

BOND SUBMISSION KIT

DELMARVA SURETY ASSOCIATES, INC.
2345 YORK ROAD, SUITE 302
TIMONIUM, MD 21093
PHONE (410) 561-3593
FAX (410) 561-3727

DELMARVA SURETY ASSOCIATES, INC.

MISSION STATEMENT

We seek to perpetuate the growth and profitability of our clients' businesses, our surety bond markets and our agency through the sale and servicing of surety bond needs.

- ◇ Our #1 rule - do what is best for the client and what is best for the surety
- ◇ Delmarva Surety Associates looks to improve and assist in the personal, professional and economic growth of each of our clients, surety representatives and employees
- ◇ Delmarva Surety Associates will work to provide profitability and strong rate of return on investment for our clients, markets, employees and principals
- ◇ Delmarva Surety Associates, its principals and employees will conduct business affairs in an ethical and professional manner with fairness to all parties concerned and integrity in our dealings with others
- ◇ Delmarva Surety Associates seeks to contribute particularly to small and disadvantaged contractors who are in greatest need of our professional capabilities

DELMARVA SURETY
CORPORATE PRIVACY STATEMENT

We recognize that you expect privacy and security for the non-public personal information we collect from you. We fully understand the need to safeguard sensitive information about you and we maintain standards and procedures designed to prevent misuse of this information.

We collect, retain, and use information about you to provide and enhance surety bond credit and services. We do not provide non-public personal information, which includes financial information, to other companies including independent telemarketing or direct mail marketing companies.

We gather information about you to properly identify you and to validate your identity.

As a result of our business model and our relationship with both clients and sureties, we are subject to privacy legislation found in the German Leach Bliley Act, which was enacted by Congress in October 1999. The language in Section 502 of this legislation allows Delmarva Surety to collect business and personal data according to our current underwriting procedures to enable Delmarva Surety to execute transactions that are requested and/or authorized by our clients and sureties.

Please keep in mind that the www.delmarvasurety.com Web site contains links to other sites. Delmarva Surety is not responsible for the privacy practices or the content of such Web sites.

The federal government has set online privacy standards and has identified the following principles to help ensure the protection of a consumer's non-public personal information.

Notice

It is our policy to treat your account information as confidential. We may disclose information to third parties about your account in the following situations:

It may be necessary to disclose your non-public corporate and personal information to provide surety credit. However, we will only disclose non-public personal information to the party/surety involved in that particular transaction.

We may obtain your non-public personal information with credit bureaus during the underwriting process to determine your credit history, and afterwards to verify the information contained in your account.

We may find it necessary to provide your non-public personal information in order to comply with a government agency or court order.

Access

You may review and update your non-public personal information at any time to ensure that it is accurate and up-to-date.

We have procedures that limit access to personally identifiable information to those Delmarva Surety employees with a business reason to know such information about you. We educate our employees about the importance of confidentiality and customer privacy. We take appropriate disciplinary measures to enforce employee privacy practices.

Our mission statement is attached for your purview.

You have chosen to do business with us, and we recognize our obligation to keep the non-public personal information you provide us secure and confidential.

If you would like more information regarding the use of your non-public information, you can contact us in one of the following ways:

In writing:

Delmarva Surety Associates, Inc.
2345 York Road
Timonium, MD 21093

Dial toll free:

1-877-276-3636

E-mail:

Diane Armstrong - darmstrong@delmarvasurety.com
Laura Scholze - lscholze@delmarvasurety.com
Doug Dixon - ddixon@delmarvasurety.com
Rick Faint - rfaint@delmarvasurety.com
Tom Whipple - twhipple@delmarvasurety.com

UNDERWRITING CHECKLIST

- _____ *Last three (3) years corporate financial statements*
 - _____ *Last three (3) years corporate tax returns*
 - _____ *Current personal financial statement of the company owners*
 - _____ *Current bank letter*
 - _____ *Current insurance certificate*
 - _____ *Completed contractors questionnaire*
 - _____ *Resumes of the key people in the company along with a brief History of the company*
 - _____ *Federal Tax ID # for the corporation and social security Numbers of the owners & spouses*
 - _____ *Current work on hand schedule*
-

Delmarva Surety Associates, Inc.

SURETY BOND SPECIALISTS

BANK LETTER OF CUSTOMER RELATIONSHIP

Please take this form to your banker and request that he write, **on the bank's letterhead**, a letter addressed to:

DELMARVA SURETY ASSOCIATES, INC.

2345 York Road
Timonium, MD 21093

Our business is to establish & place bonds for our clients. One of the requirements of bonding is for us to obtain a reference letter from our client's bank.

This letter should incorporate answers to the questions below:

1. Date account was opened
2. Average checking balance for the past twelve (12) months, and checking & savings balance
3. We need to know the dollar figure of the Line of Credit available and the dollar figure of the present amount in use. We also need to know the expiration date of the line. If the Line of Credit is secured, please indicate the specific security.

It is important that your letter show dollar figures of the line of credit and of the present amount in use. The terminology of low, high or medium is not acceptable. Working capital is an important part of bonding, and a line is considered part of the working capital: therefore it is important we know the dollar figures. If we do not have this information, we cannot place an account of bonding.

4. Amounts and terms of existing loans.
5. General recommendations as to character, business qualifications, etc.

Name of Bank _____

Officer _____ Title _____

DELMARVA SURETY ASSOCIATES, INC.

2345 York Road

Timonium, MD 21093

Phone (410)561-3593 / Fax (410)561-3727

TODAY'S DATE: _____

CONTRACTOR QUESTIONNAIRE

We are sensitive of the time investment required by you to gather the necessary information to secure Surety credit. We want to thank you for your time and efforts.

I. ORGANIZATION

Contractor's Name: _____

Address _____

Telephone # _____ Fax # _____

Date Business Started _____ Year of Inc _____ Tax I.D. # _____

Corporate Secretary _____ State Incorporated _____

Principals of Company

<u>Name</u>	<u>Yr of Birth</u>	<u>Position</u>	<u>% Owned</u>	<u>SS#</u>	<u>Name of Spouse</u>	<u>SS#</u>
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

Have there been any changes in ownership over the past two (2) years? _____ If so, what changes have occurred? _____

Do the above principals have a majority (50% or more) ownership position in any other companies? _____ If so, what is your ownership %, name of company and type of business? _____

Is the company a beneficiary on any life insurance policy? _____ If so, on whom and how much? _____

What type of construction does your company undertake? _____

Type of work with own forces: _____ Subcontracted: _____

What type of work is performed as a prime? _____

What type of work is performed as a subcontractor? _____

What is the normal geographic area in which your company solicits works? _____

Has there been any significant changes or anticipated changes in the type of construction performed over the past couple years? _____

Key Personnel (Attach brief resumes if available)

Name	Year of Birth	Position	Years w/ Company	Years in Construction	Previous Employer

What is the largest backlog carried by the company: \$ _____
 # of Jobs _____ Year _____

Has your company ever failed to complete any work awarded to them? _____

Has any principal of your organization ever failed to complete a construction contract? _____

Has company, affiliated company, or an owner ever filed for bankruptcy? _____
 In receivership? _____

Any open disputes on contracts or payment of labor or material bills? _____

Are any liens for labor, material or taxes filed against company or any contracts which have been completed or still remain open? _____

Are there any projects in the early stages of completion that had a bid spread in excess of 10%? If yes, please provide a brief explanation. _____

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II. REFERENCES

Suppliers/Subcontractor

Name of Suppliers/Sub	Contact Person	Phone #	Material/Service
1. _____			
2. _____			
3. _____			

Architect/Engineer/Owner

Name	Contact Person	Phone #	Project
1. _____			
2. _____			
3. _____			

III. THREE LARGEST PROJECTS COMPLETED AS OF TODAY'S DATE

Year	Name of Project	Contact Person	Phone Number	Brief Description	Final Contract Price	Final Gross Profit
1. _____						

2. _____
3. _____

IV. BANK CREDIT

Name of Bank _____ Account Exec. _____
Address _____ Phone # _____
Account Information: Savings Acct # _____ Checking Acct # _____
Working Capital Line _____ Amount Outstanding _____
Security on Line _____

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V. ACCOUNTING

Name of Accounting Firm _____
Contact Person _____ Phone # _____
Number of years with Account Firm _____ Fiscal Year End Date _____
Basis of Financial Statement: Cash _____ Straight Accrual _____ Compl Contract _____ % _____
Basis of Tax Return: Cash _____ Straight Accrual _____ Compl Contract _____ % _____
Is your company a "Sub S" Corp.? _____ If yes, when did corp obtain "Sub S" Status? _____
Does your company maintain individual job cost records? _____
How often do you produce financial information? _____
Does your company reference all invoices/payments with specific job #? _____
What is the company's payment policy? _____

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V. CURRENT SURETY

Name of Surety Company	Agent/Broker	Did Surety Incur? any losses?
_____	_____	_____

Program: Single \$ _____ Aggregate \$ _____
Rate: _____ Conditions: _____
Reason for considering a change: _____

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VII. BUSINESS MANAGEMENT

Does your firm prepare any of the following (please check where applicable):

- _____ Monthly Balance Sheet
- _____ Monthly Profit & Loss Statement
- _____ Cash Flow Analysis
- _____ Create and Monitor a Fiscal Budget
- _____ Monthly Aging of Accounts Receivables
- _____ Monthly Work in Progress Schedule

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VIII. SURETY NEEDS

Individual Project Size _____
Aggregate Uncompleted Backlog at any one time? _____
(Cost to complete on open jobs)

Typical mix of bonded work _____% and non-bonded work _____%

What is the optimum number of projects on hand at any given-time? _____

Frequency of Bid Bond Requests _____

IX. INFORMATION REQUIREMENTS

How many crews are you running as of the last year? # _____ and current year? # _____

Number of field employees? _____ Range this year: _____
Range last year: _____

In order for us to respond timely to your request for credit, please enclose:

1. Last three (3) CPA Fiscal Year End Statements
2. Most Recent in-house balance sheet, profit & Loss statement & work in progress Schedule
3. Copy of Latest Federal Corporate Tax Return
4. Current Personal Financial Statement & most recent federal tax return
5. Current Bank Line of Credit

Thank you for your thoroughness in completing this application as well as attaching the necessary information. Your efforts will enhance and maximize the potential surety credit available for your company.

"Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties"

Signed and Dated

DELMARVA SURETY
Surety Bond Specialists

FAX (410) 561-3727

Date _____

Submitted By _____

BOND REQUEST FORM

TO ENSURE TIMELY DELIVERY AND OUR ABILITY TO MAIL YOUR BOND, PLEASE SUBMIT YOUR BOND REQUESTS AS EARLY AS POSSIBLE.

Contractor's Name and Address _____

Obligee Name and Address _____

Job Description, Location, Job Number, Solicitation Number _____

Completion Time _____ Start Date _____

Bond Forms Provided by Owner: (Y/N) _____ Bid Letter: (Y/N) _____

Penalties _____ % Being Subcontracted _____

% of Performance Bond _____ % of Payment Bond _____

Warranty Period _____ Current Work on Hand _____

Retainage _____ Design Build (Y/N) _____

IF INCLUDED IN THE SPECIFICATIONS, PLEASE PROVIDE BOND FORMS, INSURANCE REQUIREMENTS & A.M. BEST RATING OR OTHER REQUIREMENTS FOR THE SURETY

AS PERTAINS TO BID BOND

AS PERTAINS TO FINAL BOND

Bid Date & Time _____

Contract Date _____

Estimate Amount _____

Contract Price _____

% of Bid Bond _____

Bid or Negotiate _____

of Originals _____

2nd Bidder _____

3rd Bidder _____

Highest Bidder _____

Delivery Instructions:

_____ Will pick up on _____ at _____ am _____ pm

_____ Send via First Class Mail _____

_____ Express Mail via _____ Charge Account # _____

CONTRACTOR _____

PROJECT NAME _____

JOB COST BREAKDOWN

1. Labor \$ _____

2. Material \$ _____

a. Who are your suppliers?

b. What is the dollar amount?

3. Subcontractors \$ _____

a. Who are they?

b. What are the dollar amounts?

4. Overhead \$ _____

5. Profit \$ _____

6. Miscellaneous \$ _____

TOTAL \$ _____

2. a. _____

2. b. _____

3. a. _____

3. b. _____

WHAT TO AVOID IF YOU WANT TO GET AND KEEP YOUR CONSTRUCTION COMPANY BONDED

This list of contractor problems includes those areas of concern for bonding companies that will inhibit your chances of getting and keeping your bonding:

- *Loss jobs and a history of declining profits on jobs over time.*
- *A declining or inadequate construction value to cover overhead, which may create an impetus to bid lower-margin jobs to get work.*
- *Rapid expansion and too much volume, which spreads management and supervisory personnel too thin and can cause a loss of job control and inadequate financial resources to carry the increased volume of work.*
- *Overhead which is too high as a percentage of work performed.*
- *A poor collection record on receivable creating excessive bad debts.*
- *Over-investment in fixed assets such as construction equipment or real estate and investment in non-productive fixed assets such as company cars and leasehold improvements.*
- *Outside activities such as real estate development or other startup companies and ventures that spread resources too thin.*
- *New lines of construction work not previously performed by the company.*
- *Financial problems such as inadequate working capital and equity for the volume of work being performed.*
- *A lack of unsecured lines of credit to cover short-term working capital shortages.*
- *Extensive litigation on jobs or numerous claims which take a long time to resolve or which are usually resolved unfavorably.*
- *Using a CPA with little or no contractor experience.*
- *Poor job profit-history where the profit spreads from the beginning to the end of jobs are greater than 10%*
- *A history of jobs which drag on and cannot get final releases from owners.*
- *Complaints by owners and subcontractors regarding job performance or the payment of subcontractors and suppliers.*
- *A widespread territory of operations.*
- *Extensive borrowing from the company by officers and stockholders.*

If this sounds like your company, maybe it's time you thought about getting some outside help, or perhaps you should get out of the construction business.

WHAT IS YOUR BONDABILITY?

THE NON-FINANCIAL CONSIDERATIONS IN OBTAINING SURETY BONDING

One of the great misconceptions about surety bonding is that it is a form of insurance because it is provided by insurance companies. A surety is in fact much more similar to a credit grantor like a bank than to an insurance underwriter. Why is a surety bond different from insurance? There are many reasons, some of which include:

- The surety has the right to recover its losses incurred in completing contracts from the contractor or other indemnifiers on the bonds;*
- Sureties do not write bonds with an anticipation of incurring losses, unlike casualty underwriters who anticipate when losses will occur.*
- The contractor's bond is based on a separate third party construction contract which, unlike insurance, cannot be canceled during the period of the contract.*
- Because of these differences, the surety underwriting process involves gathering a great deal of detailed financial and non-financial information on the contractor from which the surety determines the strength of the contractor.*

The 3 C's of Bondability

Sureties qualify contractors based on their qualifications in three major areas, which are often referred to as the "3 C's":

CAPITAL: The contractor's financial capacity

CAPACITY: The contractor's experience, personnel and capability to perform the actual contract work

CHARACTER: The contractor's reputation within the industry

Evaluating these criteria comes ultimately down to reducing the risk for the surety. Many contractors believe that risk is the sureties' problem, but it should be the contractor's primary concern if he expects to obtain surety bonding and establish a long-term relationship with a surety. On the other hand, bonding agents and bonding companies are in business to make money and the only way they can do that is to write bonds. Bonding companies do want your business as much as it sometimes appears otherwise.

In the last issue of The Contractor, we looked at the financial considerations of obtaining bonding. Contractors should not forget that there are also non-financial considerations in acquiring and maintaining the bonding needed to stay in business. In this issue we look at some of these non-financial characteristics that affect the construction company's ability to obtain payment and performance bonds.

Many of the non-financial considerations are subjective in nature and will be supported through outside sources such as references from owners, suppliers, architects and other associated professionals. Behind all of these requirements, one basic consideration does not change: Is the contractor qualified to perform on the job and successfully complete the job?

Below is a list of typical questions which most sureties will ask prior to considering a new contractor for bonding. As you can see, most are non-objective and most cannot be answered through the analysis of financial data.

- Does the contractor have a business plan?
- Does the company have stable banking relationships with sufficient borrowing capability?
- Is the company using qualified professional advisors?
- What sort of relationships does the company maintain with its creditors?
- What are the qualifications of the company's personnel to perform a particular type of construction contract?
- How much depth does the company have?
- How well is the company managed and is it an efficient organization?
- Does the company have a reputation for honesty and integrity?
- Is the company involved in excessive litigation and disputes with owners or others?
- Does the contractor have a business continuity plan in place should the owner die prematurely?
- Does the company have accurate and current financial and job status information available?

If after reviewing this list, if you find that many of these items are lacking in your company, it is more than likely you will face problems in establishing or maintaining a long-term relationship with a bonding company.

It is the contractor's responsibility to be able to demonstrate that he is qualified and fulfills all the requirements of surety. If the contractor can demonstrate to the surety his capabilities and his willingness to work with the surety, he can then establish a successful long-term relationship.