm employee? _____ How many crews? _____

What percentage of your work is normally subcontracted? _____ %

Are bonds required of subcontractors? ☐ Yes ☐ No

What trades do you normally subcontract? _____

What was the largest amount of uncompleted work on hand at any one time in the past?

Amount: $_____ Year: _____

What is the largest job you expect to do during the next year? $_____ Bonded $_____

What is the largest uncompleted work program expected during the next year? _____

$_____ % Bonded _____

What is your expected annual volume next year? $_____

What trades do you normally undertake with your own forces? _____

Do you lease equipment? ☐ Yes ☐ No Type of Lease? _____

What are the terms of the lease? _____

//Secureworks/Confidential - Limited External Distribution

Contractor Questionnaire (Continued)

List Five of Your Largest Contracts							
Job Name	Contract Price	Gross Profit	Completion Date	Owner	Design Professional	Bonded	
						Yes	No

List Five Subcontractors (or Contractors if You Are a Subcontractor) That You Do Business With					
Name	Street Address	City / State / Zip Code	Phone	Contact	Job

//Secureworks/Confidential - Limited External Distribution

Contractor Questionnaire (Continued)

List Five of Your Major Suppliers				
Name	Street Address	City / State / Zip	Phone	Contact

//Secureworks/Confidential - Limited External Distribution

CONTRACTOR QUESTIONNAIRE (CONTINUED)

TYPE OF BUSINESS: ☐ Corporation ☐ Partnership ☐ Proprietorship ☐ Sub S Corp

CORPORATE OFFICERS, PARTNERS OR PROPRIETORS

List the Corporate Officers, Partners or Proprietors of Your Firm (Active & Inactive) and Attach Current Resumes.

NAME	YEAR OF BIRTH	PERCENT OWNED	SOCIAL SECURITY #	SPOUSE

Will the above individuals and spouses personally indemnify Surety? ☐ Yes ☐ No

If yes, explain: _____

Is there a buy/sell agreement among the owners of the business? ☐ Yes ☐ No

Is this agreement funded by life insurance? ☐ Yes ☐ No

Corporate Indemnity? ☐ Yes ☐ No Cross Corporate Indemnity? ☐ Yes ☐ No

Has your firm or any of its principals ever petitioned for bankruptcy, failed in business or defaulted so as to cause a loss to a Surety? ☐ Yes ☐ No

If yes, Please explain: _____

Is your firm or any of its owners or officers currently involved in any litigation? ☐ Yes ☐ No

If yes, Please explain: _____

//Secureworks/Confidential - Limited External Distribution

Contractor Questionnaire (Continued)

List Key Personnel, Foreman or Supervisors				
Name	Position	Birth Date	Years Experience	Previous Employer

List Any Life Insurance in Effect on Key Personnel				
Name	Beneficiary	Amount	Cash Value	Insurance Company

//Secureworks/Confidential - Limited External Distribution

Contractor Questionnaire (Continued)

List Other Insurance Coverage Currently in Effect: Attach Current Insurance Certificate				
Coverage	Limits in 000's		Carrier	Expiration Date
	BI	PD		
General Liability				
Auto Liability				
Umbrella				
Owners Protection				
Other Coverage				

List Any Subsidiaries, Affiliated Companies and/or Predecessor Companies Which This Firm Or It's Stockholders				
Name	Street Address	City / State / Zip	Phone	Contact

//Secureworks/Confidential - Limited External Distribution

CONTRACTOR QUESTIONNAIRE (CONTINUED)

CPA INFORMATION

NAME OF YOUR CPA: _____

ADDRESS: _____
STREET ADDRESS

_____
CITY STATE ZIP CODE

PHONE: _____ FAX: _____

CONTACT PERSON: _____ # YEARS _____

On what basis are taxes paid? ☐ Cash ☐ Completed Job ☐ Accrual ☐ % of Completion

On what basis are financial statements prepared?

☐ Cash ☐ Completed Job ☐ Accrual ☐ % of Completion

On what level of assurance are financial statements prepared?

☐ CPA Audit ☐ Review ☐ Completion

How often are financial statements prepared?

☐ Annually ☐ Semi-Annually ☐ Quarterly ☐ Monthly

Expenditures since last statement: Anticipated Expenditure: $

Do you have a full-time accountant on staff? ☐ Yes ☐ No

NAME: _____ NUMBER OF YEARS: _____

Are job costs records kept? ☐ Yes ☐ No

How often are they reviewed? _____

How often are they updated? _____

Do they show job detail? ☐ Yes ☐ No

//Secureworks/Confidential - Limited External Distribution

Contractor Questionnaire (Continued)

Bank Information

Name of Your Bank: _____

Address: _____
Street Address

_____
City State Zip Code

Phone: _____ Fax: _____

Contact Person: _____

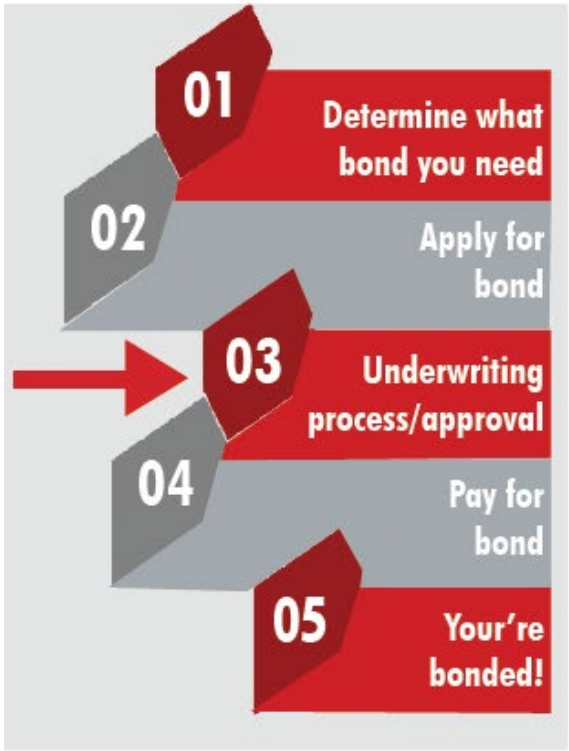
Amount of Line of Credit: $_____ Expiration Date: _____ Interest Rate: _____%

UCC Filing? ☐ Yes ☐ No How is Credit Secured? _____

Previous Bonding Companies			
Name	Phone	Reason for Leaving	Outstanding Liability

//Secureworks/Confidential - Limited External Distribution

The Prequalification Process



5th DOWN Consulting Group

DARRELL O. MORGAN
Surety Bond Specialist

Cell: 404.957.5780 • Office: 678.954.5741
Fax: 404.381.6008
Dmorgan123@bellsouth.net
www.5thdownconsultinggroup.com

160 Clairemont Avenue
Suite 200 Decatur, GA 30030

Driven

5th DOWN Consulting Group, a minority-owned firm, was established to address the needs and concerns of minority/female, small business contractors requiring a contract and commercial surety bonds on public and private contracts.

The firm has over 30 years of surety bond experience in prequalifying small and emerging DBE, MFBE, SBE, LSBE, 8-A firms with access to Standard, Non-Standard, and SBA surety bond markets. The foundation of the firm is based on experience, knowledge, and relationships, which are honest and forthright with the client. One must sit down with the client to ascertain the specified needs. We will get a clear understanding of the issues at hand, provide feasible, and functional options.

The goal of the firm is to provide surety bond prequalification before you are required to provide a Letter of Bondablitity, Bid Bond, Performance Bond, and Payment Bond on public, federal, military, and private sector projects.

Prequalification starts with a one-on-one consultation while providing a completed contractor's questionnaire. All consultations begin with compiling underwriters' information of the owner's background, experience, education, and capital position. The following certifications DBE,8-A, SDVOS, MBE, WBE, and LSBE may require bonding to participate in contracting opportunities. Examination of contract terms and conditions will be necessary to determine the surety company's obligations under the bond covering the contract. The level of prequalification is underwritten through Standard and SBA Surety Bond Markets. Examination of the company's and owner's financial position, banking relationships, job cost accounting system, and estimating system are discussed during one-on-one consultation.

Mission

It is the Mission of 5th Down Consulting Group:

- To educate the minority/female business community on becoming prequalified for surety bond credit
- To prequalify minority /female firms to receive letter of bondability, bid bond, performance bond, and payment bonds
- To develop a working relationship between the surety industry underwriters and construction firms
- To provide a high level of timely service and guidance to each client
- To increase the bonded minority percentage of Title VI participants and other public entity goals and objectives

5th Down's Contract Surety Bond Qualification Capabilities:

- Provide market access to Treasury Listed Standard and SBA Surety Bond companies
- Review and analyze financial statements
  Provide program capacity single and aggregate job limits based on thirty (30) years of underwriting, placing, and servicing surety bond business
- Prepare comprehensive underwriting submission to be presented to the appropriate market for general and sub contractors
- Provide the necessary experience and knowledge to build a strong and sustainable firm pursuing contract surety bond projects
- Provide the necessary guidance when the owner (obligee) is offering multi-year contract terms and conditions to be bonded
- Provide insight and guidance when pursuing contracts requiring Bid, Performance, and Payment Bonds required by Title VI of the 1964 Civil Rights Act

Services

OUR CONTRACT SURETY BOND SERVICES:

Letter of Bondability

Bid Bonds

Performance Bonds

Payment Bonds

Maintenance Bonds

Labor & Material Payment Bonds

Subdivision Bonds

Supply Bonds

Court Bonds

Probate Bonds

Miscellaneous Bonds